FINANCIAL STATEMENTS AT 31 DECEMBER

FERROVIE DELLO STATO ITALIANE

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CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS 2012

Board of Directors:

Corporate bodies of Ferrovie dello Stato Italiane SpA and Independent Auditors

Chairman	Lamberto Cardia
CEO	Mauro Moretti
Directors	Alberto Brandani
	Antimo Prosperi
	Stefano Zaninelli

Board of Statutory Auditors:

Chairman	Alessandra dal Verme
Regular members	Giuseppe Di Giovanni
	Giancarlo Filocamo
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 responsible for the preparation of corporate accounting documents

Vittorio de Silvio

Independent auditors:

PRICEWATERHOUSECOOPERS SpA

[1] Holding office until 11 February 2013

[2] Holding office from 12 February 2013

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Letter of the Chairman

In spite of the intensification of the economic crisis, especially in Europe, with the repercussions which were also, at times, dramatic in their effects, 2012 was the fifth year running of a positive performance that confirms the Group's growth, thanks to the efforts of a management that has the ability to interpret and support our corporate goals and our commitment to attaining the targets set in the 2011-2015 Business Plan, and even to attaining them in advance.

The financial result came to Euro 381 million (of which Euro 379 million achieved by the Group and Euro 2 million achieved by non-controlling interests), up by Euro 96 million compared to 2011 (Euro 285 million, of which Euro 272 million achieved by the Group and Euro 13 million achieved by non-controlling interests), thus improving the 2011 result by more than 33%, which was already significantly positive.

This trend towards further growth takes on an even greater significance in a period of economic crisis which sees our country continuing to be in a difficult situation, as others in Europe and in the world. It is also a tribute to our commitment in attaining the set targets while keeping our operating revenues stable: in fact, they stood at about Euro 8.3 billion achieved in 2011. For the first time EBITDA exceeded the threshold of Euro 1.9 billion (with EBITDA Margin of 23.3%), up by +7.6% compared to the value of Euro 1,782 million posted at the end of the previous year, while EBIT achieved Euro 719 million (+8.3%), showing an increase of Euro 55 million compared to 2011.

As regards the performance of the offer, one feature of 2012 was the boosting of the "Market" segment and the gradual completion of service level diversification; the segment reported +5.1% of the overall offer.

There were far-reaching changes in our pricing policy for all national and international passenger sector products (*Frecce* Trains and Basic Services). The new price structure was presented to our customers in the first half of 2012: three proposals constituting a mixture of flexibility and low-cost: Base, Economy and Super-Economy. Economy and Super-Economy fares have various pricing steps and sold more than 9 million tickets, mainly in the second half of the year.

In 2012 customers were also offered fares designed *ad hoc* for certain customer targets or conceived for particular occasions related to special events (such as the "*Carta Freccia* Day" or "Women's Day 2x1"). The number of customers with the *Cartafreccia* loyalty card passed the 2 million mark during the year. This scheme was enriched with exclusive extra services (such as the possibility of buying fares at advantageous prices). The High Speed/High Capacity (AV/AC) system is continuing to have an extremely favourable impact on the country's economic and social structure, bringing big metropolitan areas nearer to each other. With the *Freccia* services, railway transport has gained a leading market share compared with other means (road, air).

Trenitalia's *Frecce* trains provide a more extensive coverage of the country, their frequency, speed and quality being increasingly appreciated, as shown by the level of customer satisfaction.

Reliability, commitment to quality, continuous upgrading and the constant flexibility of our range of services are the key words in order to face the competition from the new operator that entered the Italian railway market in spring 2012. We also plan to start a business service with the first *Frecciarossa 1000* trains, in 2014. These are ultra-high speed trains being built at AnsaldoBreda-Bombardier, presented at a preview to the highest authorities in the State and to the public at Rimini on 19 August 2012: these trains will represent a further firm step forward in the Group's High Speed range.

From the point of view of infrastructures, again with regard to High-Speed trains, the stations of Turin Porta Susa, Reggio Emilia and Bologna Centrale will be completely operational before the end of 2013.

As regards Regional Transport, 2012 recorded an increase of 6.11% in traffic revenues compared to the previous year.

This change mainly arises from the instructions given by the customer Regional Governments, which led to an average increase of 6.9% in regional fares and a 0.8% reduction in traffic volumes as a result of the cuts in the services requested.
During 2012 the regulatory provisions governing competition in the public transport services sector changed twice. First, Article 25 of Legislative Decree no. 1 of 24 January 2012, bearing "Urgent measures for competition, development of infrastructures and competitiveness" stated that Regional Governments had to put regional transport services out to tender when the current agreements expired and prevented the Regional Governments from renewing the agreements for a further six years. The legal framework then changed completely as a result of Constitutional Court judgment no. 199 of 20 July 2012, which ruled the constitutional illegality of Article 4 of Decree Law 138/2011, as amended and converted by Law 148/2011, repealing, for all practical purposes, the obligation to award public services by tender, thus, in practice, allowing Service Contracts to be renewed/renegotiated.
In the regional and local Universal Services sector, together with greater intermodal rail-road integration, which is to be achieved through new partnerships/acquisitions with local firms in compliance with the line laid down in the Business Plan, it is expected that metropolitan services will be developed by means of an expansion of the fleet and a reorganisation of the range of services (in terms of both quantity and quality) in agreement with the competent local authorities. The aim is to speed up and streamline train services between peripheral and large urban areas, at the same time increasing the frequency of the trains and the number of stations at which they stop within the metropolitan areas. The massive plan for the modernisation of the rolling stock for regional and local transport is also expected to be completed during the period covered by the Business Plan.
In the Cargo Transport and Logistics sector, even if the lasting international economic crisis has been particularly felt in business to business services, the Ferrovie dello Stato Italiane Group already intends to aim at breaking even (in terms of EBIT) in 2013, developing train drive and logistics services through its companies (Trenitalia Cargo, TX Logistik, FS Logistica, CEMAT). From the commercial point of view, we shall have to continue to concentrate on the busiest routes and try to work together with others and form partnerships in order to be present at the key points of access to the services (ports and freight terminals).
As we know, the "market" sector was affected, starting from the second quarter of 2012, by the change in equilibrium resulting from the entry of new private operators that began to run services on what is, in fact, the most remunerative part of the market.
In spite of this, in a scenario in which the Group's operating revenues held firm – coming to Euro 8.3 billion again, as in 2011 – "market" revenues from the profitable segment were Euro 24 million higher at the end of 2012 (+ 1.8%).

As regards investments, in 2012, even if it had to operate in a macroeconomic scenario that was still unfavourable and with a scarcity of public funds, the FS Italiane Group managed to achieve better results than the previous year, confirming the virtuous path to growth and expansion on which it had already embarked. The FS Italiane Group continues to carry out its Investment Plan with the aim of creating value to the benefit of the Italian business and production system, contributing to the stimulation of a new growth cycle, even if this was in contrast to the negative trend in the country as a whole, both with respect to investments in construction (-6.9% compared to 2011) and in machinery and means of transport (-11.3% compared to 2011)[1].

[1] *Source: Prometeia forecast report, January 2013.*

The aim of the five-year investment programme is to expand and maintain the efficiency of the country's system of infrastructures and provide better and better quality and diversified services delivered with new, more comfortable and technologically sophisticated trains and modern stations more and more effectively integrated in the metropolitan fabric.
The total amount invested by the Ferrovie dello Stato Italiane Group in 2012 (Euro 3,891 million) was an inversion of the targeted trend of recent years, showing an increase (+2.2%) compared to the volume of accounting carried out in the previous year.
As regards new rolling stock, 70 locomotives started to operate (8 for National and International transport and 62 for Regional transport), 77 coaches for Regional transport and 7 ETR trains for National and International transport. 38 locomotives, 764 coaches and wagons and 184 trains were also rebuilt, all already running.
Finally, 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 27 billion envisaged in the 2011-2015 Business Plan, as updated at the end of 2012.
The possibility of a further substantial increase in the capacity of the 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.
About Euro 17 billion of the above investments are covered as operating grants and about Euro 10 billion in self-financing/borrowing, 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 regards the need to raise funds on the financial market, the FS Italiane Group already started preparing the MTN (Medium-Term Notes) programme in 2011: this measure consists in issuing bonds for listing on regulated markets.
The maximum amount involved in the Programme is Euro 4.5 billion, calculated on the basis of the funds required for the investments (both the High-Speed plan and the procurement of rolling stock, including regular maintenance, for Trenitalia) and the Group's capacity to generate cash resources. The bonds are to be issued over more than one financial year: the requirement for the current year has been calculated as about Euro 1.5 billion.
The Ferrovie dello Stato Italiane Group also showed in 2012 that it intended to conduct its activities in compliance with the principles of social, environmental and economic sustainability; indeed, it is by now a fundamentally important aspect of the Group that it is conscious of its wide-ranging responsibilities in all its actions, the result of an increasingly mature assumption of awareness on the part of every individual railway worker.
In detail, during 2012, continuing the process that began in 2010, the implementation phase of the Environmental Management Systems (SGAs, *Sistemi di Gestione Ambientale*) was completed as regards the Parent Company and the main operating companies with the preparation and publication of the FS Italiane Group companies' SGA Governance model, which sets out the key processes and the support procedures in addition to the methodological guidelines at the basis of the correct coordination and functioning of the individual corporate SGAs.
Other specifically targeted measures have been put in hand in the fields of energy, atmospheric emissions, local improvement projects, the utilisation of raw materials and waste management.

On 20 July 2012 Agens (*Agenzia Confederale dei Trasporti e dei Servizi*, Confederative Transport and Services Agency), with the help of Federtrasporto and the Filt-Cgil, Fit-Cisl, Uiltrasporti, Ugl Trasporti and Fast Ferrovie trade union organisations, signed the national collective labour agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*) for workers in the Mobility sector/Railway Activities contract area; after this, on 30 October 2012 the agreement was also signed by Or.S.A. Ferrovie. Also on 20 July 2012, at the same time as the national collective labour agreement, the FS Group and the first-named group of trade union organisations also signed the FS Italiane Group Company Agreement (this was also subsequently signed by Or.S.A. Ferrovie on 30 October). The two previous agreements had expired on 31 December 2008.

The new regulations came into force on 1 September 2012 for the FS Italiane Group companies (FS Italiane, RFI, Trenitalia, Italferr, Ferservizi, FS Sistemi Urbani and Italcertifer) that apply the two agreements.

These agreements, compared with the previous arrangements, provide greater flexibility in industrial relations, working hours, rules regarding the utilisation of personnel and pay and thus contribute to a substantial increase in productivity without neglecting to pay attention to the Group's employees, as shown by the launching of the supplementary medical scheme for employees of FS Italiane SpA, RFI SpA, Trenitalia SpA, Ferservizi SpA, Italferr SpA, FS Sistemi Urbani srl and ltalcertifer SpA, who will thus be able to take advantage of the important form of welfare envisaged in the new labour agreements.

Through the constant commitment of all its companies, the Group continued to provide a high standard of safety in all activities that can entail risks for customers, the community and its own employees, consolidating a culture of prevention in the field of health and safety at work by bringing all the players involved into its arrangements. The FS Italiane Group is also engaged daily in safeguarding its human resources, travellers, assets and the know-how at its disposal in collaboration with the police forces, and in particular with the railway police, the body institutionally responsible for the prevention and repression of crime on the railways.

During 2012, as indeed in previous financial years, the Group went on with its work of day-to-day and extraordinary maintenance on both infrastructures and rolling stock; this, with the technologies adopted over the years and those that started to be used during 2012, means that the Group is a European leader in terms of safety.

As we look at the next financial year and consider the goals that have been reached up to this point, which have also led to a radical change in the outside world's perception of the Group – so much so that FS Italiane now occupies one of the first places among the firms most coveted by young people that have just graduated – in addition to the present business portfolio, our growth in terms of size and profits will continue to be pursued taking our competitive horizon into account.

In the framework of the liberalisation that is in progress, in fact, there are attractive opportunities to be seized in markets that have recently opened up to competition, so that we can continue to be leading players on the Italian and European scene.

As confirmation of the Group's international vocation, we also draw attention to the continual process of expansion in all the activities related to services offered on foreign markets: passenger transport, logistics, infrastructures and stations and railway engineering. A particularly important way in which this kind of work is performed is the presence of investee companies in some major European markets: Netinera Deutschland GmbH, which operates in the regional passenger transport sector, mainly in Germany through about 50 other companies, TX Logistik AG, conducting cargo transport business in Germany, Denmark, Switzerland and Sweden and Thellò SAS (formerly Trenitalia Veolia Transdev), founded in 2011, whose Venice-Paris service became fully operational in 2012, with satisfactory results in terms of load factor and customer satisfaction.

This process of constant growth will continue to be carried on with the necessary equilibrium, carefully taking the global macroeconomic scenario into account – there are no signs of the long-awaited general recovery yet – and always bearing the effects in mind of the continual changes in the relevant legislative framework.

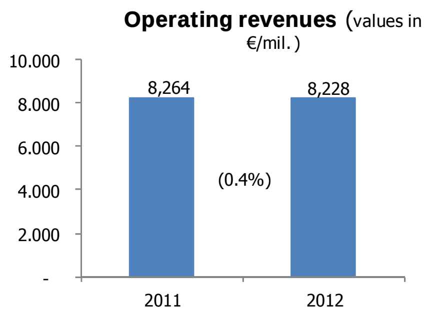
The Group remains determined to continue to be inflexible towards behaviour in breach of the law or of company regulations, not to speak of violations of codified ethical principles, because no challenge – above all the challenges that we face on international markets that are open to competition – may be considered as fully won without the total observance of legality and safety.

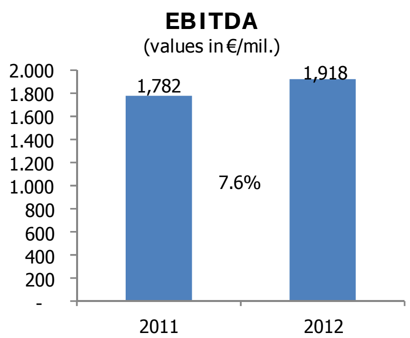
REPORT ON OPERATIONS

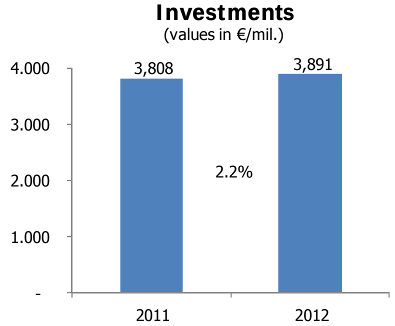
2012 consolidated results

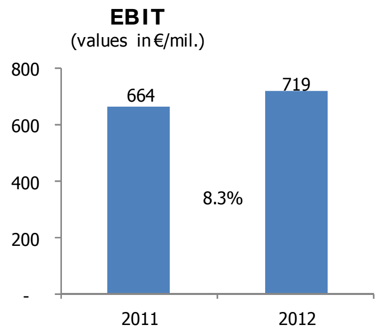
values in €/mil.

	2012	2011	Delta	%
Economic, capital and financial highlights				
Operating revenues	8,228	8,264	(36)	(0.4)%
Operating costs	(6,310)	(6,482)	172	2.7%
EBITDA	1,918	1,782	136	7.6%
EBIT	719	664	55	8.3%
Net profit for the year	381	285	96	33.7%
Net invested capital	45,804	45,178	626	1.4%
Equity	36,736	36,846	(110)	(0.3)%
Net financial position	9,068	8,332	736	8.8%
Debt/Equity	0.25	0.23	0.02	9.2%
Investments for the period	3,891	3,808	83	2.2%

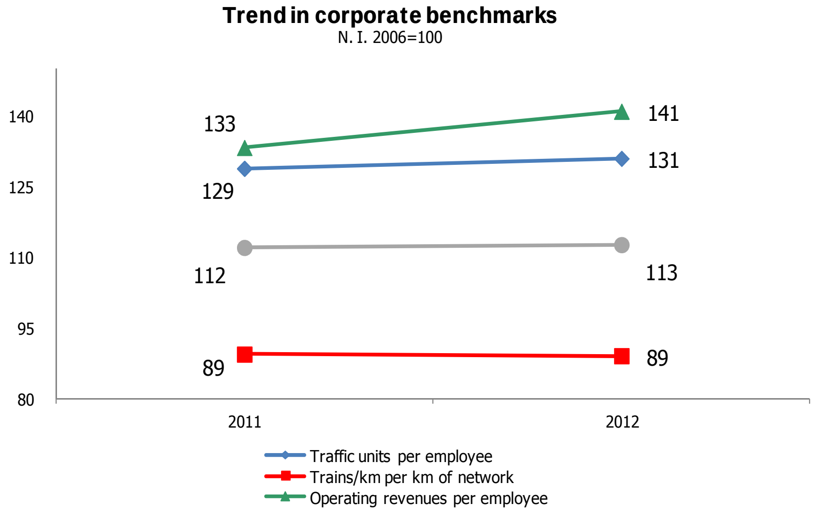








Main economic ratios	2012	2011
EBITDA/OPERATING REVENUES	23.31%	21.56%
ROS (EBIT/OPERATING REVENUES)	8.74%	8.03%
PERSONNEL COSTS /OPERATING REVENUES	(47.12)%	(49.73)%



Main events in the financial year

Regulatory measures

January

- 24 January 2012 saw the adoption of decree law 1/2012 bearing "Urgent measures for competition, development of infrastructures and competitiveness", as amended and converted by article 1, paragraph 1, of law no. 27 of 24 March 2012. The provisions of this measure that regard the railway sector are:
  - a Transport Regulatory Authority is to be instituted with functions including access to the infrastructure (laying down the policies for the calculation of tolls by the infrastructure manager and the policies for awarding tracks and capacity). The present Office for Regulation of Railway Services (*Ufficio per la Regolazione dei Servizi Ferroviari*) will be suppressed from the date on which the Authority starts operating;
  - a report to the Government and to Parliament is to be prepared by the Transport Regulatory Authority (by 30 June 2013) on the different degrees of separation between railway managers and track operators;
  - it is to be obligatory to adopt tender procedures for the awarding of local public services, even if services already awarded and contracts already executed, in accordance with the previous EU and domestic regulations, with regard to regional public railway transport services are to continue in being until the natural expiry date of their first six years of validity. As regards these regulations, by judgment no. 199 of 20 July 2012, the Constitutional Court ruled the constitutional illegality of article 4 of decree law no. 138/2011 ("Amendments to the regulations governing local public services in the light of a public referendum and European Union legislation"), both in the original version of this article and with its subsequent amendments and additions. As a result of this judgment, some provisions regarding local public railway transport were removed from Italian law, including the obligation to put services out to tender and the cancellation of the renewal (for 6 additional years) of the service contracts in place;
  - the railway companies' obligation to comply with the provisions governing the regulation of treatments of personnel work as defined within the collective bargaining negotiations held by the most representative organisations at national level;
  - bringing the project regulation of railway infrastructures into line with the European rules (design of new High Speed infrastructures according to the related technical specifications; the general principle of bringing national rules into line with the European ones, with reference to the parameters and technical standards for the design and construction of new infrastructures, as well as for the upgrading of those existing).

February

- Law no. 14 of 24 February 2012 amended and converted decree law no. 216 of 29 December 2011, "Extension of time limits set out by legislative provisions". This measure provided, *inter alia*, for the Government to define, in agreement with the Permanent Conference for relations between the State, the Regional Governments and the Autonomous Provinces of Trento and Bolzano - by February 2012 - the efficiency-improvement and streamlining objectives for the Local Public Transport (TPL, *Trasporto Pubblico Locale*) as a whole in the 2012-2014 period, the consequent measures to be adopted in the first quarter of 2012, as well as the procedures for monitoring and the criteria for allocating the Fund for the financing of the local public transport. This provision was subsequently repealed.

March

- Decree law no. 16 of 2 March 2012, bearing "Urgent measures for tax simplification, efficiency improvement and strengthening of assessment procedures", as amended and converted by law no. 44 of 26 April 2012, provided, *inter alia*, that:
  - in order to ensure the necessary local public railway transport services in Ordinary Regions (*Regioni a Statuto Ordinario*) could be provided by Trenitalia SpA, the resources of Euro 425 million for 2011 had to be allocated for railway service contracts existing in 2011, according to the criteria and percentages set out by the Conference of regions and autonomous provinces in the meeting held on 22 September 2011 and paid out to Trenitalia Spa for the portion not yet disbursed. The related payment will be provided for in a decree of the Ministry of Economy and Finance;
  - the ordinary regions had to be allocated an amount of Euro 148 million, intended for the reimbursement of the expense incurred by the same for the payment of the VAT relating to local public railway transport service contracts.

April

- Law no. 35 of 4 April 2012, "Amendments to, and conversion into law of, decree law no. 5 of 9 February 2012, bearing urgent measures for simplification and development".

  The following provisions are of interest to us:
  - amendments to the Italian Code of Public Contracts: (a) a national contracts database is to be set up at the Supervisory Authority for public contracts of works, services and supplies; contracting authorities and awarding bodies will verify that general, technical/organisational and economic/financial requirements are satisfied by means of this database; (b) the rule that undertakings which submitted false declarations or documents were to be excluded from tender procedures is mitigated, in that exclusion may be reduced to a period of up to one year. Simplified regulations are also introduced for the procedures involved in searching for sponsorships for the restoration of cultural heritage;
  - the customer is jointly and severally liable with the contractor and with any sub-contractors for employee obligations within at most two years from the termination of the contract; the customer may raise objections concerning the benefit of discussion (*beneficio della preventiva escussione*), exhausting the contractor's assets and in this case enforcement proceedings may only be initiated against the customer if recourse against the contractor's assets is unsuccessful. If the contractor has not been summoned before the court, the objection may still be raised, but in this case the customer must specify the assets of the contractor from which the worker may satisfy his/her claim. This will apply without prejudice to the provisions that allow a customer that has made its payments to claim the amount concerned from the contractor's assets;
  - an authentic interpretation is provided of the provision inserted by decree law 78/2010, which establishes the honorary nature of participation in the collective governing bodies and of positions held in bodies of entities that receive grants from public funds in any form, excluding boards of independent or statutory auditors;
  - the obligation for all the enterprises being an incorporated entity to notify a certified email address to the register of companies.

- Law no. 44 of 26 April 2012, "Conversion into law of Decree law no. 16 of 2 March 2012, bearing Urgent tax simplification measures".

  The following provisions are of interest to us:
  - the rewording of the tax regulations governing leases for professionals and IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) persons;
  - the acknowledgment of the possibility of assigning any receivables certified by debtor regional governments and local bodies for supplies, procurement and contracts, with recourse (*pro solvendo*) in favour of banks or financial intermediaries, and the extension of provisions on debt certification for supplies, procurement and contracts, as well as on the possible assignment by enterprises of receivables to banks and financial intermediaries, to state administrations and national public bodies;
  - up to two years after the termination of works and services contracts, extension of the joint and several liability of the customer with the contractor and any sub-contractors for payments due to the tax office for income from employment and VAT on invoices related to the contract, unless the customer shows that it has taken all possible precautions to prevent default;
  - the current rules governing cross-border shipments of waste are simplified by repealing the provision in the environment code that obliged undertakings that intended to move waste from Italian soil to obtain, from the Authority of the country of destination, a declaration of conformity of the domestic laws of the country in question, as well as of the waste management plants and greenhouse gas control systems, to European standards;
  - the transfer of an amount of Euro 148 million to the Regional Governments for the reimbursement of the expense incurred for the payment of the VAT on railway transport service contracts and the allocation of resources intended for Trenitalia railway services, equal to Euro 425 million, between Ordinary Regions, on the basis of the criteria set out by the unified Conference held on 22 September 2011, for the portion not yet disbursed, equal to Euro 317 million.

May

- Decree law no. 52 of 7 May 2012 bearing "Urgent measures for the rationalisation of public expenditure", as converted by Law no. 94 of 6 July 2012. Among the public expenditure rationalisation provisions in this measure are:
  - the institution of a Joint Ministerial Committee to review public expenditure, which is given responsibility for reviewing spending plans and payments to contractors, the rationalisation of the activities and services offered, cutbacks in the costs of the procurement of goods and services, facility downsizing and the optimisation of the use of properties;
  - the Government is required to present a programme within 30 September 2012 for the reorganisation of all public spending, which is to comply with Law 15/2009 on the optimisation of public sector productivity and transparency in public administrations. Furthermore, the Government, through the State General Accounting Department and with the cooperation of the Spending Review Commissioner, will start a spending review cycle on the date on which the decree law conversion law comes into force. The purpose of the spending review will be to standardise budget costs for central state administrations;

- Law no. 56 of 11 May 2012, "Conversion into law of Decree law no. 21 of 15 March 2012, bearing rules on special powers on corporate structures in the defence and national security sectors, as well as for activities of strategic importance in the sectors of energy, transport and communications."

- Decree law no. 57 of 12 May 2012, bearing "Urgent measures for the protection of health and safety at work in the transport sector", as converted by Law no. 101 of 12 July 2012.

June

- Decree law no. 83 of 22 June 2012, bearing "Urgent measures for Italian growth", as amended and converted by law n. 134 of 7 August 2012, specifically provides, among provisions having an impact on the railway regulatory framework:
  - formalities relating to fire prevention inspections for road and railway tunnels (longer than 2,000 metres);
  - the establishment of a fund for financing the adaptation of ports (including rail links), within the limit of Euro 70 million per year, to be replenished on an annual basis to an extent of 1% of collection of VAT and excise duties relating to operations in ports and freight terminals falling under the local jurisdictions of port authorities;
  - the authorisation of expenditure of Euro 4,500,000 for 2012 for the continuation of the intermodal service of the Alpine Railway Highway through the Frejus tunnel,
  - as regards regional railway transport in the Campania region, a specific procedure of assessment of deficits and a consequent procedure for the definition of recovery plans, with a maximum term of 60 months, which are necessary to reorganize and redevelop the regional rail mobility system of the Campania region;
  - some amendments to the regulations on local public services (decree law 138/2011) aimed at speeding up the provision of local public services to the market.
- Law no. 92 of 28 June 2012, bearing "Provisions on labour market reform from a growth perspective", specified that the railway companies' obligation to comply with the provisions relating to the regulation of employment measures also concerns the collective bargaining negotiations held at a decentralised level.

July

- Decree law no. 95 of 6 July 2012, bearing "Urgent measures for public spending review with no changes in services to citizens, as well as measures to strengthen the capital of undertakings in the banking sector", as amended and converted by article 1, paragraph 1, of law no. 135 of 7 August 2012, which provides, *inter alia*, for:
  - measures about the composition of board of directors of public companies;
  - the lawfulness of direct in-house lending only for services of less than Euro 200 thousand per year starting from January 2014;
  - prohibition on arbitration in service contracts between wholly state-owned companies (either directly or indirectly) and state and regional administrations.
- By judgment no. 199 of 20 July 2012, the Constitutional Court ruled the constitutional illegality of article 4 of decree law no. 138/2011 ("Amendments to the regulations governing local public services in the light of a public referendum and European Union legislation"), both in the original version of this article and with its subsequent amendments and additions. As a result of this judgment, some provisions regarding local public railway transport were removed from Italian law, including the obligation to put services out to tender and the cancellation of the renewal (for 6 additional years) of the service contracts in place.

- Law no. 101 of 12 July 2012, "Conversion of decree law no. 57 of 12 May 2012, bearing urgent measures for the protection of health and safety at work in the sector of transport and micro-enterprises".
- Law no. 119 of 23 July 2012, "Conversion of decree law no. 73 of 6 June 2012, bearing "Urgent measures for the qualification of enterprises and global performance bond".

  The measure is aimed at extending by one year the time limit set out in the Code of Public Contracts concerning the qualification of enterprises that perform public work contracts.

October

- Decree law no. 179 of 18 October 2012, bearing "Additional urgent measures for Italian growth", as amended and converted by article 1, paragraph 1, of law no. 221 of 17 December 2012, provided:
  - for the obligation to put, effective from 31 December 2013, bus services that replace or are supplementary to regional and local rail services, as referred to in articles 8 and 9 of legislative decree no. 422/1997, out to tender. This provision does not apply to services provided as substitutes for trains (temporary services necessary after a sudden interruption of the railway line or the temporary suspension of rail services owing to extraordinary maintenance, breakdowns and other events of force majeure) or additional services to rail services (temporary services rendered necessary owing to a temporary or unforeseeable peak in demand for transportation or services provided at hours and on routes that are identical to the rail service that they supplement);
  - pending the completion of the process of reorganisation of the regulations governing local public transport, in the year 2012 the funds to finance it (as referred to in article 21, paragraph 3, of decree law no. 98/2011 and article 30, paragraph 3, of decree law no. 201/2011) are distributed by decree of the Minister of Economy and Finance acting in concert with the Minister for Infrastructures and Transport on the basis of historical criteria.

November

- 9 November 2012 saw the enactment of legislative decree 192/2012, aimed at transposing directive 2011/7/EC on late payment in commercial transactions.
- On 21 November 2012, directive 2012/34/EC of the European Parliament and of the Council, establishing a single European railway area, took steps for the recast and merger into a single act of directives 91/440/EEC (development of the Community's railways), 95/18/EC (licensing of railway undertakings) and 2001/14/EC (allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructures), which were consequently repealed starting from 15 December 2012. Directive 2012/34/EC also introduced new provisions into the previous regulatory framework.
- By decree of 30 November 2012, the Minister for Infrastructures and Transport identified measures – pursuant to article 21 of legislative decree no. 247 of 30 December 2010 (Implementation of directive 2007/59/EC, on the certification of train drivers operating locomotives and trains) – providing for investments for train drivers training made by a railway company or by an infrastructure manager not to unduly benefit any other railway company or infrastructure manager.

December

- Law no. 228 of 24 December 2012, bearing "Provisions for the preparation of the State's annual long-term budget (2013 Stability Act) contains the following provisions:

- the creation from the year 2013 of a new Fund, named "National fund for the State's financial support to local public transport costs, including rail transport costs, in Ordinary Regions (*Fondo nazionale per il concorso finanziario dello Stato agli oneri del trasporto pubblico locale, anche ferroviario, nelle regioni a statuto ordinario*);
- ordinary regions must implement a rescheduling plan for local public transport and regional railway transport services, cut down services for which there is weak demand and replace uneconomical means of transport; after this has been done, the service contracts that the individual ordinary regions have already entered into with transport companies, including railway companies, are to be reviewed;
- an amount of Euro 300 million may be spent in 2013 on the extraordinary maintenance works of the Railway Network included in the programme contract between the Ministry of Infrastructures and Transport and Rete Ferroviaria Italiana Spa; in addition to this, an expenditure of Euro 600 million in 2013 and Euro 50 million in each of the years 2014 and 2015 has been authorised for the financing of investments in the national railway infrastructure, to be allocated, as a priority, to meeting requirements arising from the continuation of works in progress;
- pending the execution of the new public service contracts between the Ministry of Infrastructures and Transport and Trenitalia S.p.A., the Ministry of Economy and Finance is authorised to pay Trenitalia S.p.A. the following sums contemplated in the 2012 State budget for the public service obligations in the rail transport sector in compliance with current EU legislation;
- an expenditure of Euro 60 million in 2013, Euro 100 million in 2014, Euro 680 million in 2015 and Euro 150 million in each of the years 2016 to 2029 has been authorised for the financing of studies, designs, activities and preliminary and final works related to the Turin-Lyon railway line;
- the Development and Cohesion Fund is assigned an additional amount of Euro 250 million in 2013 to be used in order to implement urgent measures for the redetermination of the contractual arrangements with Stretto di Messina SpA; an additional amount of Euro 50 million is allocated for the same purpose, taken from the resources arising from the revocation of the finance for the performance of works included in the Strategic Infrastructures Programme.

Extraordinary transactions

January

- On 19 January 2012 the subsidiary company Italferr established a sole-shareholder company named Infrastructure Engineering Services, with registered office in Cika Ljubina - Belgrade (Serbia). The corporate purpose of the company is the engineering, architecture and technical consultancy activity. The subscribed and paid-up share capital was equal to Euro 20 thousand.

March

- On 22 March 2012 the Extraordinary Shareholders' Meeting of RFI SpA resolved to approve the plan for the partial demerger of RFI SpA through the allocation of a part of its assets in favour of Ferrovie dello Stato Italiane SpA on the basis of the companies' financial positions at 30 November 2011. On 28 May 2012 the companies signed the Deed of partial demerger.

Through this transaction, the Beneficiary Company was assigned a property holding located in the municipal district of Trieste, including buildings and fixtures and fittings owned by RFI, which had been considered to be no longer instrumental to the railway business. The actual value of the equity allocated to the Parent Company was equal to the amount of Euro 1,777,628, corresponding to the same amount of share capital.

April

- On 24 April 2012 the Extraordinary Shareholders' Meeting of Ferservizi SpA approved the merger of Metroscai Scarl in liquidation by incorporation into Ferservizi SpA. In the same session, the Extraordinary Shareholders' Meeting approved the reduction of the Share Capital from Euro 43,043,000 to Euro 8,170,000 (through the cancellation of 162,200 shares, with a par value of Euro 215.00 each), to be returned to the sole shareholder Ferrovie dello Stato Italiane SpA using the cash and cash equivalents of the company.

May

- 28 May 2012 saw the signature of the Deed of partial demerger of RFI SpA through the allocation of a part of its assets in favour of Ferrovie dello Stato Italiane SpA on the basis of the companies' financial positions at 30 June 2011. The demerger concerned four types of properties that were not instrumental to the activity of the infrastructure manager:
  - areas of limited size that may find a place in the market and that do not require town-planning development activities;
  - areas that find their place in the market due to the potential of urban property development transactions (if any);
  - portions of plants, areas and buildings that are not necessary for the specific industrial and commercial activities of RFI;
  - areas included in the urban environment, which can be intended for services to the city.

  These properties cover an overall area of about 5.5 million square metres. The actual value of the equity allocated to the Parent Company was equal to the amount of Euro 165,463,005, corresponding to the same amount of share capital.

July

- On 16 July 2012, after supplier Alstom had completed the delivery of 14 ETR 610 trains to Cisalpino AG at the end of 2011, the two shareholders of Cisalpino AG decided to split the original supply contract entered into with Alstom in 2006, arranging to assign the related rights and obligations to each shareholder equally and also arranging for the subsequent transfer of the ownership of the trains and taking over the loan granted by Eurofima for their purchase. This plan was put into effect in two phases: the first ended on 16 July with the execution of a specific deed by Trenitalia, SBB, Cisalpino and Alstom, named "Split and Assignment Agreement", which regulated the aspects related to the transfer of contractual rights and obligations. The second phase was concluded on 20 December 2012 with the transfer of the 7 trains and Trenitalia's acquisition of the Eurofima loan through the Parent Company Ferrovie dello Stato Italiane.

September

- On 28 September 2012, the Shareholders' Meeting of the indirect associated company Porta Sud Srl resolved the early dissolution of the company and to put it into liquidation. On 17 October 2012 the voluntary winding-up procedure was registered with the Chamber of Commerce of Bergamo.
- On 28 September 2012, after four years from the start-up of the business, the shareholders Ferrovie dello Stato Italiane SpA and Poste Italiane SpA made the decision to dissolve the joint partnership by mutual agreement, as Italia Logistica had not achieved the expected results, and to reassign the initially contributed assets to each of the shareholders. In fact, a contract was executed between FS Logistica SpA, SDA Express Courier SpA and Italia Logistica Srl, by which the shareholder FS Logistica SpA acquired, from Italia Logistica Srl, the TLM (*Trasporto e Logistica Multimodale*, Multimodal Transport and Logistics) Branch of Business, which Italia Logistica had dedicated to the performance of distribution logistics and transport services, at a purchase price set at Euro 160,000.00 as at 30 June 2012, while it sold its entire stake amounting to a nominal amount of Euro 450,000.00, equal to 50% of the share capital of Italia Logistica Srl, to the shareholder SDA Express Courier SpA, for a provisional consideration of Euro 160,000.00. The contract became effective on 1 October 2012: therefore, as from that date, Italia Logistica Srl is no longer owned by FS Logistica SpA.

October

- On 25 October 2012, the Extraordinary Shareholders' Meeting of Sita SpA resolved to dissolve the company and, accordingly, to put it into liquidation. On 8 November 2012 the decision to put the company into liquidation was registered with the Rome Chamber of Commerce.
- 26 October 2012 saw the establishment of a company named "Toscana in Bus Società Consortile a responsabilità limitata", 10% of which was owned by the subsidiary company Busitalia-Sita Nord Srl. The company, which has its registered office in Florence, was established for consortium purposes, in order to allow the Shareholders to make use of a common organization for the regulation, coordination and performance of their respective business activities in relation to the tender procedure for the award of the contract relating to the concession of local public rail transport services within the Optimal Territorial Ambit (*Ambito Territoriale Ottimale*) of the Tuscany Region. On 13 January 2013 the company changed its name to "Mobit Scarl".
- On 29 October 2012, Busitalia-Sita Nord Srl acquired from Ataf SpA a stake in the share capital of Ataf Gestioni Srl, for a nominal amount of Euro 7,000, at the price of Euro 8,977. The corporate purpose of Ataf Gestioni is the performance of activities for the organization and operation of local, regional, national and international passenger and cargo transport services. The subscribed and paid-up share capital was equal to Euro 10,000, and the ownership structure was made up of 70% held by Busitalia-Sita Nord Srl, 25% held by Cooperativa Autotrasporti Pratese S.C. and 5% held by Autoguidovie SpA. Subsequently, on 5 November 2012, the Shareholders' Meeting of Ataf Gestioni Srl resolved a capital increase, against payment, from Euro 10,000 to Euro 12,982,614, through new cash contributions totalling Euro 12,972,614 and to change the corporate purpose, which provides for the start-up and/or operation of activities, within the territory of the metropolitan Florence area, concerning transport of any kind and by any means, as well as of garages, mechanical and car body repair workshops, tourism initiatives and activities, trade of automotive and similar materials and oil products.

Equity investments

Acquisitions and sales of equity investments

June

- On 1 June 2012, following the contribution in kind of the branch of business named "Ferry navigation of road vehicles and passengers", RFI SpA transferred the stake held in Consorzio Metromare dello Stretto, equal to 40% of the consortium fund, and the stake held in Terminal Tremestieri, equal to 33.33% of the share capital, to Bluferries Srl.
- On 19 June the ATI (*Associazione temporanea di imprese*, Temporary Business Combine) established by the lead manager Busitalia - Sita Nord Srl, by Cooperativa autotrasporti pratese Soc. Coop (Cap Prato) and by Autoguidovie Spa (Milan), was awarded the tender for the acquisition of Ataf Gestioni, the TPL branch of business of the Florentine company Ataf Spa.
- On 27 June 2012, the Shareholders' Meeting of Trenitalia Veolia Transdev SAS resolved to transfer the ownership of 25,005 shares from Veolia Transport SAS to Trenitalia SpA. 11 July 2012 saw the formalisation of the transfer. Therefore, the ownership structure is now made up of Trenitalia SpA, which holds a stake of 66.67% and of Veolia Transport SAS which holds the residual stake of 33.33%.

November

- On 5 November 2012 Ataf Gestioni Srl acquired from Ataf SpA 34% of the share capital held in LI-NEA SpA, for an amount of Euro 4,758,000.00. The corporate purpose of the Company is the construction and management of passenger transport systems and the operation of line services for passenger transport, car hire with driver, school transport, transport of passengers with reduced mobility and on-demand transport of passengers.
- On 27 November 2012 Ataf Gestioni Srl acquired from Ataf SpA :
  - - 15% of the share capital of Toscana In Bus Scarl for a nominal amount of Euro 15,000.
  - - 77.88% of the share capital held in Ataf&Linea Scarl for an amount of Euro 19,470. The corporate purpose of the company is the management of local public transport services relating to the allotment of contracts concerning "1 metropolitan area" as regulated by the service contract executed with the provincial government of Florence following the award of the tender for the operation of local public transport services in the provincial district of Florence. The share capital is Euro 25,000.

December

- On 20 December 2012 Ataf Gestioni Srl acquired from Ataf SpA the following equity investments:
  - 60% of the share capital held in Firenze City Sightseeing Srl for an amount of Euro 1,170,000. The corporate purpose of the company is the management of public passenger transport services based on an undifferentiated offer of buses or private passenger transport services involving the hire of buses, minibuses, taxis, car hire with or without driver. The share capital was Euro 200,000;
  - 2.983% of the share capital held in TI Forma Scarl Firenze for an amount of Euro 17,000. The corporate purpose of the company involves training, refresher courses and professional specialisation, as well as such other activity as may be useful to attain the abovementioned corporate purpose, none excluded, both at national and international level. The share capital was Euro 207,782;

- 15.91% of the share capital held in OPI-TEC SpA for an amount of Euro 124,000. The corporate purpose of the company is the maintenance and repair of motor vehicles and means of transport in general and related components, even on behalf of third parties, pursuant to law 122/92; the management of fleets of motor vehicles (global service); the design, construction and/or management of depots, workshops and related systems and equipment; the management of warehouses of spare parts or assemblies for motor vehicles. The share capital was Euro 600,000, the registered office is located in Florence, at Via Pratese no. 101;
- 100% of the share capital held in SIGER Srl for an amount of Euro 121,764. The corporate purpose of the company is the provision of consultancy services in the insurance sector, including any related specialist support aimed at gathering information on, dealing with and settling claims, expressly excluding insurance brokerage. The share capital was Euro 100,000.

Equity transactions

March

- On 15 March 2012, the sole shareholder Ferrovie dello Stato Italiane proposed to reduce the Share Capital of Ferservizi from Euro 43,043 thousand to Euro 8,170 thousand, through the cancellation of no. 162,200 shares, with a value of Euro 215 each, for a total amount of Euro 34,873 thousand, to be returned to the shareholder within the time limits prescribed by law. The proposal arises from the outcome of a Parent company review of its subsidiaries' financial structure. It emerged from this that Ferservizi, owing to past performance and in the light of the targets confirmed in its new 2011-2015 Business Plan, had liquidity in excess of the amount required to carry out its mission, which is to offer Group companies increasingly efficient and economical services.

April

- On 28 April 2012, the Extraordinary Shareholders' Meeting of FNM (Ferrovie Nord Milano SpA) resolved to increase the share capital, free of charge, by allocating available reserves recognised in the accounts for an amount of Euro 100,000,000, with the issue of no. 186,386,814 ordinary shares, passing from Euro 130,000,000 to Euro 230,000,000.

May

- On 7 May 2012 the Shareholders' Meeting of Bluferries Srl resolved to increase the share capital up to Euro 20,100,000 through the contribution of the branch of business, thus finally complying with the provisions governing competition that provide for the separation of activities carried out under a free-market regime. The subscription and full release of the capital increase took place on 1 June 2012.

November

- 13 November 2012 saw the subscription and payment, with the Rome Chamber of Commerce, relating to the second tranche of the share capital of Euro 7,500,000.00 of Tunnel Ferroviario del Brennero; as a shareholder holding 85.50%, RFI SpA subscribed and paid (with value date falling on 23 October 2012) its own share equal to Euro 6,406,500. On 27 December 2012 the non-opted amount of Euro 156,000 was further subscribed and paid up. RFI SpA subscribed and paid (with value date falling on 30 November 2012) its own share equal to Euro 136,086.00. Therefore, the subscribed and paid-up share capital of Tunnel Ferroviario del Brennero- Finanziaria di partecipazioni

SpA is currently equal to Euro 163,290,910.00, divided into no. 163,290,910 ordinary shares with a par value of Euro 1.00 each.

Loans

February

- Between January and February 2012, RFI completed hedges against interest rate risks in relation to the residual 50% of the EIB loan raised in 2011, as provided for by the interest rate risk management strategy. The company has entered into no. 3 interest rate collars, with a notional value of Euro 50 million, each of them expiring in January 2017.
- In February 2012 the contract entered into force, by which UniCredit Leasing financed the acquisition by Netinera Deutschland GmbH – a German company owned by Ferrovie dello Stato Italiane – of the new trains that were to enhance the fleet of vehicles of the second private operator of local transport in the German market. UniCredit Leasing was awarded the international tender launched by Netinera Deutschland, with the support from Ferrovie dello Stato Italiane, thanks to its proven experience in the financing of rolling stock. The transaction was based on two lease agreements, with a term of 11 and 10 years, respectively, for three GWT trains and eight Double Deck trains, all of them produced by the Swiss company Stadler. The loan, equal to a total amount of Euro 73.2 million, covered the entire purchase cost of the eleven trains and allowed Netinera Deutschland to already put the first three new trains in operation, used in the metropolitan area of Berlin, while the remaining eight trains will enter into service in 2013, on regional routes again focusing on the German capital.

March

- Starting from 1 March 2012, and expiring on 4 March 2014, Ferrovie dello Stato Italiane granted an Intercompany Facility of Euro 600 million to the subsidiary Trenitalia and an Intercompany Facility of Euro 400 million to the subsidiary RFI, both of them out of the Backup Facility Agreement entered into between FS and a pool of banks on 4 March 2011, for a total amount of Euro 1.5 billion. In the same way as the main Backup Facility Agreement, the intercompany lines have the characteristics of general purpose, committed and revolving lines.
- In relation to the first programme of strategic Infrastructures (Law 443/2001) under the CIPE (*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning) resolution no. 12 of 21 December 2001 and to the programme of actions for the rehabilitation and construction of the infrastructures additional to "large stations" (CIPE resolutions no. 10 of 14 March 2003 and no. 129 of 6 April 2006), the subsidiary Grandi Stazioni SpA submitted the first request for direct disbursement of the grant relating to the 2009/2011 period for about Euro 30 million, which was subsequently reduced to about Euro 28 million, pending the completion of the approval procedure of the variances relating to the stations of Bari Centrale, Bologna Centrale, Rome Termini and Venice S. Lucia.

June

- Following the exercise of the early termination option on the part of the counterparties UBS and Credit Suisse, between 12 and 26 June, RFI SpA terminated the two hedging transactions, which had been entered into by TAV SpA in 2002, in agreement with the Ministry of Economy and Finance, in advance. The aim was to predefine and stabilize, in the long term, the overall expense of the debt linked to the High Speed/High Capacity project through the transformation of loans initially raised at variable rate into fixed-rate loans. At the same time as the closing of the abovementioned transactions, RFI replenished these fixed-rate hedges by entering into 9 new interest rate swaps for a notional value equal to the amount of the overall residual debt of Euro 833.5 million, maintaining, from a financial point of view, the same result as the initial hedges.

December

- On 17 December 2012, effective from 20 December 2012, FS Italiane entered into all necessary deeds to terminate the guarantee issued in the interests of Cisalpino out of 50% of the master loan agreement of rolling stock (the so-called MHPA 2587) that was signed by Cisalpino and Eurofima on 31 December 2003; at the same time, by replicating the financing and guarantee mechanisms currently in place between FS Italiane and Eurofima, the former took over 50% of the abovementioned MHPA, issuing, in private placement, no. 5 bonds executed by Eurofima. The obligations relating to these loans were secured by a pledge on the rolling stock of Trenitalia, which was the ultimate recipient of the sums as a result of the execution of 5 intercompany loans with FS, with effect from 20 December 2012.

Other events

February

- On 9 February 2012 the CEO of Ferrovie dello Stato Italiane, Mauro Moretti, was appointed as Chairman of the Community of European Railway and Infrastructure Companies (CER), for the third time in a row. He is the first Chairman that has been appointed for three times in a row.

April

- On 16 April 2012 Trenitalia set 15 June as the time limit for the submission of bids for the supply of 130 electric and diesel trains, plus an option for 60 additional trains, intended to upgrade and strengthen the fleet of regional trains, improving quality and comfort of travel and regularity of service, in accordance with the service contracts entered into by the Regional Governments.

  The procedure of the two tenders, one for electric trains and one for diesel trains, both of them being based on negotiated procedure, has completed the selection phase and the main national and international players in the sector will compete for the supply in question, the value of which can be estimated at about one billion and 250 million euros.

  The participants in the tender for electric trains, which is divided into two lots, will be required to produce 70 electric trains with at least 280 seats, plus an option for other 20 trains, and 20 electric trains with at least 500 seats, plus an option for other 20 trains, which are expected to be delivered in 2015.

  The other tender relates to 40 diesel trains with at least 130 seats, plus an option for other 20 trains, which are able to travel on the entire traditional railway network, are intended for regional transport on non-electrified lines and are expected to be delivered in 2015.

May

- This year's summer timetable was presented on 29 May: new quality services were also included in the expanded range. The pricing system was further modified to make access to transport services flexible and economical. There are two Frecciarossa trains more between Turin, Milan and Rome, four more Frecciabianca trains on the Adriatic line and two more on the Tyrrhenian line. The new pricing system is based on three levels: Super-Economy, Economy and Base, conceived to increase simplicity, flexibility and economy with different levels of discount with respect to the Base price. The Base price, which allows unlimited changes free of charge, has been "cut" by 5% on all Frecciarossa and Frecciabianca routes. One million tickets per month were sold at lower prices than the Base price. Among the other novelties in the new timetable is the return of some night trains: one between Sicily and Milan along the Tyrrhenian line, one between Calabria and Milan along the Ridge line and two between Lecce and Milan: these night trains are included in the Service Contract with the State.

June

- On 25 June 2012 the new railway station at Marghera was inaugurated, serving the Port of Venice, whose aim is to become of increasing importance for the whole area around the Upper Adriatic.
  There are seven new tracks, three electrified and an eighth for the port island, and two sidings as locomotive shelters. These are new works completed at a cost of Euro 12.2 million, co-financed with Euro 900 thousand from the European Union through the TEN-T programme. This project, carried out by the Venice Port Authority in collaboration with RFI S.p.A., is the result of a master agreement with the Veneto Region and the Municipality of Venice. Operating at full capacity, Marghera Station can handle a total of fifty trains a day. This new facility connects the Port of Venice with the two main Veneto freight terminals at Padua and Verona and will link the Port with the Northern and Eastern European markets. Veneto, with the North-East of Italy, retains its strategic position with respect to the European transport Corridors and the new Port of Venice railway area is an indicator of the potential development of these networks in a European framework.
- On 28 June 2012 Ferrovie dello Stato Italiane signed the draft understanding for the renewal of its own company agreement, following and in application of the agreements signed by AGENS, supported by Federtrasporto, and the Trade Unions of FILT-CGIL, FIT-CISL, UILTRASPORTI, UGL Trasporti, Or.S.A. and FAST on the renewal of the National Collective Labour Agreement of railway activities. On the same occasion, the minutes of agreement were also signed on the 2010-2011 performance bonus. This understanding was reflected in the contract signed in July 2012.

July

- On 5 July 2012 the 1st and 2nd class single fares of all Eurostar and Frecciargento High-Speed connections on the Bolzano-Brescia-Verona to Rome, the Udine/Venice/Padua to Rome, the Rome to Reggio Calabria and the Rome to Bari/Lecce lines were raised by an average of +5%.
- On 16 July 2012 the deed named "Split and Assignment Agreement" was signed among Trenitalia, SBB, Cisalpino and Alstom: this agreement regulated the aspects related to the transfer of Cisalpino's contractual rights and obligations to the latter companies, with the consent of the supplier Alstom, Cisalpino being held harmless against any and all liabilities. The signature of this agreement resulted from the two Cisalpino shareholders' decision to split supply contract SE06/101 of 2006 for the 14 ETR 610 trains delivered by the supplier Alstom at the end of 2011, and assign the related rights and obligations equally to the two parent companies, subsequently transferring the ownership of the trains and the subsequent taking over of the loan granted by Eurofima for the purchase of the trains. After this it is envisaged that the trains will be transferred and that Trenitalia will take over the Eurofima loan; after this again, the procedure for the dissolution and winding up of Cisalpina will begin.
- On 20 July 2012 the new company agreement was signed by the CEO of FS Italiane, with the assistance of Agens and the Filt-Cgil, Fit-Cisl, Uiltrasporti, Ugl Trasporti and Fast trade union organisations. Among other provisions, under the new Agreement working hours are increased from 36 to 38 hours a week for all working sectors and are distributed in such a way as to meet the various requirements of the business segments, thus showing that FS Italiane understands the particular characteristics of passenger transport (high-speed, medium- to long-distance, regional) and cargo

transport, resulting in a further increase in the productivity of the Ferrovie dello Stato Italiane Group. The parties also agreed on a new staff grading system, created a productivity pay scheme and, for the first time, a company welfare plan founded on supplementary medical assistance for all employees.

August

- On 19 August, Frecciarossa 1000, the new High Speed train that will join the Trenitalia fleet, was presented in Rimini, at a world premiere in the presence of the President of the Council of Ministers, Mario Monti. The construction of the first 50 trains was entrusted to RTI Ansaldo-Breda/Bombardier Transportation Italy. This train will reach the maximum speed of 400 km/h and will reduce travel times on the section Rome-Milan to 2 hours and 15 minutes.

October

- On 5 October 2012 the Shareholders' Meeting of Trenitalia Veolia Transdev SAS resolved to change the company name from Trenitalia Veolia Transdev to Thellò Sas.

December

- On 11 December 2012 the CIPE gave the go-ahead to the final project of the railway link connecting the Orte - Falconara line with the Adriatic route.

Sustainability

The Ferrovie dello Stato Italiane Group also showed in 2012 that it intended to conduct its activities in compliance with the principles of social, environmental and economic sustainability; indeed, it is by now a fundamentally important aspect of the Group that it is conscious of its wide-ranging responsibilities in all its actions, the result of an increasingly mature assumption of awareness on the part of every individual railway worker.
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, the Environment, Safety and Customers: an enormous hub with an unrivalled capacity to move the country towards a sustainable development model.

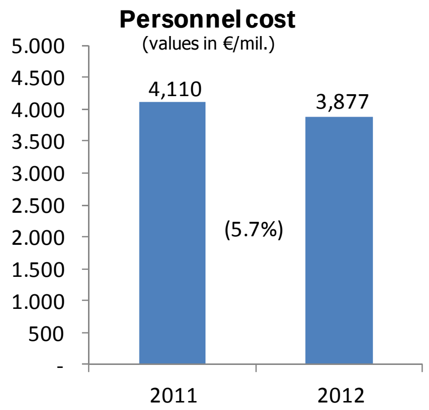
Human resources

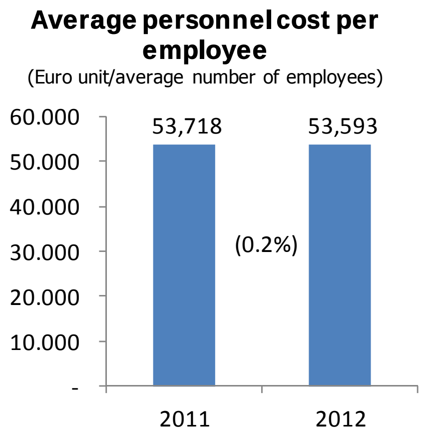
The number of Group employees passed from 73,728 units at 31 December 2011 to 71,930 units at 31 December 2012, reporting a net decrease equal to 1,798 units. The decrease reported in the average number was -4,169 units.

EMPLOYEES AT 31.12.2011(*)	**73,728**
Ins (**)	2,488
Outs	4,286
EMPLOYEES AT 31.12.2012	**71,930**
2011 AVERAGE NUMBER (*)	**76,510**
2012 AVERAGE NUMBER	**72.341**

(*) values updated on the basis of information (Netinera) that was received after the approval of the 2011 financial statements.

(**) net ins (which included those obtained under fixed-term contracts in the sector of ferries) include 1,246 entries arising from changes in the perimeter.





INDUSTRIAL RELATIONS

As already reported above, on 20 July 2012 Agens, with the help of Federtrasporto and the Filt-Cgil, Fit-Cisl, Uiltrasporti, Ugl Trasporti and Fast Ferrovie trade union organisations, signed the national collective labour agreement (CCNL, *Contratto Collettivo Nazionale di Lavoro*) for workers in the Mobility sector/Railway Activities contract area; on 30 October 2012 the agreement was also signed by Or.S.A. Ferrovie. Also on 20 July 2012, at the same time as the national collective labour agreement, the FS Group and the trade union organisations also signed the FS Group Company Agreement, which was also subsequently signed by Or.S.A. Ferrovie on 30 October 2012.
The two previous agreements had expired on 31 December 2008.
The new CCNL agreement, which will expire on 31 December 2014, is the first nationwide labour agreement that contributes to the gradual construction of the CCNL agreement on Mobility for the new unified rail transport and local public transport sector, in accordance with the recommendations of the Memorandum on the CCNL agreement on Mobility signed in the presence of the Minister for Infrastructures and Transport on 14 May 2009, and the subsequent Understanding signed on 30 September 2010, again at the above Ministry.
For the FS Italiane Group companies that apply the two agreements (FS, RFI, Trenitalia, Italferr, Ferservizi, FS Sistemi Urbani and Italcertifer), the new regulations came into force on 1 September 2012.
The arrangements that were agreed, compared with the preceding system, allow greater flexibility in industrial relations, working hours, rules on the utilisation of personnel and pay, thus resulting in a substantial increase in productivity. As regards working hours in particular, the changes from the previous arrangements are:
- all employees work 38 hours a week instead of 36, shunting personnel 38 hours instead of 34;
- relaxation of the restrictions on working hours per day and on the arrangements for mobile personnel, which vary according to the lines of business (high-speed, medium- and long-distance, regional transport, cargo transport);
- the possibility of negotiating further flexibility in working hours to meet specific production requirements at production unit level.

As regards pay, the financial terms regarded both cover for the previous period, 2009 to 2011, and increases to cover the three-year period 2012-2014 in accordance with the provisions of the Joint Trade union agreement of 15 April 2009 regarding the implementation of the master agreement on the reform of contract structures of 22 January 2009.
Starting from 1 January 2013, the Group's Company Agreement also introduced, for the first time, supplementary medical assistance schemes for all employees.
Within the context of the European social dialogue, at CER level the FS Italiane Group applied the procedure for the preparation of the 4th Railway Package, specifically with reference to the review of Regulation 1370/2007 on local public transport. 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 Regulation no. 1370/2007.

Personnel management and development policies

As 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 in the last four months of the year.

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 for the personnel of the FS Group companies that involved about 230 workers in 2012, which added to more than 2,300 employees who made use of the Fund's extraordinary benefits as early as 2011.

With a view to cutting down the recruitment of staff from the external labour market, Group companies carried out active internal job posting and intra-group mobility policies, which resulted in more advantage being taken of the professional capacity and potential of the human resources already working in the Group.
Recruitment on the external labour market focused above all on professionals with highly specialised and immediately exploitable know-how, in addition to new graduates of excellence, intercepted thanks to fruitful cooperation with the academic world through a number of projects such as 2nd level master degrees, internships, scholarships for degree theses, career days, jointly organised courses and seminars.
These measures enabled the Group to also achieve a satisfying result in terms of Employer Branding, coming second 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

Consistently with the Group's lines of strategy and in order to ensure that the activities that it performs provide increasing support to its lines of business, FS Italiane Group's training work in 2012 concentrated on enhancing the crucial skills needed to develop a culture of improvement, quality, efficiency and value, to broaden vision and a capacity for constant business innovation and to pursue customer orientation, an international culture and diversity management.
In the field of managerial training, work continued on the consolidation of providing guidance for human resources, giving them a direction and making the best use of their capacities, infusing the motivation and energy to govern change and develop the managers' ability to select collaborators and make them grow adopting a criterion of merit.
In line with the process that began during the last financial year, recourse to funds for training also rose substantially during 2012. Financing plans amounting to Euro 5 million were submitted to the Joint Training Funds used by the FS Group (*Fondimpresa* for non-executive and *Fondirigenti* for executive staff), Euro 3.3 million of which was paid out.

Health and Safety at Work

Health and Safety at Work is a key element for the FS Group in the development of its business nationally and internationally. The 2011-2015 Business Plan reiterates and emphasises this value, reaffirming the commitment to ensure an ever higher level of safety for each activity carried out by staff, also by constantly reinforcing organisation and safety management models.

In 2012, in compliance with accident reduction and prevention improvement objectives, the prevention activities carried out by Group companies were boosted through organisational, training and technological renewal projects.
The Group's commitment to rigorous integrated safety management, based on technological and organisational innovation, which is one of the Group's main development factors on the Italian and international market, was the theme

of the international conference entitled "Integrated Approach to Safety: the FS Italiane Group Experience" (*Approccio integrato alla Sicurezza: l'esperienza del Gruppo FS Italiane*) held in Rome on 22 May and addressed at Group company executives. Experts and representatives from Italian and international railway safety bodies attended this event.

Health and safety at work for those working abroad was the main subject of the workshop for the Group companies' health and safety managers entitled "Health and Safety at Work – International Developments: Legislation, Case Law and Best Practices" (*Salute e sicurezza sul lavoro-Sviluppo nei mercati internazionali: normativa, giurisprudenza e Migliori Pratiche*). At this workshop the health and safety managers of the principal Italian industrial groups and experts in the field presented the best prevention measures regulating the sending of workers to European and non-European countries and the security problems in the so-called "at risk" countries. The legal and case law aspects of these specific activities were also examined. After the workshop and its findings, on 5 November 2012 the Parent Company issued a notice entitled "Guidance on employers' health and safety at work obligations with regard to activities performed abroad" (*Indirizzi riguardanti gli obblighi del datore di lavoro in materia di prevenzione della salute e sicurezza sul lavoro per le attività svolte all'estero*) as per Legislative Decree no. 81/2008; this document, as its name implies, regarded the health and safety of the Group companies' workers on Italian employment contracts that render their services in other countries.

In October, women's health month, on the occasion of the presentation conference of the "Frecciarosa" programme, on the initiative of institutions and associations in the main railway locations, the CEO of the FS Italiane Group and the President of INAIL (*Istituto Nazionale* per *l'Assicurazione contro gli Infortuni sul Lavoro*, National Institute for Insurance against Accidents at Work) signed the new "Ferrovie dello State Italiane-INAIL Master Agreement" in order to strengthen the already existing collaboration between the two bodies with a view to a constant enhancement of the protection of health and safety at work and a consequent further reduction in accidents by boosting prevention levels.

"Speed in safety! Information regarding health and safety at work travels by train too" (*Sfreccia in sicurezza! L'informazione su salute e sicurezza sul lavoro viaggia anche in treno*) was the name of the information campaign organised by INAIL with the collaboration of Ferrovie dello Stato Italiane addressed at all citizens/workers whose aim was spread the messages of risks at work suggested by the European Healthy Workplaces campaign for 2012-2013. This project directly involved more than 80,000 travellers in Rome and Milan Stations and the passengers on the Frecciarossa trains between Rome, Florence, Bologna and Milan from 23 to 29 April. To these we must add the thousands of persons in transit that saw the video "Napo: safety at work" (*Napo: sicurezza sul lavoro*) and "Speed in safety" (*Sfreccia in sicurezza*) on the monitors at Rome Termini station and on the 400 VDCs at Roma Termini and Milano Centrale Stations: this was an edutainment project – educate entertaining or educate playing - on prevention themes and was very successful.

In the field of training, the Group companies updated the staff training modules provided for in the health and safety management systems in compliance with the Agreement reached in the State-Regions Conference of 21 December 2011, reviewing their duration, minimum contents and the methods for the training of workers, executives and supervisors pursuant to article 37, paragraph 2, of Legislative Decree no. 81/2008.

In 2012, the trend in accidents at work within the FS Group showed a further reduction of the same, on the basis of the data on accidents compensated provided by the insurance entity INAIL, even if the data has not yet been consolidated. This data shows a marked improvement on the objectives: the reduction of accidents is more than 10% compared to the pre-set target of 5% and the reduction of the accident rate is higher than 8% compared to an objective of 1.5%. The data relating to accidents while commuting that were compensated in 2011 and 2012 shows a reversal of the trend compared to the peak reported in 2010.

Environment

In 2012, the Group continued the process that started in 2010 and completed the phase of implementation of the Environmental Management Systems (SGAs) for the Parent Company and the main operating companies, with the preparation and publication of:

- the Governance model of the SGAs of the FS Italiane Group companies, which identifies the key processes supporting the correct coordination and operation of the SGAs of the Companies;
- the Guidelines for the implementation and alignment of SGAs of the FS Italiane Group companies, prepared to ensure the harmonization of methods for the implementation and alignment of the Companies' SGAs;
- the SGA Manual and Procedures of FS Italiane SpA and of the main Group Operating companies, prepared to ensure the correct implementation of the Companies' SGAs. As regards the companies (Trenitalia, RFI, Italferr and Centostazioni) the Environmental or Integrated Management System of which has already been certified or implemented, activities mainly involved the review and update of the system documentation.

The year saw the completion of the basic training course on environmental matters, which had been targeted at staff in the Environment professional category that groups together staff in the operating companies that hold a role of coordination and control within the SGA.

Work continued on the project to adopt an IT solution (SuPM – Sustainability Performance Management) for the planning, monitoring and reporting of the Group Sustainability.

The 2011 Sustainability Report was prepared and published, which obtained the application level GRI A+, as certified by an external independent company.

The main Mobility Management projects, all devoted to Group employees, were the preparation of 12 Home to Work Travel plans, the execution of agreements with local public transport firms to encourage the use of collective means of transport (in Rome alone more than 1,000 discounted travel passes were bought) and the publication of a section with abundant information for the convenience of commuters on the intranet portal.

The UIC (*Union Internationale des Chemins des Fer*, International Union of Railways) and Ferrovie dello Stato Italiane organised the 12th Sustainability Conference, which was held in Venice from 25 to 27 October. Representatives of railways all over the world and of Italian and international institutions discussed the promotion of the decisive role of rail transport in building a more sustainable future and analysed issues such as energy and emissions, the use of the soil, climate change adjustment and sustainable mobility.

The main initiatives carried out by the Group Companies in 2012 are listed below.

Energy

The Green Facility Project (*Progetto Impianto Verde*) was strengthened and presented. This will direct all the steps taken to foster energy efficiency and the development of renewable sources of energy in Trenitalia's 64 industrial sites.

A project was launched to measure the consumption of energy on board trains by using the DISs (Driver Information Systems) without having to install a dedicated meter. After the precision and accuracy of the system had been ascertained, experiments were conducted on economical train driving methods.

A pilot project was created for the real time monitoring, processing and storage of energy consumption data from main electricity and natural gas meters: consumption is recorded in real time through sensors installed in buildings.

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 deriving from certified renewable sources); and a call for tender was published for the subsequent two-year period.

Energy diagnoses were conducted in four Trenitalia workshops and 52 buildings used by passengers on the *Centostazioni* network.

Busitalia-Sita Nord informed its drivers of the impacts of different driving styles on the environment.

In the field of rail transport, the German Netinera Group launched a project for the development of an energy monitoring system and the construction of a diesel drive locomotive. During 2013 the system will be installed on other rolling stock and will be made compatible for use on electric locomotives. The acquisition of position and performance data in real time will enable engine drivers to improve their driving style. An on-line browser has also started to be implemented that drivers can use to find information on aspects of driving that will enable them to save energy while safeguarding safety and punctuality.

Emissions into the atmosphere

The Frecce trains *+* Car Sharing project was launched in the autumn. This scheme offers a discounted annual subscription and its purpose is to encourage *Cartafreccia* members to use the car sharing service in 19 Italian cities.

A co-marketing initiative was launched with TERN, a leading fold-up bicycle marketing firm. This agreement led to the creation of a bicycle co-branded with Trenitalia, sold to *Cartafreccia* members at a reduced price. This idea, together with the *EcoRent* project (train + hired electric car) gained an award at the 12th UIC Sustainability Conference.

Another initiative that obtained an award (the Sodalitas Social Award 2012) was the "To the Sea by Train" (*Al Mare in Treno*) scheme promoted by Trenitalia and the hoteliers of Rimini and Riccione, who offered free travel to those who chose to stay in these two Romagna coast resorts.

During 2012 Trenitalia concluded three other major agreements: Ecomondo at Rimini (an international fair for the recovery of materials and energy and sustainable development), SANA at Bologna (an organic and natural products fair) and Slow Food in Turin (a Gastronomy and Mother Earth fair). The three events provided opportunities to promote the train as the ideal partner for fairs focused on sustainability and the green economy.

In June 2010 railway tickets already started showing average CO_2 emission figures and customers who took out Trenitalia loyalty cards can now convert the CO_2 emissions that they save compared with a similar journey carried out using another means of transport into Green Points. Since April 2012 these points may be used to obtain prizes from the *Cartafreccia* catalogue in the new *Eco style* section, expressly devoted to products certified in accordance with international environmental standards.

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.
Work is proceeding on the construction of new gas power stations to replace the old diesel/fuel oil power stations: in 2012 the main new stations were at Venice Mestre, Genoa Brignole and Bari.
Road transport also contributed to the reduction of atmospheric emissions: in fact filtering systems that remove particulates from the exhaust gas of Euro 3 vehicles have been installed on 13% of the Busitalia-Sita Nord vehicles, provided with hire licences, which enable these buses to comply with the Euro 5 particulate content standard.

Raw materials

Trenitalia has been printing its rail tickets on paper certified in accordance with the Forest Stewardship Council® (FSC) standards since March 2012: about 10 million tickets printed each month bear this certification.
Trenitalia has issued the "Operating Instructions for the Management of Contract Negotiations" (*Istruzione Operativa Gestione Attività Negoziale*), with a view to more sustainable procurement management: these instructions describe the policies that can be inserted in contracts for the procurement of goods and services in order to obtain more rigorous environment protection standards from suppliers.
The subsidiary Ferservizi has also conducted various activities with regard to green procurement, including the insertion of environmental requirements in the technical specifications for tenders for computer equipment for use by individuals and printing centres. The supply tenders have also been concluded for recycled stationery for all the Group companies; for office furnishings in which the main factors or award policies regarded the type of wood, formaldehyde release and the levels of volatile organic compounds in the products used for coating surfaces; and for bi-fuel LPG/petrol and electric model cars for Group use.
Finally, innovative highly biodegradable and long-lasting antifreeze/cooling liquids started being used in 2012 for the cooling systems of the entire Busitalia-Sita Nord bus fleet.

Waste

One of the activities that stand out during the year is the introduction or reorganisation of the waste sorting in many of the Group's operational offices: the central FS Logistica office in Rome, the administrative and operational offices of Busitalia-Sita Nord in Tuscany and the Rome headquarters of the Parent company, RFI and Trenitalia, Villa Patrizi: about 3,500 people work in Villa Patrizi alone. Moreover, also thanks to these achievements, Ferrovie dello Stato Italiane received a Special Mention in the framework of the European Week for Waste Reduction owing to the wide-ranging nature of its work. Efforts were also made in the main 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 creation of new recycling bin areas and improvements to the present collection points.

Territory

Enhancement areas: planning

Italferr is certainly the Group company that does the most important work for the environment. Specifically, during 2012 it completed:

- 13 Final and Working Designs;
- 4 Environmental Monitoring Projects;
- 5 Environmental Impact Studies;
- 16 Environmental Monitoring Surveys on contracts in progress;
- 2 Utilisation Plans.

Archaeology

Italferr has carried out studies and prepared preliminary plans for excavations related to 25 different projects in order to find the best solutions for the management of archaeological issues in agreement with the supervisory offices of the Ministry of Cultural Heritage and Activities.

Noise

The acoustic mapping and the work related to the plan of action for the rail routes with more than 30,000 transits a year inside urban agglomerations with more than 100,000 inhabitants were completed. The acoustic mapping of routes outside urban agglomerations has also been completed, while the work on the plan of action will end during 2013.

The noise abatement measures on ETR500 trains have also been completed: when parked they will be in auto mode, which optimises the trains' consumption of electricity and the use of the motorised cooling tower fans.

In 2012 Italferr also conducted 8 acoustic and vibration studies on various rail junctions and sections. It also developed the Preliminary and Final Designs for the work envisaged in RFI's National Noise Abatement Plan. Italferr's main contribution to the infrastructural works of the new High-Speed lines were the verification of the noise study (2 projects) and Specialist Support (4 projects), in addition to the Final Design, for direct noise abatement on the receptors on the Rome to Naples line. Finally, it conducted trials, with vibration readings, in the "abate noise" (*mitiga.rumore)* project of the Autonomous Province of Bolzano along two sections of the Brenner railway line.

Potentially contaminated sites

Trenitalia reclaimed and managed 15 contaminated sites in 2012, 3 of which of national interest.

FS Sistemi Urbani carries out environmental assessments of its assets and makes them safe. In December 2011 an agreement was signed with RFI for reconnaissance work related to aspects of environmental safety, by virtue of which inspections were conducted at 65 areas in order to locate environmental risk situations. This work also involved areas that were mentioned in an Addendum to the above agreement, signed on 13 September 2012.

Finally, Italferr did some preliminary characterisation to verify whether there was contamination on 5 sites, while on another 5 sites Italferr continued with environmental investigation and reclamation activities in compliance with the reclamation procedures agreed with the bodies concerned.

Safety

The monitoring of accident rates on railways is based on accidents that are considered "serious" according to the international criteria set out in Directive 2004/49/EC, which was transposed into the Italian legislation by Legislative Decree no. 162/2007.

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 include accidents that have occurred on railway lines that are temporarily interrupted or closed to traffic (depots, workshops) but exclude those caused by voluntary acts (suicide or vandalism). In addition, the category of accidents includes both collisions with obstacles on the level crossing (vehicles etc.) and the running over of persons who wrongfully cross the tracks when the level crossing is closed.

The list below reports the number of serious accidents that occurred on the Ferrovie dello Stato Italiane Group's network managed by Rete Ferroviaria Italiana S.p.A., as broken down by type:

- 7 "collisions" of trains against 6 in 2011;
- 5 "derailments" of trains against 3 in 2011;
- 81 instances of "damage to persons" caused by moving rolling stock against 79 in 2011;
- 1 "other" accident against 2 in 2011;
- 13 at level crossings against 18 in 2011;
- 1 fire involving rolling stock against 0 in 2011.

In 2012 there were 108 serious accidents in all, the same as the previous year. Among the different types of serious accident, there was a slight increase in collisions, derailments or accidents causing harm to persons. There was also a case of rolling stock catching fire, a type of case not recorded in 2011. On the other hand there were fewer accidents classified as "Others", above all accidents at level crossings, of which there were 30% fewer than the previous year.

Macro-economic scenario

About four years after the explosion of the American financial crisis, the world's economy is still struggling. During 2012 global economic growth weakened further, conditioned both by a slowdown in world trade and the persisting uncertainty regarding the process of the consolidation of the public finances in the United States and the rising tensions on sovereign debt in some Eurozone countries. In this scenario a substantial divergence continues to exist between advanced economies' contributions to world economic growth and those of the emerging and recently industrialised countries. The economies of the last named, in fact, continued to grow in terms of percentage change in GDP in 2012 too (+5.1%), driven above all by China (+7.8%) and India (+4.7%). The developed countries' contribution (+1.3%), on the other hand, was decidedly lower, the United States' performance of + 2.3% being countered by a -0.4% drop in the Eurozone.

Overall the world economy grew by 3.0% compared to 3.9% in 2011. World trade also shrank, +2.6% last year compared with the +7.2% of the preceding year.

Global economic data	**2012**	**2011**
GDP (% changes over the previous year)		
World	**3.0**	**3.9**
Developed countries		
USA	2.3	1.8
United Kingdom	(0.2)	0.9
Eurozone	(0.4)	1.5
Emerging Countries		
China	7.8	9.3
India	4.7	7.3
Latin America	2.4	4.7
World Trade	**2.6**	**7.2**
Oil ($ per barrel)		
Brent	112.1	111.6

Source: Prometeia Forecast Report, January 2013

In the Eurozone the persistent market tension caused by the sovereign debt crisis only relaxed during the second part of the year as a result of intervention on the part of the ECB. Nevertheless high unemployment and weak domestic demand continued to put a brake on basic growth movements. Overall GDP in this area fell by 0.4% and, even if this was against a background of generalised slow-down, there was a marked difference in the rate of growth among EMU countries, where the core Europe countries suffered less than the peripheral states.

Germany, whose GDP rose by 0.9%, remains the Eurozone flagship, followed by France, which, even if it had to deal with substantial austerity measures, recorded a 0.1% growth rate. Of the peripheral countries, on the other hand, one poor performance that stood out particularly was that of Portugal (-3.1%) and Greece (-6.4%).

In 2012, inflation in the EMU countries, which decreased compared to the previous year, came to 2.5%, thanks to the deceleration in prices of energy products that took place in the second part of the year.

Eurozone economic data	2012	2011
GDP (% changes over the previous year)		
Eurozone	(0.4)	1.5
Germany	0.9	3.1
France	0.1	1.7
Italy	(2.1)	0.6
Spain	(1.4)	0.4
Inflation (HICP) (% changes over the previous year)		
Eurozone	2.5	2.7
Germany	2.2	2.5
France	2.2	2.3
Italy	3.3	2.9
Spain	2.4	3.1
Domestic demand (% changes over the previous year)		
Eurozone	(1.9)	0.5
Germany	(0.2)	2.6
France	(0.5)	1.7
Italy	(4.7)	(0.9)
Spain	(3.8)	(1.9)

Source: Prometeia Forecast Report – January 2013

Demand within the Eurozone fell noticeably (-1.9% against +0.5% in 2011), seriously affected both by the corrective measures on public finances – which, moreover, were indispensable in order to avert even more serious consequences on economic activity and stability – and by weakness in household consumption. In this case too there were obvious divergences among the EMU countries: in Germany (-0.2%) and France (-0.5%) the fall in demand was more limited than the more substantial reductions in Italy (-4.7%) and Spain (-3.8%).

The Italian economic system slowed down sharply in 2012 owing to both the tension on the financial markets and on the effect on disposable income of corrective measures on public finances. Furthermore the severe earthquake that occurred in Northern Italy in May, in an area with a high density of industrial and technological concerns, had a further unfavourable impact on the entire economy of the country.

The GDP performance showed a reduction of 0.8% in the first quarter of the year and 0.7% in the second one. A more limited reduction was recorded in the third quarter (-0.2%), which was however followed by a negative fall equal to -0.6% in the fourth quarter. As a whole, the GDP reduction came, on an average annual basis, to 2.1%, compared to a modest growth of 0.6% recorded in 2011.

All components of household consumption continued to shrink, reflecting the prolonged drop in disposable income and the pronounced general uncertainty. The decline in the durable goods sector was particularly accentuated. An indication of this is the general fall in the number of car registrations, which was lower than any other year since 1979.

In Italy, the annual average rate of inflation (NIC rate, *Nazionale Intera Collettività*, i.e. a price index for the whole community of Italian households) came to 3.0%, showing a slight increase by two tenths of percentage points compared to 2.8% in 2011.

A sharp increase was also recorded in unemployment rate, which came to 11.2% in December; in particular, note that the youth unemployment rate stood at 36.6% in the same period. In 2012 the Italian enterprises benefitted from 1,090 million hours of redundancy fund schemes (*cassa integrazione*) against 973 million in 2011, reporting an increase of 12% on an annual basis.

	2012			
Italy economic data	**1Q**	**2Q**	**3Q**	**4Q**
GDP (% changes over the previous year)	**(0.8)**	**(0.7)**	**(0.2)**	**(0.6)**
Domestic demand	(1.6)	(1.2)	(0.7)	(0.6)
Household spending	(1.4)	(1.2)	(1.0)	(0.6)
PA* and ISP** spending	(0.1)	0.1	(0.3)	(0.4)
Gross capital formation	(4.1)	(2.0)	(1.4)	(1.6)
Constructions	(3.6)	(1.2)	(1.4)	(1.9)
Other investment assets	(4.7)	(3.0)	(1.3)	(1.3)
Imports of goods and services	**(3.5)**	**(0.5)**	**(1.4)**	**0.1**
Exports of goods and services	**(0.5)**	**1.0**	**0.5**	**0.0**

Source : Prometeia Forecast Report – January 2013

*PA = *Pubblica Amministrazione*, Public Administration

**ISP = *Istituzioni Sociali Private*, Private Social Institutions

Customers

2012 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 to the total range rose by 5.1%.

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 price structure was presented to customers on 10 June 2012, divided into three types of fare, a mixture of flexibility and low cost: Base, Economy and Super-Economy fares. Economy and Super-Economy fares have a multi-price structure and sold more than 9 million tickets, mostly in the second half of the year.

Apart from the above price range, fares were offered during 2012 that were specially conceived for certain customer targets or particular occasions related to special events: these are some examples of special offers taken from Passenger Division products in general:

- Carta Freccia Day for Cartafreccia holders, who were offered a 50% discount for Saturday travel (valid till 9 June 2012).
- *Festa della Donna 2x1* for journeys on Women's Day, allowing two persons (at least one of whom a woman) to travel for the price of one.
- *San Valentino 2x1* for journeys on Valentine Day, allowing two persons to travel for the price of one.

The following promotions were only offered to Frecce trains travellers:

- *2x1 Frecciarosa*: in the framework of the *Frecciarosa* corporate project, created to promote the prevention of breast tumours, a fare valid for two persons (at least one of whom a woman) for the price of one was offered in October for departures between 11:00 a.m. and 2:00 p.m. and the whole day on Saturdays.
- *Internazionali BNL d'Italia*: spectators of the International Tennis tournament in Rome from 12 to 21 May 2012 were offered a 10% discount on single or return fares to Rome.
- *Bimbi Gratis*: *Cartafreccia* holders on board Frecce trains were offered free fares for children under the age of 12 for the entire second half of the year if accompanied by customers with loyalty cards; the age limit was extended to under the age of 15 on 9 December 2012.

During the year the number of customers with *Cartafreccia* programme loyalty cards exceeded the 2 million threshold. This programme was enriched with exclusive extra benefits (such as the possibility of buying journeys at special prices). New products were launched: the *Città in viaggio* ("Travelling Cities") gift chest, the only product with a Frecce train journey included, the result of cooperation with the Italian Boscolo Group, and a co-branded credit card with quality services in collaboration with Diners.

2012 marked the entry of Trenitalia into the world of sports marketing, reaching agreements with the International Tennis tournament, the Italian Rugby Federation and, above all, the partnership, for the entire season, with the football clubs that are included in the Frecciarossa network: Lazio, Juventus, Torino, Milano, Inter, Bologna, Fiorentina, Roma 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 passed from 95.2% in 2011 to 96.9 in 2012. The improvement in the service rendered to customers was also confirmed by customer satisfaction data gathered by persons from outside Trenitalia, according to which the level of overall travel satisfaction came to 93.2% at the end of the year (in line with the results recorded at the end of 2011), up to 96.1% for Frecciarossa trains.

The main developments in 2012 were:

Frecciarossa

During the year the restyling of the ETR500 fleet continued for the new Frecciarossa train with the gradual extension of the new levels of service, Executive, Business, Premium and Standard, on almost all the trains.

In May the transformation of the entire non-stop range between Milan and Rome was completed, while by the end of the year more than 90% of the total Frecciarossa range had been converted. The new airline-style seat numbering was launched on all trains in June 2012.

On-board technological systems for passengers were introduced or improved with a view to the constant enhancement of the travel experience:

- the new Frecciarossa portal became fully operational;
- WIFI and UMTS services were boosted and improved:
- the menus of the monitors in the coaches were enriched (travel information, entertainment, news, commercials).

As regards the commercial offer, note the following:

- a remodulation of the Milan – Turin connection systems: a new morning connection, by which a total of 5 trains between 6.30 am. and 21.00 p.m. was achieved on the route to Turin-Milan and two new connections on the route to Milan-Turin in the afternoon slot;
- a larger coverage of the Milan metropolitan area, with new stops at Porta Garibaldi (from 10 to 12 stops) and Rogoredo (from 14 to 16 stops);
- the upgrading of rail connections from/to Rome Tiburtina (from 4 to 16 stops) and new connections to Salerno (from 8 to 10 trains per day);
- optimisation of the Milan-Rome evening offer;
- review of the timetable of the trains included in the periodical offer for the search for the utmost efficiency and a better synergy with Frecciargento trains.

Frecciargento

During 2012 substantial investments were made in the entire Frecciargento fleet to raise the standards of comfort and make it easier to use technological services:

- WIFI and UMTS services were tried out on the ETR 600 trains;
- in June 2012 new airline style seat numbers were introduced;
- the exterior livery was revamped;
- the menus of the monitors in the coaches were enriched (travel information, entertainment, news, commercials).

In 2012, Frecciargento train offer was characterised:

- by the increase in the connections on the Rome-Venice route, in the bands with higher demand, with the introduction of 3 new couples. Therefore, the strengthening of the route was completed, which had begun in June 2011, and the total offer passed from 30 to 36 connections;
- by the streamlining of the offer between Rome and the Puglia region;
- by the review of the timetable of the Reggio Calabria – Rome connection, in advance of the departure by 33 minutes to improve the system of connections for the customers in the Calabria region at the stations of Reggio Calabria, Villa San Giovanni and Lamezia Terme.

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). Starting from the time change in December 2012, the "Other ES" connections also entered the Frecciabianca perimeter, which were carried out with ETR 460 trains relating to the *Rome – Reggio Calabria* and *Rome – Ravenna* lines.

International traffic

The International product saw, compared to 2011, the entry of the *Venice – Paris* connection (operated by Thellò) in full operation, with encouraging results in terms of load factor and customer satisfaction. In the period from June to September, there were various interruptions of the Brenner pass, in Domodossola (for works at the Sempione pass) and a landslide in Switzerland, with transhipments carried out by substitute means of transport (buses). The *Rome – Paris* connection was restored and the new *Milan – Munich* connection was inaugurated (December 2012).

Furthermore, the School Group Europe offer was extended on the new connections.

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, following the check of economical sustainability of the agreement, the 2012 timetable launched the new model of products defined by the

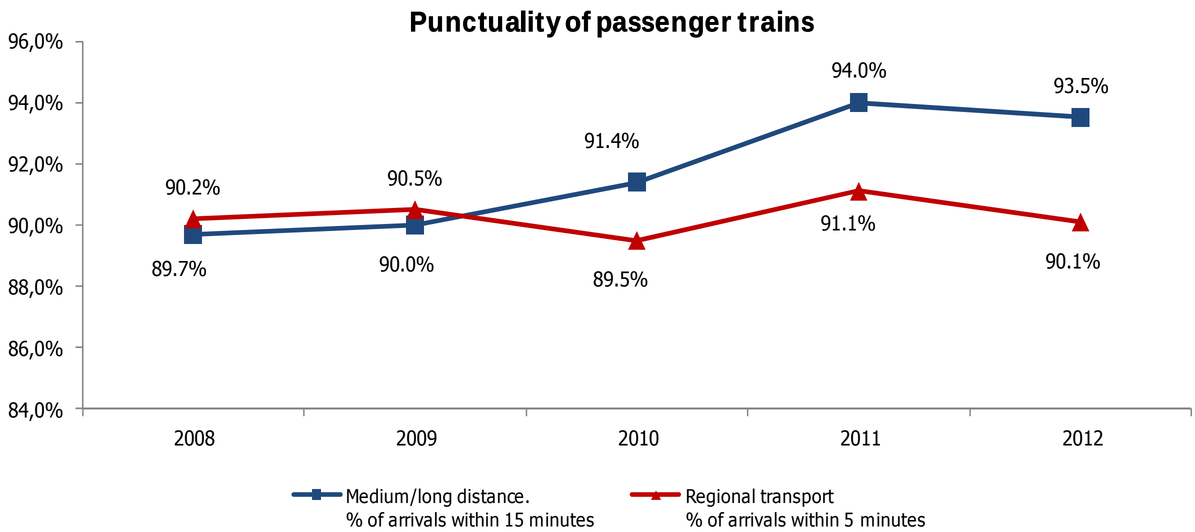
customer, the Ministry for Infrastructures and Transport. This offer provide for some night trains from the South to stop at the Rome hub; from this hub passengers travelling towards the cities of northern Italy can continue their journey using High-Speed trains.
The *Notte + AV* ("Night + High-Speed Train") promotion was conceived for such travellers in order to secure and support the market. This offer provides a special price for persons that use a night train and a High-Speed train for a single journey, including the part on board a *Freccia* train, in order to pursue greater efficiency and help communications between one part of Italy and another.
95% of medium- and long-distance Universal Service and Other trains arrived on time or in any event not more than 15 minutes late, compared with 92.5% the previous year. The level of overall satisfaction with the journey, on the other hand, was 83.0%, an improvement on the year before (80.9%).
Finally, the Intercity product was characterised by a review of its configurations which affected the segment out of the scope of the service contract with the State, providing for actions to adjust the offer depending on the market trend.
In 2012, the Regional Transport segment recorded a 6.11% increase in revenues from traffic, compared to the previous financial year. This change was mainly linked to the instructions of the customer Regional governments, which entailed an increase in regional fares that increased by 6.9% on average, and a reduction in volumes equal to 0.8% linked to the reduction in the required services.
During 2012 the provisions of the legislation governing competition in the public transport services sector changed twice. First, Article 25 of Legislative Decree 1 of 24 January 2012, bearing "Urgent measures for competition, development and competitiveness" stated that Regional governments had to put regional transport services out to tender when the current agreements expired and prevented the Regional governments from renewing the agreements for a further six years.
The legal framework then changed completely as a result of Constitutional Court judgment no. 199 of 20 July 2012, which abrogated the obligation to award public services by tender, thus, in practice, allowing Service Contracts to be renewed/renegotiated. This approach enabled the Service Contract in Emilia to be renewed until 30 June 2015 by virtue of Resolution no. 830 of 18 June 2012.
We should recall, however, that even if it is not obligatory to put transport services out to tender, it is allowable in any case and some Regional governments have confirmed that they wish to do so. Negotiations are still in progress for the Service Contract with the Ministry for Infrastructures and Transport for the Special Regions (Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area). As regards the funding for the Contract itself, it should be pointed out that it has been cut by Euro 45.5 million; Euro 23.7 million has been made available to the Valle d'Aosta Region without title to the agreement. With regard to these arrangements, the competent Ministries are looking for a technical solution that allows Trenitalia to collect the fees. For about Euro 21.8 million, in compliance with the instructions received from the Ministry of Infrastructures and Transport, Trenitalia continued delivering the services at the same level as the previous year throughout 2012.
While the percentage of regional transport trains arrived at destination in the 0 – 5 minutes band passed from 91.1% in 2011 to 90.1% in 2012, customer satisfaction data recorded improvements, specifically as regards the quality of cleanliness perceived on board regional trains, which improved compared to 2011, passing from 46.2% in 2011 to 50.2% in 2012, while customer satisfaction relating to the overall travel passed from 71.6% to 71.9%.
In 2012 the Cargo segment recorded, at national level, the trend in decrease was -6.2% in industrial production (data from Centro Studi Confindustria), while in the Eurozone the trend in decrease was more attenuated, coming to around -2.3% (Eurostat data). This effects of this macro-economic scenario affected the cargo transport both in Italy and abroad.

As published by the UIC, the decline in volumes transported by train was significant for all the major railway companies: Trenitalia Cargo -3.1%, DB -5.9%, RENFE -7.5%, SNCF -11.1%. On the contrary, tons transported by road were affected, according to the data published by the Highway Network, by a decrease of 7.1% compared to the previous year. On the other hand, in order to defend the relevant modal share of transport, road transport, both in import and in export services, applied a further reduction in selling prices, with decreases up to -9% in Export services and -13% in Import services.

Furthermore, the results from Cargo traffic were significantly affected by the reduction in international traffic, above all for transports from and to Germany, Austria, France, Poland and Hungary, a decline that was offset by an increase in the national traffic, which was even more significant in the combined service segment.

All the commodity sectors were affected by the crisis to an equal extent, the most marked declines being in the Traditional traffic sector, in which customers such as those in the Steel and Automotive industry make more use of rail transport than other businesses, while Intermodal traffic held well, thanks above all to container movements from and to the ports of Genoa and La Spezia.

In this scenario, Trenitalia provided a mixed range with the aim of offsetting the fall in Traditional traffic against intermodal transport, defending its market shares by retaining its customers through the promotion of additional services and showing that it had the capacity to provide even more competitive offers.



Performance of the relevant markets and of the national railway traffic

In 2012 the sharp slowdown recorded in the economy in Italy had adverse effects on the entire transport sector, which were differentiated in the different passengers and cargo sector.

The **cargo sector**, recorded a general drop, thus reflecting the sharp decline in industrial production (-6.7%) and trades (export + 3.5% compared to +11.4 in 2011; import -5.2% compared to +9.5 in the previous year). In the Air transport sector, the decline in tonnes handled was 4.9%; among domestic airports, Milan Malpensa ranked first by volume of cargo handled in 2012 (406 thousand tons), with a reduction of 7.8% compared to 2011. Rome Fiumicino ranked second, with about 136 thousand tonnes handled (-4.9% compared to the previous year). Highway traffic also showed a continued fall: in terms of numbers, about 17 million heavy vehicles/km were covered, with a drop of 7.5% compared to 2011. A decrease was still recorded in the maritime transport of containers, the figures of which, stable until the first half of the year, then recorded a decline of 5.1%.

In the same manner, the **passenger traffic** segment recorded negative trends, to a more or less pronounced extent, for all means of transport. In the air transport segment, passengers transported in 2012 were 147 million, with a decline of 1.3% (corresponding to a decrease of about two million passengers), resulting from a more pronounced reduction for the national component (-5.2 %) and a slight growth for the international one (+1.7%). Rome Fiumicino and Milan Malpensa airports, the two major airports by overall passenger traffic, recorded a decline of 1.8 % and 4.0%, respectively. In 2012 the decrease in highway traffic volumes was more significant, with a drop in light vehicles/km of 7.0% compared to the previous year. In the maritime transport segment, after a number of years in growth, cruise transport was affected by the effects of the economic crisis, recording a decline of 0.8% compared to the previous year.

Focus on the management of railway infrastructures

In Italy, where there is a high degree of liberalisation in rail transport, an increasing number of new railway companies continued to enter the market. During 2012, in fact, the National Railway Safety Agency issued one new safety certificate and updated/renewed 20. The traffic volumes of other operators on the track managed by Rete Ferroviaria Italiana increased by about 37% over the previous year, thus achieving about 15.1% (including Trenord) in terms of trains/km for passenger traffic and 27.3% trains/km for cargo traffic.

The overall production achieved on the railway network managed by RFI (both by the incumbent and by third-party operators) was about 316 million trains/km (-0.3% compared to the previous year). Specifically, 24% of production concerned passenger medium/long-distance traffic, 60% concerned regional traffic and 13% concerned cargo traffic.

Production in trains/km		2012	2011	% Change
- long-distance transport passengers	thousands	75,987	76,736	(1.0)
- regional transport passengers	thousands	188,974	189,861	(0.5)
- cargo transport	thousands	40,741	40,871	(0.3)

As a confirmation of the full liberalisation of the railway services market in Italy, the sole country in Europe allowing competition in domestic services on a cherry-picking basis, note the entry of a competitor in High-Speed passenger transport services.

Focus on the Group's passenger and cargo traffic

The domestic and international economic crisis has had a profound effect on overall mobility levels in Italy, producing a scenario of generalised shrinking demand and a sector performance that appears to be extremely weak.

The passenger and cargo traffic volumes of the FS Italiane Group performed differently: the passenger sector fell (-4.8% compared to 2011 in terms of passengers/km) and the cargo sector rose slightly (+1.8% compared to the previous year in terms of tons/km).

In the passenger traffic segment, the number of passengers/km came to an overall amount of about 37.5 billion, of which 18.5 billion related to long-distance transport and about 19 billion related to regional transport.

In the Market segment (-0.8% compared to 2011) the success of the *Frecce* product (Frecciarossa and Frecciargento, which operate at high speed, and Frecciabianca) continue to be successful, having carried about 35 million passengers, an increase of about 5% over the previous year in passengers/km. In little more than three years the "Italian metropolitan railway" has carried out a profound revolution in mobility, giving a new impulse to the country's cultural and social life, attaining and maintaining its leadership position in many rail services, Rome and Milan above all, and contributing to changing Italians' lifestyle. The area referred to as the "Service with negative margins", on the other hand, is in sharp decline (-36% compared to 2011), in accordance with the rationalisation policy adopted by the management, which aims at cutting services for which there is little demand.

The contributed universal service also recorded a decline (-26.7% compared to 2011), in terms of quality and quantity; this segment, despite the contributions under the Public Service Contract, continued to record losses which amounted to about Euro 45 million at the end of 2012.

The production of medium- and long-distance services, as expressed in trains/km, also showed a decline compared to 2011 (-7.3%), with more limited differences for market services (-1.3%) compared to the contributed universal service (-17.7). Among market services, the offer of Frecce products increased by about 194 daily trips (+4% in trains/km compared to 2011). The production of medium- and long-distance services amounted to about 71 million trains/km broken down into 48 million trains/km as regards market services and about 23 million trains/km as regards the contributed universal service.

In the regional transport segment, production came to about 155 million trains/km, with a decline of 1.9% compared to the previous year.

On the contrary, the production of passenger services in foreign countries showed a sharp increase, as a confirmation of the validity of the internationalisation strategies implemented by the Group. In 2012 the new Italy-France Thello services, which started to operate in December 2011, produced more than 885,000 trains-km, thus transporting about 398 million passengers-km. In Germany, the volume of trains/km/passengers managed by Netinera passed from 30.6 million in 2011 to 34.3 million in 2012, with an annual percentage increase of 11.8% (an overall figure that represents the entire commercial offer of the Netinera group).

Medium- and long-distance traffic data		**2012**	**2011**	**% Change**
PASSENGERS/KM – MARKET (*)	millions	13,987	14,093	(0.8)
PASSENGERS/KM – UNIVERSAL CONTRIBUTED	millions	4,457	6,077	(26.7)
TOTAL	**millions**	**18,444**	**20,170**	**(8.6)**
TRAINS/KM – MARKET	thousands	48,098	48,721	(1.3)
TRAINS/KM - UNIVERSAL CONTRIBUTED	thousands	22,960	27,913	(17.7)
TOTAL	**thousands**	**71,058**	**76,634**	**(7.3)**
Regional transport traffic data				
PASSENGERS – KM	millions	19,045	19,198	(0.8)
TRAINS – KM	thousands	154,785	157,746	(1.9)
TOTAL PASSENGER TRAFFIC				
TOTAL PASSENGERS – KM	**millions**	**37,489**	**39,368**	**(4.8)**
TOTAL TRAINS – KM	**thousands**	**225,843**	**234,380**	**(3.6)**

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

In 2012 activities continued on the actions taken by the Group to improve the quality of the service offered in terms of comfort, punctuality, information and cleanliness on board train. At the end of the year, the level of overall travel satisfaction was 90.0% for long/medium-distance trains and 71.9% for regional trains. As regards the punctuality of the medium- and long-distance services in 2012, 93.5% of trains arrived at destination in the 0–15 minutes band, while, as regards regional transport, the percentage of trains arriving at destination in the 0–5 minutes band was 90.1%.

Despite the weakness of the demand determined by the current economic crisis, the FS Italiane Group transported an overall volume of 22 billion tons-km in 2012, which entailed an increase compared to the transported volumes recorded in the previous year (+1.8%) for the second consecutive year. This result confirms the validity of the strategic-industrial decisions aimed at enhancing national routes, developing the business abroad and at achieving the necessary competitiveness on the deregulated market.

The Group proposed itself as an indispensable support to the national production development through organisational innovation and the streamlining of the cargo terminals in the new industrial model.

The positive aspects included the good performance of the Cargo Divison of Trenitalia on the domestic traffic, net of the international component (about +8% compared to 2011), as well as the increased traffic recorded abroad (about +8% compared to 2011).

The overall production increased compared to the previous year (+0.7%), but to a lower extent compared to the demand satisfied, thus determining an increased average load, which achieved 492 tons by train. In terms of value, about 45 million trains/km were achieved, of which 14.7 million in foreign countries (+6.4% compared to 2011).

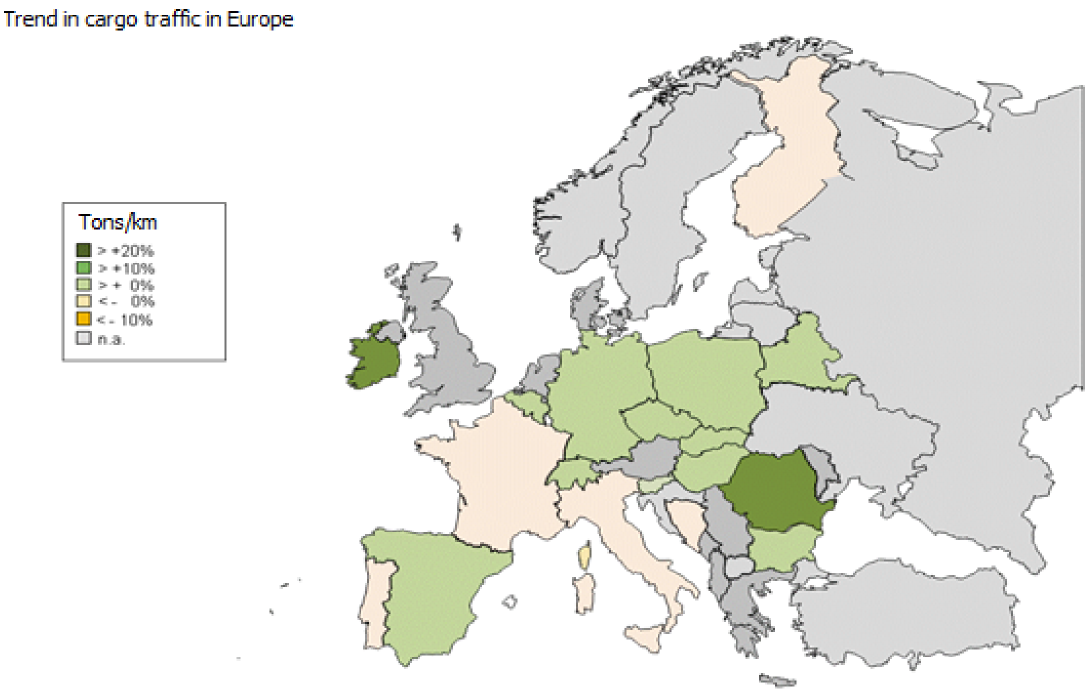
Group Cargo traffic data		**2012**	**2011**	**% Change**
Tons-KM	millions	22,081	21,700	1.8
of which in foreign countries	*millions*	*8,961*	*8,307*	*7.9*
Trains-KM	thousands	44,925	44,600	0.7
of which in foreign countries	*thousands*	*14,704*	*13,815*	*6.4*

The traffic results of the main European Railway Companies [1]

In 2012, the demand for rail transport in Europe was characterized by a general weakness, which affected the cargo sector to a more pronounced extent and the passenger sector to a lower extent. In fact, the overall demand reduced by 7.4% in terms of tons and 0.9% in terms of passengers/km.

The decline recorded in cargo railway transport was mainly caused by the negative economic trend of imports, in particular in those market segments that use rail transport to a predominant extent. By way of example, the automotive market recorded a decline of 8.2% in registrations in the 27 countries of the European Union. Among the railway companies in the cargo segment, DB AG (Germany) was the most able company, recording a limited loss in volumes compared to the European average, equal to -5.9% compared to 2011; on the contrary, SNCF (France) and PKP (Poland) recorded losses of 11.1% and 11.5%, respectively, while the decrease in the traffic volumes managed by RENFE (Spain), equal to -7.5%, was in line with the European average.

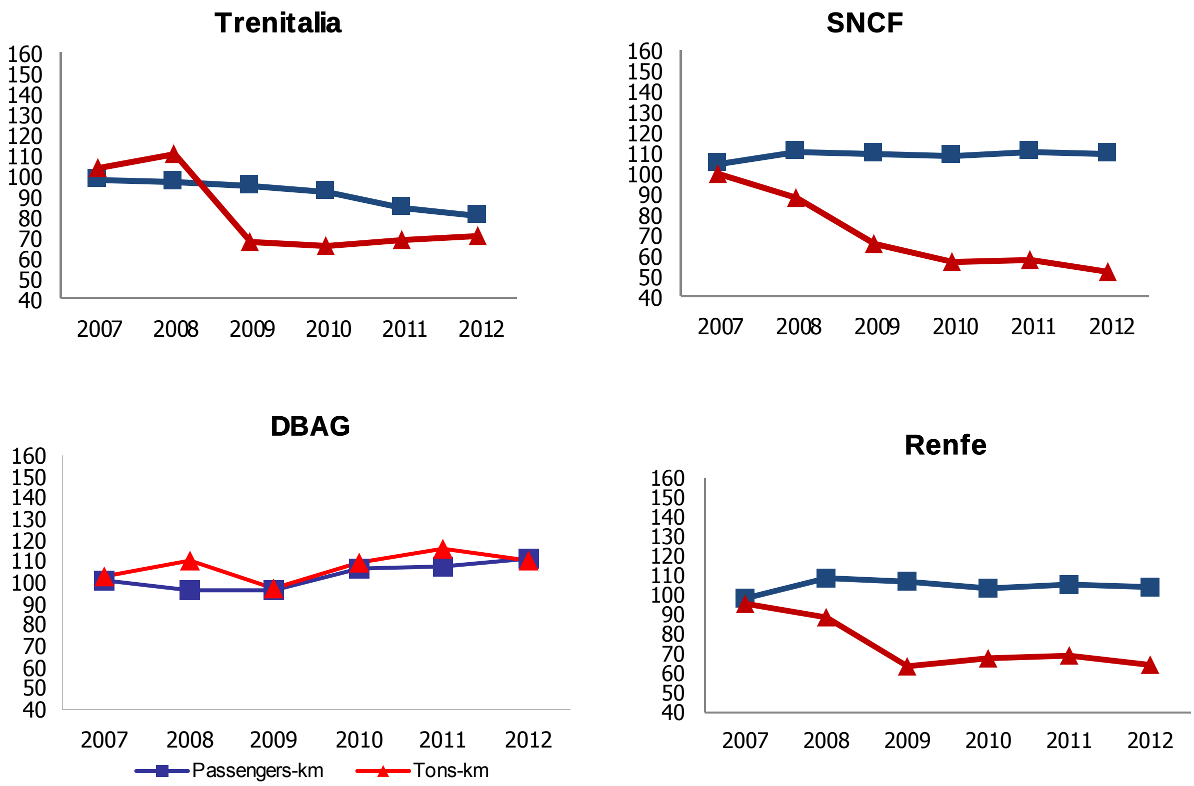
In the passenger transport segment, note the performance of DB AG (Germany), the sole company in contrast with the performance of the most important railway companies, with a growth of +4.3%. The declines recorded by SNCF (France), with -0.4%, and RENFE (Spain), with -0.8%, were in line with the European average.



[1] Source: International Union of Railways (UIC), data as at 18 February 2012.

Trend in passenger and cargo traffic in the main European railway companies

Index number 2006=100



The FS Group's income statement and statement of financial position

Main operating data	2012	2011	Delta	%
Length of the railway network (km)	16,742	16,726	16	0%
Trains-km medium/long passengers (thousands)	71,058	76,634	(5,576)	(7)%
Trains-km regional transport passengers (thousands)	154,785	157,746	(2,961)	(2)%
Passengers/km- rail transport (millions)	37,489	39,368	(1,879)	(5)%
Passengers/km- road transport (millions)	405	408	(3)	(1)%
Tons/km (millions) (1)	22,081	21,700	381	2%
Traffic unit/Trains-KM (units)	221	220	1,1	1%
Traffic unit/KM of line (millions)	3,6	3,7	(0,1)	(3)%
Employees (2)	71,930	73,728	(1,798)	(2)%

(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.**

values in €/mil.

	2012	2011	Changes	Change %
OPERATING REVENUES	**8,228**	**8,264**	**(36)**	**(0.4)%**
Revenues from sales and services	**7,511**	**7,488**	**23**	**0.3%**
Revenues from transport services	5,938	6,185	(247)	(4.0)%
Revenues from Infrastructure Services	1,340	1,115	225	20.2%
Other revenues from services	233	188	45	23.9%
Other income	**717**	**776**	**(59)**	**(7.6)%**
Operating costs	**(6,310)**	**(6,482)**	**172**	**2.7%**
Personnel costs	(3,877)	(4,110)	233	5.7%
Other net costs	(2,433)	(2,372)	(61)	(2.6)%
EBITDA	**1,918**	**1,782**	**136**	**7.6%**
Amortisation and depreciation	(1,070)	(1,002)	(68)	(6.8)%
Write-downs and impairment losses (value write-backs)	(37)	(54)	17	31.5%
Provisions	(92)	(62)	(30)	(48.4)%
EBIT	**719**	**664**	**55**	**8.3%**
Finance income and costs	(290)	(247)	(43)	(17.4)%
PROFIT BEFORE TAX	**429**	**417**	**12**	**2.9%**
Income taxes	(48)	(132)	84	63.6%
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**381**	**285**	**96**	**33.7%**
PROFIT FOR THE YEAR FROM ASSETS HELD FOR SALE, NET OF TAX EFFECTS	**0**	**0**	**0**	**0%**
NET PROFIT FOR THE YEAR	**381**	**285**	**96**	**33.7%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**379**	**272**	**107**	**39.3%**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**2**	**13**	**(11)**	**(84.6)%**

In spite of the intensification of the economic crisis, especially in Europe, with the sometimes dramatic turn taken by its effects, the Group recorded a favourable performance for the fifth year running, confirming our continuing growth and our commitment to hit the objectives set in the 2011-2015 business plan, which we may even do before the target date.

The financial result came to Euro 381 million (of which Euro 379 million achieved by the Group and Euro 2 million achieved by non-controlling interests), up by Euro 96 million compared to 2011 (Euro 285 million, of which Euro 272 million achieved by the Group and Euro 13 million achieved by non-controlling interests), thus improving the 2011 result, which had been already significantly positive, by more than 33%.

This performance, as we have said, shows that we are continuing on the path to growth that the Group has been pursuing with determination in these years and it even more clearly highlights the efforts to attain these objectives made by all the Group's managers and other staff.

In 2012 the Group reported operating revenues of Euro 8,228 million, showing a decrease compared to 2011 (Euro 8,264 million, -0.4%), but countered by increasingly rigorous cuts in operating costs (Euro 6,310 million) that decreased by Euro 172 million (-2.7%), thus determining the positive effect recorded at **EBITDA** level, which, coming to Euro 1,918 million, showed an increase of Euro 136 million, equal to about 7.6%.

EBIT, equal to Euro 719 million, also recorded an increase, which came to Euro 55 million (8.3%), even if was affected by higher amortisation and depreciation and higher provisions set aside in 2012.

Revenues from sales and services exceeded the threshold of Euro 7.5 billion (Euro 7,511 million), despite the start of the competitor's operations in the High Speed line segment, of which Euro 5,938 million related to revenues from transport services, while the residual part related to revenues from infrastructure services (Euro 1,340 million) and to other revenues (Euro 233 million).

As to the breakdown of the various items, **revenues from transport services** recorded a decrease of Euro 247 million (-4.0%), arising from the reduction in both **market revenues** (Euro -147 million) and **revenues from public service contracts** with the Regional Governments and with the State (Euro -101 million).

The decrease in **market revenues** was in turn generated by:

- lower **revenues from passenger traffic** on medium- and long-distance routes (Euro -127 million), which were partly attributable to the "Market" services segment (Euro -58 million) which, within Market services with negative margins, was affected by both the streamlining of Intercity services (Euro -30 million) and the reduction in revenues following the closing of the Artesia channel (Euro -41 million), which were partially offset by revenues from the start of operations of Thellò (Euro+13 million). On the contrary, the profitable Market services segment recorded an increase in revenues (Euro +24 million) as a result of the larger High Speed offer relating to the Turin-Milan-Naples-Salerno line. This is a very important and satisfactory result when seen in conjunction with the competition in the High Speed segment that started last year, as we have mentioned; a further and even more substantial reduction was due to the decrease recorded in the Contributed Universal Service (Euro -75 million) after the gradual shift of the railway portion of traffic towards alternative systems of transport over long distance, as has already happened in Europe as a whole;
- the increase in revenues from **foreign regional traffic**, by Euro 29 million, as a result of the international activities of the German Netinera group;
- the reduction (Euro -42 million) in **revenues from cargo traffic**, arising from the combined effect of the increase in revenues mainly recorded by the companies in the TX Logistik group (Euro +22 million) in the international business and by Cemat in the domestic business (Euro +16 million), the reduction in the revenues of FS Logistica (Euro -41 million), of Trenitalia (Euro -22 million) and Netinera (Euro -15 million).

Revenues from **national regional passenger traffic** remained substantially unchanged.

Revenues from public service contracts decreased by Euro 101 million as a result of:

- lower revenues from Service Contracts with the Government, which decreased by Euro 23 million in particular within the services acquired by the State for Special Regions;

- lower revenues from Regional Governments by Euro 78 million, mainly due to the effects arising from the reduction, linked to the exit of the Sita/Sogin group (Euro -37 million), which was partly offset by the contracts entered into by Busitalia and Ataf (Euro +20 million), by the reduction recorded for the transfer of the Trenord branch (Euro -98 million) and by the reduction by Trenitalia of the fees within the services acquired by the Regional Governments (Euro -6 million) as a result of the public finance obligations, which were partially offset by the increases recorded for the full operation of the Netinera group (Euro +42 million) compared to 2011.

Revenues from infrastructure services increased by Euro 225 million, due both to the increase in revenues from the State (Euro +133 million) arising from higher provisions set aside in 2012 for the Network Maintenance and of the Safety, Security and Railway Navigation operations, and to the increase in revenues from tolls by Euro 89 million, which was determined by revenues with highest economic value (High Speed/High Capacity lines) and, to a residual extent, to higher revenues for the sale of electric traction (Euro + 3 million).

The increase in **other revenues from services** (Euro +45 million) was mainly linked to the increase in the fees for maintenance services of rolling stock (Euro +27 million), which were mainly provided to Trenord Srl, to the increase in other transport-related services (Euro +28 million), which were partly offset by the reduction recorded in engineering services, which reduced by Euro 10 million.

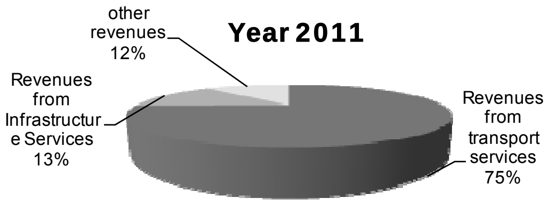
Other income recorded a decrease of 7.6%, coming to Euro 717 million; the reduction of Euro 59 million, compared to 2011, was mainly attributable to lower capital gains (Euro -36 million) recorded by Trenitalia in 2012 for the transfer of the branch of business "Regional Lombardy transport" to Trenord that took place in 2011 (Euro -9 million) and for the sale of wagons (Euro -12 million compared to 2011), as well as for the transfer by Grandi Stazioni of the property located in Rome, again in 2011 (Euro -15 million), on the one hand, and, on the other, to lower volumes of processing on behalf of third parties (Euro -21 million), mainly on the part of RFI and mainly arising from lower revenues attributable to the completion of the works relating to the quadrupling of the Turin Porta Susa – Turin Stura section. These decreases were partly offset by the increase recorded in property lease rentals (Euro +18 million), which was recorded in particular by RFI, Grandi Stazioni and Centostazioni.

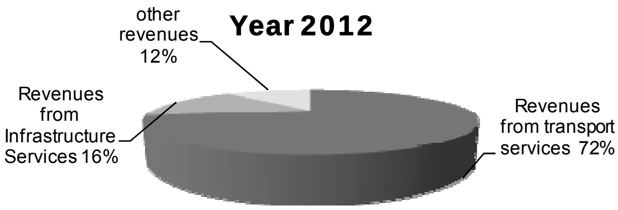
Operating costs, net of the adjustment due to capitalisations, showed a reduction of Euro 172 million arising from the following factors:

- the decrease of Euro 233 million in **personnel costs**, as a result of a reduction of 4,169 average units in the staff number arising from the continuous and gradual improvement of efficiency of all the various business processes;
- an increase of Euro 61 million in **other net costs**, due to higher costs for services (Euro +148 million), which were partly offset by higher capitalisations (Euro 87 million).

EBIT came to Euro 719 million (with an improvement of Euro 55 million compared to 2011), despite an increase of Euro 68 million in **amortisation and depreciation**, which were almost fully charged to Trenitalia for 2nd-level maintenance operations and for the investment process that the company itself is carrying out, and higher **provisions** (Euro +30 million) for the adjustment to the so-called bilateral fund, despite lower write-downs (Euro -17 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 290 million and which showed a slight deterioration of Euro 43 million compared to the previous financial year.





Reclassified Balance Sheet

amounts in €/mil.

	31.12.2012	31.12.2011	Changes
ASSETS			
Net current operating assets	646	361	285
Other net assets	1,184	1,538	(354)
Current assets	**1,830**	**1,899**	**(69)**
Net fixed assets	47,689	46,966	723
Other provisions	(3,743)	(3,690)	(53)
Net assets held for sale	28	4	24
TOTAL NET INVESTED CAPITAL	**45,804**	**45,178**	**626**
COVERAGE			
Short-term net financial position	833	(1,436)	2,269
Medium/long-term net financial position	8,235	9,768	(1,533)
Net financial position	**9,068**	**8,332**	**736**
Net equity	**36,736**	**36,846**	**(110)**
TOTAL COVERAGE	**45,804**	**45,178**	**626**

In 2012 **Net invested capital,** equal to Euro 45,804 million, increased by Euro 626 million, as a result of the increase **in Net fixed assets** (Euro +723 million), and **Net assets held for sale** (Euro +24 million), which was offset by the reduction in **Current assets** (Euro -69 million) and by the increase in **Other provisions** (Euro +53 million).

Net current operating assets, which came to Euro 646 million, recorded an increase of Euro 285 million essentially attributable to:

- higher receivables relating to the Service Contract and from the Regional Governments and the MEF (Euro 470 million) due to the extension of the time limits for the liquidation of the fees due by the Regional Governments to Trenitalia;
- higher inventories (Euro 176 million) essentially attributable to the Land and Properties held for trading following a reclassification from the item "Property, plant and equipment) and higher trade receivables (Euro 44 million);
- higher trade payables (Euro 292 million) and lower advances to suppliers (Euro 110 million).

On the contrary, **Other net assets** recorded a decrease of Euro 354 million that mainly arose from the combined effect of:

- higher receivables from the MEF for set-up grants intended for infrastructural investments (Euro 2,443 million);
- a net increase of Euro 42 million in other receivables and payables;
- a decrease in VAT credits (Euro 273 million) mainly as a result of the refund by the Tax Office;
- higher advances for set-up grants received by RFI for Euro 2,637 million.

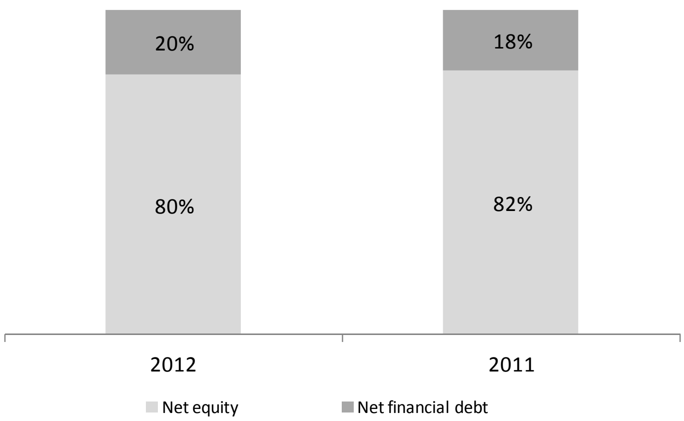
Net fixed assets showed an increase of Euro 723 million, mainly attributable to increased investments for the period, equal to Euro 3,891 million, the increase in advances for investments for Euro 114 million, which were partially offset by set-up grants of Euro 2,045 million, the reclassification of Euro 166 million to land and properties held for trading and write-downs of Euro 1,070 million for the period.

The **Net financial position** came to a negative value of Euro 9,068 million, with an increase of Euro 736 million compared to 31 December 2011. This change was essentially correlated to:

- a decrease in the balance of the treasury current account (Euro -777 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 that were absorbed during the year for the operating needs of the Group, mainly those of RFI;
- a reduction in the receivable from the MEF for the collection of the annual portion of 15-year grants (Euro -138 million);
- a decrease in bank and postal deposits and other short-term cash and cash equivalents (Euro -18 million);
- a decrease in loans from banks and other lenders (Euro 281 million);
- a reduction in the receivable linked to the Euterpe securitisation transaction (Euro -87 million).

Net equity passed from Euro 36,846 million to Euro 36,736 million, mainly as a result of the increase due to the profit for the year (Euro 381 million), as reduced by the negative change in the Valuation reserves (Euro -491 million).

Coverage of Net invested capital



STATEMENT OF RECONCILIATION at 31.12.2012 and at 31.12.2011 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 2012		31 December 2011	
	Equity	**Profit for the year**	**Equity**	**Profit for the year**
Financial statements of Ferrovie dello Stato Italiane S.p.A.	36,175	73	36,103	41
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	850	402	521	281
- derecognition of write-down of equity investments	59	3	57	111
- reversal of dividends	(4)	(70)	(4)	(122)
Total	**905**	**335**	**574**	**270**
Other consolidation adjustments:				
- investments in unconsolidated subsidiaries and associates valued at equity	39	(8)	41	1
- reversal of intergroup profits	(366)	(32)	(334)	(20)
- reversal of taxes from consolidated tax base	235	13	223	(9)
- others	(4)	(2)	(2)	(10)
Total	**(96)**	**(29)**	**(72)**	**(38)**
- Valuation reserves	(812)		(418)	
- Reserve for translation differences	20		19	
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**36,191**	**379**	**36,207**	**273**
- Equity attributable to non-controlling interests (excluding profit/loss)	208		203	
- Profit attributable to non-controlling interests	2	2	13	13
NON-CONTROLLING INTERESTS	**210**	**2**	**216**	**13**
TOTAL CONSOLIDATED EQUITY	**36,401**	**381**	**36,423**	**285**

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 Group, through Trenitalia, has taken important actions that will allow it to respond to the expectations of its customers, including: the renewal of the fleet starting from 2014 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 market equilibrium resulting from the entry of new private operators 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 2013 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 the formalization of Service Contracts, with an initial term of 6 years, plus 6 years, allowed the planning of medium-to-long term resources, which *inter alia* allowed a plan to be started for the renewal of the rolling stock functional to the improvement of the regional transport. 2012 saw continuous developments in the legislative framework, and we cannot rule out further future legislative amendments; in fact, by judgment 199/2012 of the end of July, the Constitutional Court declared the constitutional illegality of article 4 of law 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, it is absolutely evident that this uncertainty reflects on the business plans and the commitments undertaken by Trenitalia with the Regional Governments in defining the service contracts, with specific regard to the amounts to be intended for investments.

Trenitalia has signed contracts with the Italian Regional Governments which do not depend from the procedures through which the Regional Governments themselves may find the necessary sources of financing; nevertheless, the uncertainty that dominates the entire sector is such as to induce the Regional Governments to possibly reduce the offer permitted by the contracts themselves. These processes, even if sufficiently regulated, 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 which could accompany the offer development. However, in relation to this specific risk, suitable safeguards for investments have been provided for in executing the Service Contracts.
In this context, considering the prolonged negative economic trend and, accordingly, the increasing lack of financial resources in general and public resources in particular, the Group's management is constantly monitoring the performance of receipts, with particular attention to those that fall within the scope of the public administration sector (first of all the State and the Regional Governments). The market risks are particularly evident in the sector of Cargo transport and Logistics. In fact, this sector is particularly affected by the negative trend in the economy in general, which entails a reduced industrial production and, accordingly, a reduced demand for transport, which is offset by the increased offer, both for road and rail transport, with the effect that below-cost services are also offered.
Therefore, 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.

Furthermore, in the light of the renewed attention of legislation to the subject of property taxation and given the interpretative uncertainties of the subject, we are constantly monitoring the situation to identify the possible impact, also with regard to the enhancement and the overall cost of assets affected by the process of asset allocation. In particular we are referring to the ICI tax (*Imposta Comunale sugli Immobili*, Local Tax on Properties) (now IMU [*Imposta Municipale Unica*, Local Single Tax]) which affects areas that can potentially be developed or those for which a building permit has already been obtained.
Finally, considering the extent to which the size of the workforce is a central factor for the management of the Group, the recent changes in legislation with regard to the social security and pensions reform - still in the definition phase with discussions between the Government, Institutions, Companies and Trade Unions - represent an element of high risk, which is constantly monitored, due to the repercussions they could cause in terms of their impact on the policies planned for the reorganisation and the restructuring of the Group, which include, for example, the activation of the special benefits of the so-called Bilateral Fund, which has been mentioned above.

Operational risks

The Group operates in the railway transport sector with the help of complex production and control systems. The major operational risks may arise from criticalities relating to the failure to comply with the contractual functional specifications of new rolling stock being delivered by the manufacturers or of the rolling stock subject to maintenance at private garages.

Trenitalia, the Group's main transport company, 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 financial crisis, followed by a severe credit squeeze, owing to their intrinsically weak position in the business financing structure. Trenitalia drew up even more rigorous specifications for supplies and for the control of the services rendered. The main operating risks here may arise from failure to satisfy the stipulated functional specifications by rolling stock delivered by the builders or sent to private garages for maintenance. The different issues reported on important job orders that have generated disputes, but above all operational difficulties and heavy disservices in some cases, are still being monitored. In this regard, particularly severe actions have been taken against suppliers and in some cases the Company has used completely different procedures for the entry into service of rolling stock, providing for a full involvement of the manufacturer for long trial periods, without the customer company taking delivery. In other cases, 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.

In the continuous difficult current economic scenario, an additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service.

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 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.

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

Reclassified income statement

amounts in €/mil.

	2012	2011	Changes	Changes %
Operating revenues	**157**	**146**	**11**	**7.5%**
- Revenues from sales and services	146	140	6	4.3%
- Other revenues	11	6	5	83.3%
Operating costs	**(146)**	**(152)**	**6**	**3.9%**
EBITDA	**11**	**(6)**	**17**	**>200%**
Amortisation and depreciation	(22)	(19)	(3)	(15.8)%
Write-downs and impairment losses (write-backs)	(2)	(2)		0.0%
Provisions		(3)	3	100.0%
EBIT	**(13)**	**(30)**	**17**	**56.7%**
Finance income and costs	73	13	60	>200%
PROFIT (LOSS) BEFORE TAX	**60**	**(17)**	**77**	**>200%**
Income taxes	13	58	(45)	(77.6)%
NET PROFIT FOR THE YEAR	**73**	**41**	**32**	**78.0%**

The **net profit** for the 2012 financial year came to a positive value of Euro 73 million, with an improvement of Euro 32 million compared to the previous year.

The 2012 net profit was specifically affected by the sharp improvement (from Euro +13 to Euro +73 million) of the financial management.

At **EBITDA** level, note an increase of Euro 17 million, with a margin that passed from a negative value of Euro 6 million to a positive value of Euro 11 million as a result of the increase of Euro 11 million in operating revenues and of the decrease of Euro 6 million in operating costs.

Operating revenues came to Euro 157 million (Euro 146 million in 2011) and mainly related to the sales of properties and land held for trading, as well as to the leases of properties and to the chargebacks to the Group companies for the provision of services and for the rental for the use of the brand.

Operating costs, which amounted to Euro 146 million (Euro 152 million in 2011) mainly included costs for services charged back to the Group companies for Euro 116 million, personnel costs and changes in inventories of properties and land held for trading for the sales carried out.

EBIT came to a value of Euro -13 million compared to the negative value of Euro -30 million in 2011. The comparison of this margin in the two years remained equal to the difference measured at EBITDA level (Euro +17 million) as higher amortisation and depreciation (Euro 3 million) were offset by lower provisions for risks and charges (Euro 3 million).

The **balance of finance income and costs** improved, as mentioned, by Euro 60 million, mainly due to the combined effect of:

- the decrease in the dividends distributed by the subsidiaries (for a total of Euro 60 million);
- the absence of write-downs of equity investments in the course of the financial year, against Euro 102 million of write-downs made on the investee company FS Logistica SpA in the previous year;
- the decrease in interest income for medium- and long-term loans granted to subsidiaries (Euro 19 million);
- the net increase in "other income and charges" from subsidiaries (Euro 1 million), mainly for the interest income accrued on the sums paid out in 2011 to Netinera Deutschland GmbH (then FS 2 MOVE) for the acquisition of the Group with the same name (equal to Euro 10.1 million in 2012);
- the decrease in charges for interest on debenture loans subscribed by Eurofima (Euro 10 million), for interests on medium- and long-term loans granted by banks and by other lenders (Euro 12 million) and for other sundry charges (Euro 7 million);
- the positive net effect of foreign exchange gains and losses (Euro 4 million) for adjustments to payables for subscribed capital to be paid out to the investee company Eurofima.

Income taxes showed a positive value in both financial years; this was essentially attributable to income from application of the consolidated IRES (*Imposta sul Reddito delle Società*, Corporate Income Tax) tax base (Euro 9 million in 2012 and, a more significant amount, Euro 63 million in 2011).

Reclassified balance sheet

amounts in €/mil.

	31.12.2012	31.12.2011	Changes
ASSETS			
Net current operating assets	535	399	136
Other net assets	(256)	(301)	45
Current assets	**279**	**98**	**181**
Tangible fixed assets	600	609	(9)
Non-current equity investments	35,530	35,733	(203)
Net Fixed Assets	**36,130**	**36,342**	**(212)**
Severance pay	(18)	(17)	(1)
Other provisions	(477)	(470)	(7)
Severance pay and Other provisions	**(495)**	**(487)**	**(8)**
Net assets held for sale	**63**	**63**	
NET INVESTED CAPITAL	**35,977**	**36,016**	**(39)**
COVERAGE			
Short-term net financial position	(180)	(456)	276
Medium/long-term net financial position	(18)	369	(387)
Net financial position	**(198)**	**(87)**	**(111)**
Net equity	**36,175**	**36,103**	**72**
COVERAGE	**35,977**	**36,016**	**(39)**

In 2012, **Net invested capital,** equal to Euro 35,977 million, decreased by Euro 39 million as a result of the increase in **Current assets** (Euro 181 million), which was offset by the decrease in **Net fixed assets** (Euro -212 million) and **Severance pay and Other provisions** (Euro -8 million).

Current assets passed from Euro 98 million at 31 December 2011 to Euro 279 million at 31 December 2012, arising from the combined effect of:

- the increase in Net current operating assets (Euro 136 million), due to the increase in inventories of properties and land held for trading (Euro 167 million) following the recognition of new assets (land and buildings) arising from the partial demergers of the subsidiary RFI and from the sales carried out in the year and to the net decrease in trade receivables and payables (Euro -31 million);
- the positive change recorded in Other net assets (Euro 45 million), mainly arising from the effect of the positive change in the balance of the VAT management (Euro 69 million).

Net fixed assets came to Euro 36,130 million against Euro 36,342 million at 31 December 2011; the reduction (Euro 212 million) was essentially due to:

- the decrease in equity investments (Euro 203 million) essentially arising from the reduction in RFI following the demerger in favour of the Company (Euro 167 million) and from the reduction by the subsidiary Ferservizi SpA in the excess share capital (Euro 35 million).

The decrease in **Severance pay and Other Provisions** (Euro 8 million) reflected the reduction recorded in the year in the Provision for other risks and charges (Euro 13 million), the net increase in provisions for deferred tax liabilities (Euro 20 million) and the increase in the provision for Severance pay and other employee benefits (Euro 1 million).

Net financial position improved by about Euro 111 million, with an increase in net liquidity that passed from Euro 87 million at 31 December 2011 to Euro 198 million at 31 December 2012; this change arose from the net effect due to the improvement of the medium-long term net financial position (Euro 387 million), which was offset by the increase in the short-term indebtedness for Euro 276 million, with a negative sign.

Finally, **Net equity** showed an increase of Euro 72 million due to the overall profit recorded in the year.

Relations with related parties

The interrelationships between Ferrovie dello Stato Italiane, 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 Business Plan of the Ferrovie dello Stato Italiane Group, 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.

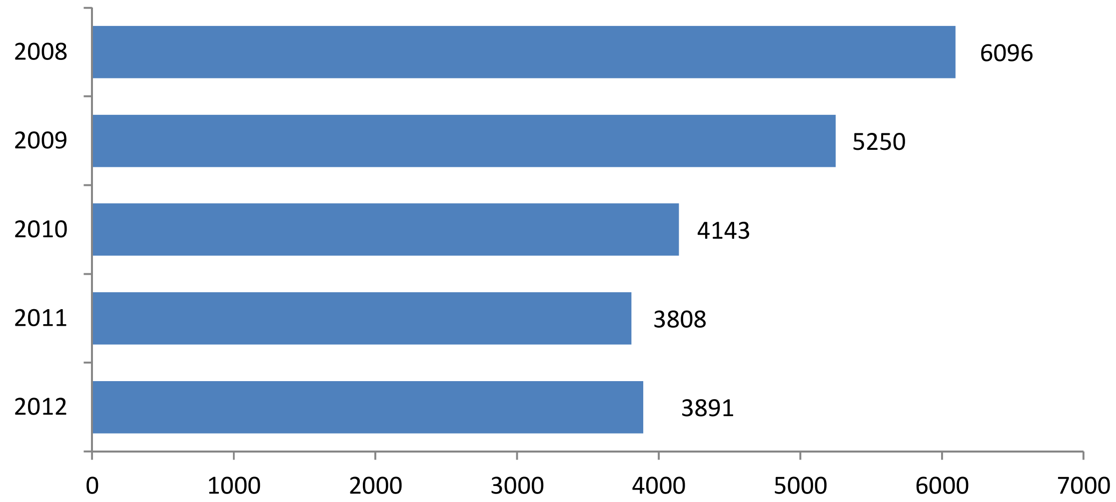
Credit and debit relationships maintained with controlling companies and any other affiliated companies during the year and any information on relations with related parties are reported in the notes to the financial statements, to which express reference is made.

Investments

Even if operated in a macroeconomic scenario that was still unfavourable, with a shortage of public funds, during 2012 the FS Italiane Group managed to achieve positive results that were even greater than the year before, confirming that it is on a path to growth and expansion. In contrast with the negative trend in the country as a whole during the year, both in investments in constructions (-6.9% compared to 2011)[1] and in machinery and means of transport (-11.3% compared to 2011)[1], the FS Italiane Group continues to carry out its investment plan with the aim of creating value to the benefit of the Group and of the Italian manufacturing system, contributing to the stimulation of a new growth cycle.

The five-year programme of investments was aimed at enhancing and maintaining the efficiency of the infrastructure of the country and providing ever better and more diversified services, performed with new trains that are more comfortable and technologically advanced, as well as modern stations that are increasingly integrated with the urban fabric.

The total investment expenditure of the Ferrovie dello Stato Italiane Group during 2012 (Euro 3,891 million) reversed the targeted trend as the last years, showing an increase (+2.2%) compared to the volume of accounting carried out in the previous year.



Technical investments made by the FS Italiane Group in 2012, equal to Euro 3,554 million, showed a slight increase (+4%) compared to the volume of accounting achieved in 2011.

Specifically, with reference to technical investments, Euro 2,740 million were accounted for actions linked to the infrastructure (of which Euro 2,242 million for the traditional network and Euro 498 million for the High Speed/High Capacity Network on Turin-Milan-Naples); Euro 725 million for transport-related measures and Euro 89 million for other investments.

As regards RFI's investments, in a situation like the present one in which public funds are scarce, it is fundamentally important to concentrate what funds there are on the infrastructures and transport that, after cost-benefits assessments,

[1] *Source: Prometeia Forecast Report – January 2013*

are seen to be most capable of stimulating productivity and competition, in compliance with the lines of strategy agreed at Community level. Accordingly, the track Manager's approach took the form of carefully reconsidering the investment portfolio, giving priority to the measures that aimed at restoring the lost rail traffic volumes, also by means of undemanding forms of intervention which did not have long completion times or high costs and thus even enabled positive effects to be perceived in the short term. This type of investment supplies an impulse to growth and its effects are immediately appreciated by users/customers. The forms such investments take are:

- technological solutions that enable the capacity of the infrastructures in the bigger metropolitan areas to increase;
- more efficient inter-connections between the rail network and manufacturing districts;
- work that enhances the performance of the network.

In short, RFI made investments on the Traditional Network as follows:

- 58% to the maintenance of the infrastructure in good working order and to technology, specifically to the implementation of projects aimed at further raising safety levels and at improving efficiency of the management of the railway traffic;
- 42% 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 15% of the total expenditure relating to the Traditional Network (equal to Euro 342 million) was dedicated to cutting-edge technology.

The High Speed Network recorded a volume of investments of Euro 498 million and, at the end of 2012, the entire High Speed/High Capacity Turin - Milan – Naples project achieved a total accounting progress of 92%.

In 2012 the start-up of new projects involved a number of designs, both preliminary and final.

The table below reports the volumes of 2012 activations broken down by type of work, as well as the comparative data referred to the two previous years.

		2012	2011	2010
HIGH SPEED/HIGH CAPACITY NETWORK				
New lines	**km**	**28**	**-**	**-**
TRADITIONAL NETWORK				
New infrastructures	**km**	**10**	**17**	**36**
New lines	km	10	17	36
Second lines	km	-	-	-
Bypasses	km	-	-	-
Upgrading of lines		**74**	**74**	**40**
Electrifications	km			
Blocks	km	74	74	40
Safety technology	**km**	**157**	**443**	**102**
SCMT	km	28	351	-
SSC	km	-	-	-
SCC/CTC	km	101	86	102
ERTMS	km	28	6	-
Station equipment	**no.**	**12**	**16**	**18**
ACEI	no.	9	10	14
ACC	no.	3	6	4
Suppression of level crossing	**no.**	**35**	**70**	**52**
Automation of level crossing	**no.**	**7**	**3**	**2**

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, Centostazioni).

The new High Speed stations present the following state of progress of works:

- Turin Porta Susa: from 9 December 2012, following the completion of works of the second tunnel, the four tracks of the quadrupling of the Turin Porta Susa–Turin Stura line entered into operation. On the line section in question, the station of Turin Rebaudengo Fossata was opened to public. Once the works relating to underground tracks 1 and 2 are completed, all works will be completed by September 2013;
- Reggio Emilia: the station is expected to enter into operation in June 2013;
- Bologna Centrale: works reached a state of progress of 85% of the total. Also in this case, the High Speed Station is expected to be activated in June 2013 and all works are expected to be completed at the end of 2013;

- Florence Belfiore: railway works were completed, while works are being completed for lot 1 (Bypass); instead, works are in progress in relation to lot 2. The activation of the station is expected in August 2015, whereas commercial activities are expected to be completed by December 2016;
- Rome Tiburtina: the new Tiburtina Station was inaugurated in November 2011, with the opening of the passenger service to the public. Works continued for the New Internal Ring Road (*Nuova Circonvallazione Interna*), including the related infrastructures, and the same was inaugurated and opened to public on 20 April 2012.

For any works on the stations managed by Grandi Stazioni, the current progress of the investment expenditure is about 83% of the overall amount pertaining to RFI.
As regards the network of Centostazioni, the current progress of investment is about 65% of the overall amount pertaining to RFI.
As regards the other Stations exclusively managed by RFI, in 2012 about Euro 71 million were invested for projects aimed at safety, information to the public and at bringing the areas with major impact on the public (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.

Trenitalia, the Group's transport company, proceeded with the implementation of an Investment Plan aimed at supporting growth in traffic volumes of market services and at renewing the fleet dedicated to services in metropolitan junctions, with the objective of making the fleet of vehicles increasingly adequate to the specific needs of comfort, operating efficiency and technical reliability. In 2012 investments were equal to about Euro 725 million (net of advances for the purchase of rolling stock), of which 56% is 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.
A generalised increase was recorded in the accounting mainly referable to the investments in the purchase and restructuring of rolling stock. Specifically, below are reported the main investment projects broken down by business:

- within the national and international passenger (medium/long distance) transport, a project is in progress for the purchase of the new High Speed trains (for a total cost of the project equal to Euro 1.6 billion), as are the actions for the restyling and functional restructuring of internal fixtures of Frecciarossa trains and the restructuring of Intercity coaches to be used for the Frecciabianca product;
- within the context of passengers Regional Transport, the end of the year saw the start of the project for the purchase of 53 new electric trains, while negotiations are still in progress in relation to the purchase of 40 new diesel trains. The order for the purchase of E464 locomotives is being completed, while activities are continuing for the purchase of new Double-Deck coaches;
- with reference to Cargo Transport, activities are continuing 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;
- as regards On-Board Technologies, all installations were completed in relation to the SCMT system (*Sistema Controllo Marcia Treno*, Train Movement Control System) and the SSC system (*Sistema di Supporto alla Condotta*, Train Driving Support System). Activities are being defined in relation to the completion of the STB System (*Sistema Tecnologico di Bordo*, On-Board Technology System) to complete the equipment of the Regional Transport Division fleet;

- within IT Investments, activities are in progress in relation to "phase 2" on the new integrated commercial platform "PICO" concerning the offer on "Basic Services" of the national, international and regional passenger transport, and actions are continuing which are aimed at improving sales channels and the new Customer Relationship Management system, in order to offer a high service level to customers, on a multi-channel basis and, on the SIM system (*Sistema Informativo Merci*, Cargo Information System), activities are continuing for the construction of an integrated platform in support of the sales cycle and traffic in the Cargo Division.

As regards new rolling stock, 70 locomotives, of which 8 for National/International transport and 62 for Regional transport, 77 coaches for Regional Transport and 7 ETR trains for National/International transport, were put into operation. Furthermore, 38 locomotives, 764 coaches and wagons and 184 trains (ETR 500 and TAF) were brought back into operation after restructuring measures. The breakdown is reported in the table below.

NEW MATERIAL	**no. of vehicles**	**RESTRUCTURED MATERIAL**	**no. of vehicles**
Locomotives	**70**	**Locomotives**	**38**
National and International transport	8	National and International transport	
Regional transport	62	Regional transport	38
Cargo transport		Cargo transport	
Coaches/wagons	**77**	**Coaches/wagons**	**764**
National and International transport		National and International transport	114
Regional transport	77	Regional transport	197
Cargo transport		Cargo transport	453
Trains	**7**	**Trains**	**184**
National and International transport	7	National and International transport	86
Regional transport		Regional transport	98

The other Group companies (Grandi Stazioni, Centostazioni, Busitalia-Sita Nord, Italferr, Ferservizi, FS Logistica, FS Sistemi Urbani, Ferrovie dello Stato Italiane and Netinera Group) as a whole invested about 89 million euro, in Italy and abroad, more than 50% of which on the part of Grandi Stazioni and Centostazioni, used for the improvement, revitalisation and enhancement of the main stations, which were redesigned not only to create safer and more functional rail transport terminals, but also big services centres and public spaces, increasingly integrated with the fabric of their cities. The remaining investments were 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 local rail transport (in Germany), for logistics services and for the procurement of IT tools to support corporate processes.

FINANCING OF INVESTMENTS

With reference to the main events relating to the Programme Contract, note that on 10 July 2012 the Ministry for Infrastructures and Transport (MIT) and RFI executed the 2010–2011 update of the 2007-2011 Programme Contract, investment sections, which was registered with the Court of Auditors on 10 October 2012 (Register 13, Sheet 372), after the expected opinions of the CIPE (meeting held on 20 January 2012), the 8th Permanent committee (Public Works, Communications) of the Senate and the 9th Permanent committee (Transport, Post and Telecommunications) of the Chamber of Deputies, in the meetings held on 27 June and 3 July 2012, respectively.

By the abovementioned update of the Programme Contract, additional resources were provided for an overall value of Euro 5,857 million, arising from provisions set aside in the budget of the Ministry for Economic Development (MISE) and of the MIT, from EU sources and from financing by third-party Entities. Euro 5,017 million of this amount is to be allocated as specified in the financing documents and is also subject to area restrictions, while the remaining Euro 840 million euro is intended for extraordinary maintenance works to keep the national rail network efficient.

The same act regulates cuts in the funds on investments for an overall value of Euro 1,950 million.

Furthermore, in order to meet requirements for essential expenditure, which have not been completely satisfied, on extraordinary maintenance and safety works in tunnels as suggested in the policy guidelines of the Ministry for Infrastructures and Transport, Euro 881 million was re-allocated from programme/project phases which could not be carried out in the short term or which can be postponed.

Furthermore, in order to maintain the Contract updated in relation to the state of progress of the projects, works completed for a value of Euro 7,761 million were transferred from the Table A "Works in progress" to Table E "Completed works".

Finally, it should be considered that the current 2007-2011 Programme Contract – investment section, which has reached its natural expiry, was extended up to 30 June 2013, while, in December 2012, talks were already started with the competent Ministries in order to prepare the new contract for the 2012-2016 period.

In accordance with the decisions made by the CIPE in the abovementioned Resolution no. 4 of 2012, the Manager has proposed the execution of two separate contracts, to be structured as follows:

- Contract for the Network Availability Service (*CdP-S*, Programme Contract - Services), aimed at regulating, in a uniform manner, the network maintenance, both ordinary and extraordinary, which may provide an adequate solution to the issues connected with the financing of recurring expenses;
- Contract for investment management (*CdP-I*, Programme Contract - Investments), aimed at regulating infrastructural development investments, in a sustainable manner and in accordance with the strategic guidelines of economic and financial planning.

The new contracts will apply the effects of the provisions of law enacted in the course of 2012, which contributed additional resources of about Euro 4,540 million and entailed cuts in the funds for an overall amount of about Euro 375 million.

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 and, in particular, the new investments introduced by the 2010/2011 update (works including, among others, the Naples-Bari-Lecce-Taranto, Salerno-Reggio Calabria, Palermo-Messina-Catania lines and the Sardinia Network).

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 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.

On 2 August 2012, the Ministry for Local Cohesion, the MIT, the Basilicata, Campania and Puglia Regional Governments, Ferrovie dello Stato Italiane and RFI signed the Institutional Development Contract for the completion of the Naples-Bari-Lecce-Taranto railway line (including the Potenza-Foggia line).

The projects selected, whose costs amount to a total of Euro 7,116 million, for Euro 3,532 million of which there is already a financial cover, include both technological works that allow the pursuit of the objective of shortening journey times and require a smaller financial commitment and shorter timescales and investments in infrastructures which take longer to complete but provide greater benefits in terms of:

- greater competition in rail transport by increasing service levels (e.g. by making services more regular and shortening journey times substantially);
- improving the degree to which railway lines are integrated with intermodal and logistics facilities in compliance with the system of junctions (intermodal platforms and ports) envisaged in the new structure of the TEN-T network;
- recovery, improvement and enhancement of the value of railway areas earmarked for decommissioning.

On 18 December 2012 the Ministry for Local Cohesion, the MIT, the Calabria Regional Government, Ferrovie dello Stato Italiane and RFI signed the Institutional Development Contract for the completion of the Salerno-Reggio Calabria Line.

The work envisaged in this Contract, the cost of which amounts to Euro 504 million for which there is full financial cover, contributes to:

- the modernisation of the Calabria railway network, bringing it up to the most advanced standards of services and operations;
- the attainment of higher uniform speed by trains on the Battipaglia-Reggio Calabria, Sibari-Crotone-Catanzaro Lido and Catanzaro Lido-Lamezia Terme lines;
- an increase in cargo traffic from and to the Port of Gioia Tauro.

The Contract also envisages the preparation of a feasibility study for the "lowering and underground positioning of the railway tracks on the Reggio Calabria station route", which is to establish phases, costs and completion times.

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:

- on 17 March 2012 resolution no. 86/2011 was published in the Official Gazette (*Gazzetta Ufficiale*) no. 65, by which the CIPE authorised the implementation of the second non-functional construction lot of the High Speed/High Capacity "Milan–Genoa: Terzo Valico dei Giovi" line and the allocation of Euro 1,100 million;
- On 3 April 2012 resolution no. 85/2011 was published in the Official Gazette (*Gazzetta Ufficiale*) no. 79, by which the CIPE authorised the implementation of the second non-functional construction lot of the High Speed/High Capacity Treviglio-Brescia line and the allocation of Euro 919.5 million. The overall amount of Euro 2,019.5 million has been allocated out of the resources made available by the Railway and Road Infrastructure Fund (*Fondo Infrastrutture Ferroviarie e Stradali*) referred to in article 32, paragraph 1, of Decree Law no. 98/2011, as converted by Law no. 111/2011;
- at the meeting held on 26 October 2012, the following projects were approved:
    - the final design of the functional sub-lot of Lot 1 "Fortezza-Ponte Gardena" (allowing for smooth flow of traffic and interconnection with the existing line) within the quadrupling of the Fortezza-Verona railway line;
    - the preliminary project of a change in the Bari Centrale – Bari Torre a Mare section (Lot 2) of the Southern area of the Bari railway junction, with a cost of Euro 391 million and financial coverage provided by the 2007-2011 Programme Contract;
- on 21 December 2012 the CIPE gave its favourable opinion on the 10th Infrastructure Annex attached to the 2012 Economy and Finance Document (*Documento di Economia e Finanza*).

Finally, with reference to the overall framework of the FS Italiane Group's investments reported above, it should be noted that it falls within the scope of the challenging action plan, in the region of about Euro 27 billion, set out in the 2011-2015 Business Plan, as updated at the end of 2012.

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.

Euro 17 billion of the above investments are covered as set-up grants (MEF, MIT, EU, etc.) and Euro 10 billion in self-financing/borrowing, 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 regards the need to raise funds on the financial market, the FS Italiane Group already started preparing the MTN (Medium-Term Notes) programme in 2011: this measure consists in issuing bonds for listing on regulated markets.

The maximum amount involved in the Programme is Euro 4.5 billion euro, calculated on the basis of the funds required for the investments (both the High-Speed plan and the procurement of rolling stock, including regular maintenance, for Trenitalia) and the Group's capacity to generate cash resources. The bonds are to be issued over more than one financial year: the requirement for the current year has been calculated as about Euro 1.5 billion.

Research and development activity

In 2012 the Group's expenditure volume for direct research and development investments was equal to Euro 9 million, which were almost fully charged to RFI.

The amount of the 2012 expenditure, to be allocated among the main investments, points out that about 78% is intended for traffic safety technology, while the residual 22% 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, a decrease was recorded compared to 2011 in the activities concerning the innovative Diagnostics, due to the substantial completion of the fitting out of equipment of the Y2 train (which has already been put into pre-operation).

Initiatives are continuing 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 2012:

- the study with the CNR-IMAA (Institute of Methodologies for Environmental Analysis of the National Research Council of Italy) was completed, in relation to the development of an innovative monitoring system based on electromagnetic techniques for the control of slopes subject to landslide;
- a campaign of measurements was carried out in the framework of experiments with a system for the abatement at source of railway noise consisting of rail dampers on the Verona-Brenner railway line in the Province of Bolzano;
- a project has been put in hand for the construction of three trial sites on the High Capacity/High Speed network to use for innovative trials and to verify the feasibility of 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;
- the trials were completed on the de-icing systems of the contact conductors on the 25 kV-50 Hz electric traction lines and trials of similar systems are continuing for use on the traditional lines powered at 3 kV cc, starting from the Rome to Florence *Direttissima* line;
- tests were completed on the prototypes of a sensor for the detection of mechanical damage to glued insulated joints and the related Functional Technical Specifications (*Specifica Tecnica Funzionale*) were drawn up;
- one of the Joint Research Centre (JRC) activities was, in cooperation with the Milan Polytechnic, the installation of a prototype of a system (applied to a trolley and a pantograph) on the Y1 train that diagnoses the quality of train-track interaction that links with a central position to transmit readings and alerts in connection with exceeding certain thresholds in real time that can draw attention to problems on the train or on the ground (infrastructure or contact line);
- experimentation is continuing with the computerised Aster Navigator train card, installing this communication system on board the Y1 train in order to put the engineering personnel in a position to operate as well as possible even in areas without GPS.

Another point to stress is that the FS Italiane Group is very present indeed in the field of R&D also thanks to the work done by its subsidiary, Italcertifier SpA, which began to carry out the certification of infrastructure components and sub-systems in addition to testing rolling stock in house in the Florence-Osmannoro Centre of Experimental Dynamics (*Centro di Dinamica Sperimentale*), which it owns, taking advantage of the experience and know-how it has acquired over the years to start conducting certification work, assessments and trials on network systems and rolling stock. As of the end of

2012, 60% of its revenues came from customers outside the Group (one of which in particular is the AnsaldoBreda-Bombarider combine which commissioned the trials of the new ETR 1000 High-Speed train from Italcertifer).

Finally, the FS Italiane Group also contributes indirectly to the development of fresh R&D in the field of transport technologies and systems and components by laying down rigorous definitions of technical and technological specifications that are not only essential contractual conditions but are also challenging and of absolute excellence contained in extremely detailed and innovative agreements entered into with external suppliers. An example of this is the contract for the supply of 50 "very high speed" ETR 1000 trains, awarded by Trenitalia to the abovementioned AnsaldoBreda-Bombardier combine, at a cost, as we know, over Euro 1.5 billion.

Own shares of the Parent Company

As at 31 December 2012, Ferrovie dello Stato Italiane SpA did not hold own shares, neither directly, nor through trustee companies or third parties, and, during the 2012 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 LITIGATION).

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. In 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 2012.

- 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 trial of first instance, within which the Municipality of Molfetta and the Puglia Regional Government were allowed to appear as aggrieved parties acting to recover damages.
- In relation to criminal proceedings no. 6305/09 R.G.N.R. (*Ruolo 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 –, in February 2013 the Court of Lucca took steps, following the notice of conclusion of preliminary investigations served by the Public Prosecutor's Office in June 2012, to serve a decree

setting the date of start of the preliminary hearing, on 25 March 2013, following the requests for committal for trial submitted by the Public Prosecutor.

As regards individuals, the request for committal for trial was submitted against the same persons and for the same offences as already specified in the notice of conclusion of preliminary investigations and, specifically, against 32 indicted persons (compared to 38 persons specified in the notice of investigation (*informazione di garanzia*) dated December 2010), 18 of which belong to the Group, including the CEOs of Ferrovie dello Stato Italiane SpA, RFI SpA, Trenitalia SpA and FS Logistica SpA, for the offences of culpable fire (articles 423 and 449 of the Italian Criminal Code), culpable railway disaster (articles 430 and 449 of the Italian Criminal Code), manslaughter and serious and very serious accidental injuries, aggravated by the fact of having committed the act in breach of the rules governing prevention of accidents at work (articles 589 and 590 of the Italian Criminal Code).

Furthermore, the Public Prosecutor submitted a request for committal for trial against the Companies already specified in the notice of conclusion of preliminary investigations, i.e. Ferrovie dello Stato Italiane SpA, RFI SpA, Trenitalia SpA, FS Logistica SpA and, outside of the FS Italiane Group, Cima Riparazioni SpA, GATX Rail Austria GmbH, GATX Rail Germania GmbH and Officina Jungenthal Waggon GmbH, as well as against GATX RAIL Europa GmbH (which has been served with a separate notice of conclusion of preliminary investigations), confirming, in relation to all of them, the accusation of administrative unlawful act as provided for in article 25 *septies*, paragraphs 2 and 3, of Legislative Decree no. 231/2001, in relation to offences of manslaughter (article 589 of the Italian Criminal Code) and serious and very serious injuries (article 590 of the Italian Criminal Code) committed in breach of the rules governing protection of health and safety at work.

At the end of the first phase of the preliminary hearing, excluding the appearance as aggrieved parties to recover damages against the defendant companies pursuant to Legislative Decree 231/2001, the Judge for Preliminary Hearing (GUP, *Giudice dell'Udienza Preliminare*) ordered to summon the Companies themselves – therefore, including Ferrovie dello Stato Italiane S.p.A., RFI S.p.A., Trenitalia S.p.A. and FS Logistica S.p.A. – as persons liable for damages, at the request of the 119 aggrieved parties, the appearance of which was admitted against the indicted individuals.

The preliminary hearing was postponed to 3 June 2013, having to continue it in the subsequent days of June and, if necessary, in July.

Currently, the Group is not able to surmise liabilities that are payable by the Companies in the FS Italiane Group, which are covered by suitable insurance policies.

- In relation to criminal proceedings no. 7829/2006 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) – no. 2617/2007 R.G. (*Ruolo Generale*, General Register), the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) of the Court of Lecce, against some former employees and executives of Trenitalia SpA and trusted physicians in relation to the death of an employee that occurred on 31 August 2004 due to "secondary acute respiratory failure and spontaneous pneumothorax", the proceedings concluded on 26 January 2012, and some former employees were sentenced to one year imprisonment, in addition to pay costs, as well as, jointly and severally with Trenitalia SpA as person liable for damages, to compensate for any non-pecuniary damage *iure proprio* in favour of the aggrieved parties.

- 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 representative company ATI CLF responsible for the works who was involved in an accident that occurred at the site of Milan Rho Certosa, they are currently in the phase of discussion, the next hearing being set at 12 June 2013.
- 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 should be 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 trial has been suspended until the aforesaid Constitutional Court hands down its ruling.
- In relation to criminal proceedings no. 78261/2007 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) at the Public Prosecutor's Office of Rome, initiated against the CEO of RFI, it should be noted that the Public Prosecutor submitted a request to dismiss the proceedings. The proceedings concerned the safety of door opening, closing and control systems of coaches.
- In relation to criminal proceedings no. 3723/2012 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) at the Public Prosecutor's Office of Bergamo, against, among others, the CEO of Trenitalia (in relation to a fatal accident that occurred on 18 August 2010 during the departure of a regional train from the Treviglio station), they were settled by a Decree of Dismissal issued by the Judge in charge of Preliminary Investigations (GIP, *Giudice per le Indagini Preliminari*) of the Court of Bergamo due to the groundlessness of the notice of offence.
- In the first half of 2012, RFI and Trenitalia were entered in the register of indicted persons pursuant to Legislative Decree 231/01 for breaches of rules governing safety at work, in relation to the fatal accident to the engine driver of 8921 train that occurred due to impact with a stone, which had fallen on the railway line, following a landslide event of exceptional and unforeseeable severity. The related proceedings, registered under no. 5463/2010 R.G.N.R., are currently pending before the Judge for Preliminary Hearing (GUP, *Giudice dell'Udienza Preliminare*) of the Court of Sassari. The companies were also summoned as persons liable for damages.
- 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. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) are still pending, in the investigation phase, before the Public Prosecutor's Office of Rome. Recently, three officers of RFI have been entered in the register of indicted persons. Part of the rolling stock involved in the derailment is still subject to seizure.
- Finally, on 16 November 2012 criminal proceedings no. 10095/2010 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) were started before the Public Prosecutor's Office of Catania as regards alleged cases of administrative liability attributed to RFI in relation to the accident at work that occurred in Motta Sant'Anastasia on 1 September 2008, in which two employees of RFI died. For the same facts, the Public

Prosecutor's Office of Catania had already started criminal proceedings no. 10659/2008 R.G.N.R. (*Ruolo Generale delle Notizie di Reato*, General Register of Crimes) against four employees of RFI; these proceedings concluded before the court of first instance with three sentences, which were then contested appellate proceeding, one discharge and a decision of no case (*dichiarazione di non luogo a procedere*), as the offence extinguished as a result of the death of the offender. The next hearing will be held on 23 May 2013. The company appeared in court - pursuant to law – through external legal counsels.

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 2011 Financial Statements.

Arbitration proceedings

Arbitration proceedings with General Contractors

Below are reported the main updates of the arbitration proceedings; for any details, reference is made to the large amount of information already provided in the reports to the financial statements of the previous financial years. The developments for the period report the settlement of a significant portion 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 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 Cepav Uno, of which Euro 48 million may be capitalized on the value of the works and about Euro 6 million on account of interest already allocated to an appropriate provision, against an overall claim of Euro 613 million;
- 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 24.1 and 20.3.2013.

On 7 February 2013 RFI took steps to pay the amount of about Euro 54 million as referred to in the partial Award dated 2 August 2012.

The time limit for the issue of the final Award is currently set at 31 December 2013.

New requests for Arbitration

On 27 November 2012 Consorzio Cepav Uno served on RFI, for significant amounts, three additional Deeds of access to arbitration pursuant to article 27 of the TAV-Cepav Uno/ENI Agreement of 15 October 1991. As to the abovementioned new requests for arbitration, the Board of Directors of RFI resolved, in the meeting held on 13 December 2012, to take such actions as may be necessary to oppose the requests for arbitration, and, for this purpose, it granted the CEO the broadest powers to act accordingly and to adopt any measures aimed at fully protecting the interests of the company.

In this regard, the preventive proceedings started by RFI are still pending before the Court of Rome.

Bologna-Florence section

- As already described in the 2011 Consolidated Financial Statements, by the Award issued on 27 January 2012, the Arbitration Board acknowledged, in favour of the General Contractor FIAT, the total amount of Euro 25.4 million (equal to 4.8% of the capital amount requested), of which Euro 24.79 million may be capitalised on the value of the works, and Euro 0.57 million on account of interest, of which Euro 0.52 million have already been allocated to an appropriate provision. On 10 April 2012 RFI took steps to pay the amount.

The Award has become final.

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 –, on 23 March 2012 RFI appointed its own new arbitrator and on 21 June 2012 the President of the Council of State appointed the third arbitrator to act as President of the Arbitration Board

After the performance of the Court-appointed Expert's activities and the filing of the final statement of defence, the Arbitration Board shall set the relevant hearing.

The time limit for the issue of the final Award is currently set at 19 July 2013.

Rome-Naples line

On 15 June 2012 the Arbitration Board issued the final Award relating to the 2008 arbitration proceedings with the General Contractor Iricav Uno.

On 13 July 2012 Consorzio Iricav Uno gave notice, also pursuant to article 1219 of the Italian Civil Code, 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 (against a *petitum* of Euro 437 million), an amount that also includes any items of the sentence that have not been expressly quantified by the Award.

On 8 February 2013, RFI, having found serious and numerous defects of the Award, filed an appeal against the Partial Award before the Court of Appeal of Rome, while asking the Court to suspend the enforcement of the Award itself and did not take steps to make the related payment. This award was enforced by the General Contractor pursuant to article 825 of the Italian Code of Civil Procedure, by virtue of the Decree issued by the President of the Court of Rome on 20 March 2013 and served on RFI on 28 March 2013.

By a Writ of execution served on 16 April, Consorzio Iricav Uno gave notice to RFI, claiming the overall amount of about Euro 55.7 million concerning the items of the sentence quantified by the final Award; to date, this payment has not yet been made by RFI, pending the hearing of 28 May 2013.

New request for Arbitration

On 27 November 2012 Consorzio Iricav Uno served an additional Deed of access to Arbitration on RFI pursuant to article 27 of the TAV-Iricav Uno/IRI Agreement of 15 October 1991.

Also as to the abovementioned new request for arbitration, the Board of Directors of RFI resolved, in the meeting held on 13 December 2012, to take such actions as may be necessary to oppose said request, and, for this purpose, it granted the CEO the broadest powers to act accordingly and to adopt any measures aimed at fully protecting the interests of the company.

In this regard, the preventive proceedings started by RFI are still pending before the Court of Rome.

Verona – Padua 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*, and accepted only partially the request for compensation for damage submitted by Consortio on a subordinate basis. Furthermore, note that the Award did not declare the cancellation of the Agreement requested by the company pursuant to Law 40/2007, also in light of the relevant regulations that were subsequently enacted (Law 133/2008). In this regard, the necessary talks are being held by the company and the Parent Company with the Ministry for Infrastructures and Transport.

On 15 June 2012, in the implementation of the provisions laid down in the abovementioned Award and expressly reserving the right to contest the Award itself, the company paid the General Contractor an amount of Euro 11.2 million, including legal interest, of which Euro 9 million have already been allocated to an appropriate provision.

On 11 May 2013 the time limit expired for filing an appeal against the Award; in this regard, RFI has decided not to file any appeal; to date, no objections have been raised, not even by the Consorzio Iricav Due.

Terzo Valico dei Giovi

As to the requests submitted by Consorzio COCIV to the Arbitration Board against the former TAV in January 2007, following the Addendum signed between COCIV and RFI on 11 November 2011, which became effective on 2 April 2012, Consorzio COCIV, also in the name and/or on behalf of the Consortium members, waived the request for termination of contract, as well as any claims for damage enforced in the arbitration proceedings.

As a result of this waiver, the Arbitration Proceedings in progress only concern the previous design activities carried out by Consorzio, as already reported in the 2011 Consolidated Financial Statements. After the performance of the Court-appointed Expert’s activity, the filing of the final statements of defence and the subsequent hearing for discussion, the Arbitration Board shall issue its Award.

The time limit for the issue of the Award is currently set at 7 July 2013.

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 76,525,438.73 in relation to the Agreement 116/2004 of 5 November 2004 – Doubling connection of the Cagliari-Golfo Aranci railway line in the Decimomannu-S.Gavino section. On 20 September 2012 the Board, in settling the arbitration proceedings in question, finally ruled as follows:

- it partially granted the requests submitted by Strabag, and ordered RFI to pay the same an overall amount of Euro 41,722,571.14 (of which Euro 30,293,720.25 on account of capital and Euro 11,428,850.89 on account of legal interest and/or default interest and/or revaluation), 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;
- ordered to fully charge any costs incurred for the functioning of the Arbitration Board, fees due to the Court-appointed Experts, fees due to the Arbitrators and fees due to secretaries, to RFI to an extent of 2/3 and to Strabag to an extent of 1/3.

On 21 December 2012 RFI served on Strabag the deed of appeal filed against the Award in question before the Court of Appeal of Rome: RFI appeared in court. On 30 April 2013 a hearing was held for the appearance before the Court of Appeal and, on that occasion, RFI again asked the Court to suspend the enforcement of the Award, which had been granted in the meantime by the President of the Court of Rome by an order handed down on 23 April 2013.

However, as the waiting time required in order for the Court of Appeal to hand down its decision may be long, it was decided to immediately file, in any case, an appeal against the order of the President of the Court of Rome.

Therefore, while summarising the events that occurred in 2012, an amount of Euro 90.6 million was acknowledged to the counterparties, of which Euro 72.8 million may be capitalized on the value of the works and Euro 17.8 million were expensed (Euro 15.5 million of which have already been allocated to an appropriate provision), against initial claims of Euro 2,274 million.

For any arbitration proceedings still pending as at 31 December 2012, 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, 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; in evaluation terms it is considered improbable that the claims of the GCs will be upheld; on the other hand, any amounts that may 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 before the Supervisory Authority for Public Contracts

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 9 April 2013, asked RFI to provide additional technical and economic evidence.

As to the criticalities found in the previous financial years on the other sections and Junctions, no significant developments are reported which took place in 2012 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.

By order of 25 July 2012, the Competition Authority (Autorità Garante della Concorrenza e del Mercato, AGCM) resolved to impose a sanction of Euro 100 thousand on Ferrovie dello Stato Italiane SpA and Rete Ferroviaria Italiana SpA, as jointly and severally liable, as well as a sanction of Euro 200 thousand on Ferrovie dello Stato Italiane SpA and Trenitalia SpA, as jointly and severally liable. At the end of the preliminary investigation activity, the results of which were reported in the 2011 Financial Statements, the Authority reported an abuse of dominant position; considering the fact that the conduct being contested has been developing recently as a case of offence, this led in any case to the application of sanctions of limited amount. The sanctions were paid by RFI and Trenitalia within the time limits prescribed by law. The final order handed down by the Authority was appealed against, also on the part of FS, before the Regional Administrative Court of the Lazio region and to date the proceedings are still pending; the trial proceedings were held on 8 May 2013; the sentence is being issued.

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

With reference to the appeals filed with the Regional Administrative Court of the Lazio Region by the Railway Companies (RC) operating in the cargo sector, against the non-application of the "Discount K2", the hearing for the discussion of the merits of the appeals was held on 6 October 2011.

On 13 April 2012, judgments no. 3393/2012, no. 3394/2012, no. 3392/12, no. 3390/12 were filed by which the Regional Administrative Court of the Lazio Region granted the appeals submitted by the Railway Companies and, as a result, cancelled Ministerial Decree 92/T of 11 July 2007 and the URSF Order no. 300/URSF/Segr. of 15 October 2007.

The Ministry for Infrastructures and Transport and RFI SpA filed appeals against these judgments, with request for suspension of the judgments appealed against.

On 31 July 2012, the Council of State deferred the decision on the merits, and set the hearings for discussion at 9 October 2012, without ruling on the request for provisional remedies.

At the end of the public hearing held on 9 October 2012, the Council of State, by judgments no. 1107, nos. 1.108, no. 1.109 and no. 1.110 of 22 February 2013, rejected the appeals filed by RFI and URSF against the judgment handed down by the Regional Administrative Court of the Lazio Region, which had cancelled Ministerial Decree no. 92T and the URFS order no. 300 of 15 October 2007 and, therefore, as a result, it confirmed the cancellation of the abovementioned measures.

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

The proceedings in question arose from the appeal filed by the RCs, before the Regional Administrative Court of the Lazio Region, against resolution passed by the Competition Authority on 15 October 2009, within proceedings A389, which confirmed the correct interpretation of the content of the commitments undertaken by RFI and FS in the course of the proceedings themselves.

Specifically, the Competition Authority had confirmed, in the resolution appealed against, that the text of the commitments undertaken (the so-called "Option 2") did not provide for the acknowledgment of costs incurred for equipping the locomotives hired by the RCs.

On 5 April 2012 the Regional Administrative Court of the Lazio Region issued judgment no. 3128, by which the Court, with reference to Option 2, considered that the interpretation and application of the content of the commitments on the part of RFI SpA and the Competition Authority were erroneous; specifically, by the order appealed against, the Competition Authority had ruled out the acknowledgment of costs incurred for equipping the hired locomotives as refundable costs.

The judgment issued by the Regional Administrative Court of the Lazio Region was appealed against before the Council of State, through the respective appeals filed by RFI, by the Competition Authority – through a request for suspension of the judgment appealed against – and by the RCs.

On 1 August 2012, the Council of State issued Order no. 3087 on the appeal filed by the Competition Authority, accepting the request for provisional remedies and, as a result, suspended the enforcement of the judgment appealed against.

MEASUREs/transfers OF PUBLIC RESOURCES FOR THE GROUP ACCRUED in 2012

values in €/MIL.

	RFI		Trenitalia	Grandi Stazioni	Busitalia	FS Logistica	Cemat	Total
Operating grants								
Programme Contract	1,110							1,110
Other grants from the State			7			1	1	9
From local Public Bodies					3			3
Being allocated	101	(*)						101
Investment grants								
From the State	4,047	(**)		25				4,072
From local public bodies			6		4			10
European Union grants	114		3					117
Total	**5,372**		**16**	**25**	**6**	**1**	**1**	**5,421**

(*) These are transfers accounted for as advances, pending their allocation; (**) These do not include discounted transfers of Euro 3,035 million (overall transfers equal to Euro 4,000 million for the financial years 2012 to 2021), as referred to in decree no. 47339 of 1 June 2011, but only the portion accrued in the year equal to Euro 400 million; these do not include discounted transfers, equal to Euro 833 million (overall transfers equal to Euro 1,119 million for the financial years 2013 to 2027), as referred to in law 443/2001 (the so-called Target Law).

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 internal 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.

Law 262/05

As it is known, 2007 saw the introduction of the position referred to in law 262/05 of the "Manager responsible for the preparation of corporate accounting documents" (*Dirigente Preposto alla redazione dei documenti contabili societari*) of Ferrovie dello Stato Italiane SpA., on specific instructions of the MEF, in view of the adoption of increasingly advanced Governance systems equivalent to those of listed companies.

The said "Manager responsible for the preparation of corporate accounting documents" defined and implemented, within the Group, the model for the management of compliance with law 262 according to an approach based on relevant international standards (so-called Co.S.O. Framework).

The system conceived provides for the formalisation and the continuous update of appropriate administrative and accounting procedures and the definition of roles and related responsibilities in terms of controls aimed at reducing risks of error in financial reporting. As at the date of this Report, more than 280 administrative and accounting procedures had been issued within the Group.

The effectiveness of the control systems used to monitor risks with a significant impact on economic and financial reporting is checked on an annual basis through a testing activity, based on standard audit methods, which is carried out by a specialist team in support of the said Manager.

In consideration of the complexity and the widespread nature of the Group, in terms of players and processes involved, and for a consolidation and a better efficiency in the application of the rule, the Board of Directors of Ferrovie dello Stato Italiane deemed it appropriate to also promote the appointment of "Managers responsible for the preparation of corporate accounting documents" in the main subsidiaries. Therefore, to date, these Managers have been appointed in the following companies: RFI S.p.A., Trenitalia S.p.A., Grandi Stazioni S.p.A., Centostazioni S.p.A., FS Logistica S.p.A. and Busitalia-Sita Nord Srl.

On an annual basis, the abovementioned Managers will certify, by joint signature with the Managing Directors of each companies and on the basis of a Certification model that substantially reflects that envisaged in the Consob regulation in the implementation of law 262:

- *the adequacy of administrative and accounting procedures for the preparation of the separate financial statements and the effective application of the same during the relevant period (reporting important aspects that could emerge);*
- the compliance of the separate financial statements with the results in the accounting books and records*;*
- *the compliance of the financial statements themselves with the relevant accounting standards and the fact that they are suitable to provide a true and correct representation of the company's equity, economic and financial position*.

The Chief Executive Officer and the Parent Company's "Manager responsible for the preparation of corporate accounting documents" issue a similar Certification on the Group's consolidated financial statements and on the separate financial statements of Ferrovie dello Stato Italiane.

Furthermore, the Parent Company has provided for all subsidiaries, which do not have a "Manager responsible for the preparation of corporate accounting documents", to attach to the annual accounting positions an internal Certification (with a content similar to that of the previous abovementioned certifications) signed by the Finance Manager of the entities indicated and sent to their Chief Executive Officer, as well as to the Managers responsible for the preparation of corporate accounting documents of the Parent Company and of their controlling company, if any.

Another development in 2012 was that the financial reporting control model also began to be implemented in the German Netinera Group with the distribution of administrative and accounting procedures regarding the companies and the most important processes, the assessment of the risks attached to other important processes using the Risk Control Self-Assessment method and the determination of the model of information flow in full operation. The model became operative both within the German group itself and with respect to disclosures to the FS Italiane Parent company.

Furthermore, the Group's Governance 262 Model is being developed, in particular for the introduction of the models of Segregation of Duties (SoD) and *IT General Computer Controls* (ITGC).

In order to ensure that responsibilities are well-defined and properly distributed, avoiding overlapping functions or vital work concentrated in the hands of a single person, Ferrovie dello Stato Italiane S.p.A. finalised the systems and/or processes operating control model (SoD Model), started using the Model in the processes supporting financial reporting and is supporting the main Group companies in implementing the model to their own processes.

The IT General Computer Controls (ITGC) Model, on the other hand, will enable the Group to control IT processes so that it can make the internal system of control over financial reporting even more efficient, making its contribution to the prevention of the manipulation, or the possibility of the manipulation, of the data produced by the system and thus reducing errors in disclosures to a minimum.

As it can be inferred from what has been reported, the activity carried out so far, starting from the date of appointment of the "Manager responsible for the preparation of corporate accounting documents" of Ferrovie dello Stato Italiane S.p.A., 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 allowing process improvement opportunities to be seized and strongly promoting the control culture within the Group.

Operating segments of the Ferrovie dello Stato Italiane Group

INFORMATION CONCERNING THE MAIN COMPANIES

The FS Italiane Group operates through its subsidiaries in 4 operating segments: Transport; Infrastructure, Real Estate 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 paragraph 46 of the notes to the financial statements, to which reference should be made.
Below is commented the performance of 2012 operations of the main companies operating in the individual segments.

Trenitalia SpA (Transport)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	5,498.00	5,708.05	(210.1)	(3.7)%
EBITDA	1,350.26	1,391.10	(40.8)	(2.9)%
EBIT	418.30	496.25	(78.0)	(15.7)%
Profit (loss) for the year	206.50	156.37	50.1	32.1%
Investments	1,120.54	861.29	259.3	30.1%
Net financial position	6,335.10	5,854.00	481.1	8.2%
Net equity	1,912.93	1,818.61	94.3	5.2%
Workforce	34,819	36,700	(1,881)	(5.1)%

Main ratios	2012	2011
ROE	11.7%	9.4%
ROI	5.2%	6.3%
ROS (EBIT MARGIN)	7.6%	8.7%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	24.6%	24.4%
DEBT/EQUITY	3.31	3.22

in 2012 Trenitalia SpA also recorded, as in the last years, a significant increase in the Profit for the year compared to the previous financial year (Euro +50.1 million, equal to +32%).

The company carries out its full 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 2012 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. 2012 was characterised by a reduction of 2.3% in Traffic revenues in the Market Segment and by a reduction of 25.3% 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 low-return services for the streamlining of some Intercity trains for which the average load is particularly unfavourable.

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 2012 the regional transport recorded a 6.14% increase in revenues from traffic, equal to Euro 45 million, compared to the previous financial year. This change is mainly linked to the increase in regional fares which increased by 7% on average, against a decline in volumes equal to 0.8% due to the reduction in services offered (1.9%) as requested by the customer Regional Governments.

The **Cargo Transport** segment provides cargo mobility services at national and international level. During 2012 the Cargo division recorded traffic revenues of Euro 494 million, down by 5.9% compared to 2011. The business sectors, which follow the relevant product areas, are represented by: "Traditional Business" and "Combined Business".

In 2012 cargo trains – Traditional Business – recorded reduced volumes compared to 2011 in terms of trains-km, as a result of the decline in international traffic, which was partly offset by long-distance national traffic.

Also railway traffic data from the National/international Combined Business recorded a decline in international traffic (-16% for trains/km and -9.6% in turnover); however, the growth in the national traffic of trains/km (+19.6%) was able to offset losses from international traffic, thus achieving an overall increase in volumes (+3.5%) and turnover (+2.3%).

Busitalia-Sita Nord Srl (Transport)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	110.47	68.49	42.0	61.3%
EBITDA	6.45	4.09	2.4	57.7%
EBIT	2.09	1.72	0.4	21.5%
Profit (loss) for the year	0.12	0.34	(0.2)	(64.7)%
Investments	1.19	4.18	(3.0)	(71.5)%
Net financial position	6.70	4.63	2.1	44.7%
Net equity	24.60	25.74	(1.1)	(4.4)%
Workforce	897	939	(42)	(4.5)%

Main ratios	2012	2011
ROE	0.5%	2.7%
ROI	6.8%	11.3%
ROS (EBIT MARGIN)	1.9%	2.5%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	5.8%	6.0%
DEBT/EQUITY	0.27	0.18

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.

Busitalia was established in May 2011 through the reverse merger of the controlling company Sogin Srl (100% owned by FS Italiane) into the controlling company Sita SpA (100% owned by Sogin Srl) and the simultaneous partial non-proportional demerger of Sita SpA.

The company recorded a net profit of Euro 118 thousand and revenues of Euro 110 million, 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 2012 the company was awarded, together with its strategic partners, the tender launched by the Municipality of Florence for the acquisition of ATAF Gestioni Srl, which is the beneficiary of the branch of business, belonging to ATAF Spa, established to perform local public transport services in the Florence area.

Netinera Deutschland Group (Transport)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	438.68	379.38	59.3	15.6%
EBITDA	35.30	37.41	(2.1)	(5.6)%
EBIT	6.00	12.86	(6.9)	(53.3)%
Profit (loss) for the year	(16.24)	(8.60)	(7.6)	88.8%
Investments	58.19	15.04	43.2	>200%
Net financial position	298.42	223.64	74.8	33.4%
Net equity	24.72	42.30	(17.6)	(41.6)%
Workforce	2,334	2,404	(70)	(2.9)%

Main ratios	2012	2011
ROE	(100.4)%	(33.8)%
ROI	2.0%	9.6%
ROS (EBIT MARGIN)	1.4%	3.4%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	8.0%	9.9%
DEBT/EQUITY	12.07	5.29

On 25 February 2011, the Arriva Deutschland group was acquired by the SPV FS 2 Move GmbH, 51% held by Ferrovie dello Stato Italiane SpA and 49% held by the Cube Infrastructure SCA Investment Fund; subsequently, at the end of August, FS 2 Move GmbH merged Netinera Deutschland GmbH (the new name took on by the Berlin parent company in March 2011) and took on its name.

The current 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.

In 2012, the Netinera group recorded revenues of about Euro 438 million, against costs of Euro 403 million, recording EBITDA of Euro 35 million. After amortisation and depreciation of Euro 29 million and finance costs of Euro 24 million (substantially towards the shareholders), the company recorded losses of Euro 16 million.

As regards, for the sake of completeness, the 2012 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 16 million against a loss of Euro 38 million at the end of 2011. This loss is characterised by a negative operating component of Euro 7 million (a negative component of Euro 5 million at the end of 2011), a negative component linked to financial charges of Euro 16 million (Euro 14 million at the end of 2011) and by a very specific component, which was positive for Euro 7 million, linked expressly to the German civil law rules which provide for the statutory results of subsidiaries 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 negative for Euro 19 million in the previous year.

FS Logistica SpA (Transport)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	86.02	116.08	(30.1)	(25.9)%
EBITDA	(7.94)	(5.47)	(2.5)	45.2%
EBIT	(13.65)	(7.72)	(5.9)	76.8%
Profit (loss) for the year	(17.07)	(18.55)	1.5	(8.0)%
Investments	3.91	2.01	1.9	94.5%
Net financial position	101.49	87.20	14.3	16.4%
Net equity	107.14	124.46	(17.3)	(13.9)%
Workforce	151	189	(38)	(20.1)%

Main ratios	2012	2011
ROE	(13.7)%	(13.1)%
ROI	(6.5)%	(3.8)%
ROS (EBIT MARGIN)	(15.9)%	(6.7)%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	(9.2)%	(4.7)%
DEBT/EQUITY	0.95	0.70

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 (ICA [*Industria, Chimica, Ambiente*] Business Unit – Industry, Chemicals and Environment), major institutional clients (Omniaexpress Business Unit) and steel industry (Steel Industry Business Unit). 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.

1 June 2012 saw the transfer of the branch of business relating to national and international door-to-door combined maritime and land transport (Italcontainer Business Unit). The transfer fell within the scope of the streamlining of the organisational structure of services to cargo transport provided by the FS Italiane Group, which entails the concentration of all the intermodal transport activities of the Group in a single entity, i.e. Cemat SpA.

1 April 2013 saw the transfer of the activities and resources of the Industry, Chemicals and Environment Business Unit to Trenitalia.

The 2012 net result, which was negative for Euro 17 million, recorded an improvement compared to the previous year. The negative performance was still affected by the highly negative results recorded in the combined transport sector in which the Italcontainer Business Unit operated, which was still present in the first five months of the 2012 financial year.

RFI SpA (Infrastructure)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	2,663.35	2,537.50	125.9	5.0%
EBITDA	376.76	239.84	136.9	57.1%
EBIT	246.25	112.84	133.4	118.2%
Profit (loss) for the year	159.99	98.10	61.9	63.1%
Investments	2,835.23	3,038.57	(203.3)	(6.7)%
Net financial position	2,310.17	2,054.47	255.7	12.4%
Net equity	33,033.10	33,358.28	(325.2)	(1.0)%
Workforce	27,101	28,120	(1,019)	(3.6)%

Main ratios	2012	2011
ROE	0.5%	0.3%
ROI	0.7%	0.3%
ROS (EBIT MARGIN)	9.2%	4.4%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	14.1%	9.5%
DEBT/EQUITY	0.07	0.06

RFI SpA is the company responsible for the design, construction, installation, management and maintenance of the national railway infrastructure. Its revenues are constituted by 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. During 2012 the company recorded higher revenues from tolls arising from higher traffic volumes relating to the High Speed/High Capacity network against a fall in revenues from property management and other income. The performance achieved by the company in 2012 was also affected by reduced personnel costs, as a result of limiting new hires.

Italferr SpA (Infrastructure)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	152.79	162.33	(9.5)	(5.9)%
EBITDA	25.91	14.27	11.6	81.6%
EBIT	22.09	9.16	12.9	141.2%
Profit (loss) for the year	12.97	1.52	11.5	>200%
Investments	2.85	10.63	(7.8)	(73.2)%
Net financial position	(10.72)	29.53	(40.3)	(136.3)%
Net equity	57.08	48.69	8.4	17.2%
Workforce	1,206	1,248	(42)	(3.4)%

Main ratios	2012	2011
ROE	28.0%	3.1%
ROI	35.5%	17.1%
ROS (EBIT MARGIN)	14.5%	5.6%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	17.0%	8.8%
DEBT/EQUITY	(0.19)	0.61

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.

2012 closed with a positive net result, the best result in the last three-year period, which largely exceeded Euro 13 million, while EBIDTA rose close to Euro 26 million, up by about Euro 11.5 million compared to the previous year. A decisive contribution to the positive performance was given by both the formalisation of new contracts with Rete Ferroviaria Italiana (RFI) and the Romanian Railways, and the completion of activities at costs lower than expected, with a consequent significant improvement in contract margins.

The positive events that characterised the 2012 performance allowed the company to offset losses reported in production volumes (-5.6% in terms of hours per contract compared to 2011), which was mainly due to reduced public resources, as a result of the delicate economic phase that Italy and in general the Eurozone countries are going through.

Grandi Stazioni Group (Real Estate)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	199.75	216.48	(16.7)	(7.7)%
EBITDA	48.54	68.89	(20.4)	(29.5)%
EBIT	36.23	53.95	(17.7)	(32.8)%
Profit (loss) for the year	20.51	31.63	(11.1)	(35.2)%
Investments	42.90	34.80	8.1	23.3%
Net financial position	163.44	168.16	(4.7)	(2.8)%
Net equity	166.10	160.99	5.1	3.2%
Workforce	267	259	8	3.1%

Main ratios	2012	2011
ROE	13.4%	23.2%
ROI	11.0%	16.6%
ROS (EBIT MARGIN)	18.1%	24.9%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	24.3%	31.8%
DEBT/EQUITY	0.98	1.04

The Grandi Stazioni group operates through the parent company, as well as two subsidiaries: Grandi Stazioni Ceska Republika Sro (51%), based in Prague, and Grandi Stazioni Ingegneria Srl (100%).

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.

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.

During the year, the Grandi Stazioni group confirmed, although to a lesser extent, the positive results of the previous financial years and continued its investment projects. In fact, works continued for the rehabilitation of internal works, mainly in the stations of Bari, Bologna, Florence, Genoa Brignole and Principe, Palermo and Venice Mestre and S. Lucia and works were completed in relation to the commercial premises of the former departmental building in Venice Santa Lucia. In relation to external works, works continued on videosurveillance systems in the stations of Bari, Florence, Genoa Brignole and Principe, Milan, Naples, Palermo, Turin, Venice Mestre and Santa Lucia and Verona, and works started on the Rome station.

The 2012 profit (loss) showed a decrease mainly due to the capital gain, recorded in 2011, arising from the transfer of the former departmental building located in Rome, at via Marsala and not present in 2012.

Centostazioni SpA (Real Estate)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	79.43	76.88	2.6	3.3%
EBITDA	18.20	18.08	0.1	0.7%
EBIT	15.24	15.77	(0.5)	(3.4)%
Profit (loss) for the year	10.20	9.94	0.3	2.6%
Investments	2.29	1.48	0.8	54.7%
Net financial position	23.19	31.49	(8.3)	(26.4)%
Net equity	30.46	27.24	3.2	11.8%
Workforce	128	128		0.0%

Main ratios	2012	2011
ROE	42.9%	36.4%
ROI	27.2%	27.9%
ROS (EBIT MARGIN)	19.2%	20.5%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	22.9%	23.5%
DEBT/EQUITY	0.76	1.16

Centostazioni SpA is the FS Italiane Group company that 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 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 2012 financial year, thus improving the overall perception of the company's image on the part of customers, authorities and the public opinion in general.

The 2012 Profit for the year showed a slight increase due to the growth in operating revenues, operating costs and to the increase in provisions and amortisation and depreciation. The increase in revenues is due to an improvement recorded in all the business areas of the Company: higher revenues from lease, advertising, recharging of service charges and management fees and fees from technical staff, while operating costs increased following higher costs incurred for service charges which were only partially recharged to the lessor, and for the increase in production materials and services. During 2012 the company distributed dividends of Euro 7.2 million.

FS Sistemi Urbani Srl (Real Estate)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	32.80	22.13	10.7	48.2%
EBITDA	7.74	6.52	1.2	18.7%
EBIT	7.17	5.92	1.3	21.1%
Profit (loss) for the year	4.00	5.93	(1.9)	(32.5)%
Investment	0.68	0.45	0.2	51.1%
Net financial position	(44.41)	(5.20)	(39.2)	>200%
Net equity	542.80	543.63	(0.8)	(0.2)%
Workforce	34	32	2	6.3%

Main ratios	2012	2011
ROE	0.7%	1.1%
ROI	1.4%	1.1%
ROS (EBIT MARGIN)	21.9%	26.8%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	23.6%	29.5%
DEBT/EQUITY	(0.08)	(0.01)

FS Sistemi Urbani Srl is the company in the Ferrovie dello Stato Italiane Group which 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 result, this confirming the trend of the last years, in terms of sales and margins, achieved from the start of the operations. In 2012 3 assets were sold for a value of more than Euro 21 million. This result was achieved despite the heavy influence exercised by the global economic and financial crisis and by the state of recession in which Italy finds itself and the presence of a context characterised by a sharp reduction in the national GDP compared to the previous year and by an even more significant reduction in domestic demand.

Attention should also be drawn to the impact on profitability resulting from the change introduced with the new IMU tax (*Imposta Municipale Unica,* Local Single Tax), which, considering the company's core business, had a substantial effect on the profit margin, which would obviously have been higher in the absence of this new law.

The result achieved in 2012, therefore, was a sign of the company's lasting capacity and potential in its task of meeting the serious difficulties arising from the present economic and financial situation. Carrying out specifically targeted measures and interpreting the scenario constructively, in fact, FS Sistemi Urbani succeeded in adapting its market policy to the changed economic and financial climate.

These capacities allowed sales procedures to be successfully completed for more than 50% of the value of the assets proposed to the market in the year, a value that came to around Euro 40 million in the aggregate.

Fercredit SpA (Other Services)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Interest earned and similar income	18.70	21.54	(2.8)	(13.2)%
Interest expense and similar charges	6.63	7.07	(0.4)	(6.2)%
Business margin	15.80	17.60	(1.8)	(10.2)%
Labour cost	2.83	3.10	(0.3)	(8.7)%
EBIT	12.49	13.71	(1.2)	(8.9)%
Profit (loss) for the year	8.47	9.00	(0.5)	(5.9)%
Workforce	31	31		0.0%

Main ratios	2012	2011
ROE	10.3%	11.4%
Availability ratio *	1.13	1.20
DEBT/EQUITY	4.01	3.04

*(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.

2012 recorded a net result of Euro 8.5 million against Euro 9.0 million in 2011. This was an important result given the difficult crisis that the world economy and in particular the Italian economy went through also in 2012, a scenario which was characterized, for the fourth consecutive financial year, by a considerable reduction in the GDP, investments and consumption and by a decline in credit on financial markets.

EBIT amounted to Euro 12.5 million against Euro 13.7 million in 2011: this was a significant result as it was obtained within the difficult macroeconomic scenario referred to above, and in a situation of the FS Italiane Group which confirmed an investment level in line with the previous year.

Ferservizi SpA (Other Services)

values in €/mil.

Main indicators	2012	2011	DELTA	%
Operating revenues	197.34	202.63	(5.3)	(2.6)%
EBITDA	32.87	28.08	4.8	17.1%
EBIT	21.66	17.84	3.8	21.4%
Profit (loss) for the year	13.64	5.29	8.4	157.8%
Investments	1.70	2.50	(0.8)	(32.0)%
Net financial position	(61.53)	(115.15)	53.6	(46.6)%
Net equity	23.97	56.31	(32.3)	(57.4)%
Workforce	1,687	1,797	(110)	(6.1)%

Main ratios	2012	2011
ROE	40.9%	10.0%
ROI	(44.9)%	(29.6)%
ROS (EBIT MARGIN)	11.0%	8.8%
EBITDA/OPERATING REVENUES (EBITDA MARGIN)	16.7%	13.9%
DEBT/EQUITY	(2.57)	(2.04)

Ferservizi SpA constitutes the "Integrated Services Centre" of the FS 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 results from 2012 operations of Ferservizi confirmed the positive trend recorded in recent years, with a profit higher than that achieved in 2011, despite the difficult market situation that entailed a sharp slowdown in sales of properties.

The Profit for the year came to Euro 13.7 million, with a significant increase of Euro 8.4 million compared to the 2011 closing figure, as well as an increase in intermediate margins (EBITDA +17.1%, up to more than Euro 32 million, and EBIT of Euro 22 million, equal to +21.5%).

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

In absolute and full continuity with what happened in the last years, the 2012 financial year also 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 2012 financial year of the Ferrovie dello Stato Italiane Group showed growth in its economic results, with a significant improvement in the net profit, equal to Euro 381 million, up by about 34% compared to the final net profit recorded at the end of 2011 (Euro 285 million).

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

The 2012 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 and showed a further significant improvement in comparison with the closing data of the previous year (net profit of Euro 206.5 million, up by about 32% compared to the same value posted at the end of 2011).

Operating cash flows (before investments) are positive in spite of the considerable delays in paying their debts 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.
The High-Speed segment of the "Market" sector was affected, starting from 2012, by changes in market equilibrium resulting from the entry of new private operators. The effects of this were considered with great care in the company's Business Plan and were taken into account in its 2013 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 particularly 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 the company 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. In 2013 some regions could still make requests

for a reorganisation of services in order to bring them into line with the sources of financing; it cannot be ruled out that these actions may partially affect the profitability levels of the financial year.

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 a further step forward will be made in 2013 towards the substantial re-equilibrium of the results from its businesses, even when considering that in 2012 the income statement benefitted, in any case, from positive non-recurring components.

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, reported sharply positive results at the end of 2012 (with a positive net profit of Euro 160 million, up by about 86% compared to 2011), 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 the previous year.

The above objectives were achieved despite considering that the general economic context of the last year and that expected for 2013 report a macro-economic scenario that has considerably changed compared to that behind the 2011-2015 Business Plan, which was prepared by the company at the time, in particular with reference to GDP growth rates (from 1.4% to -2.1%) and inflation levels (from 0.4% to 0.6%).

The forecast of a return to growth in the second half of the year, even on a modest scale and leaving ample room for uncertainty, is assumed possible thanks to a gradual resumption of investment after the normalisation of borrowing conditions, the resumption of demand in the Eurozone and an expected improvement in the climate of confidence.

To this end, the recent approval by the Council of Ministers, on 6 April 2013, of the Decree law bearing "Urgent measures for the payment of overdue debts of the public administration, for the financial rebalance of local entities, as well as in relation to the payment of taxes by local bodies", which provides for measures concerning the payment of the public administration's debts accrued as at 31 December 2012, will allow a partial recovery of investments and consumption, with expected benefits, in terms of higher GDP in 2013, which are prudentially estimated at about 0.1/0.2%.

In 2012 the public expenditure scenario was conditioned by severe cost reduction policies but, after long and extenuating discussions that started in 2007, the objective of stability in the company's contractual relationships with the State was achieved by the conclusion of the services section of the Programme Contract, which governs day-to-day and extraordinary maintenance in 2012-2014 and which was endorsed by the CIPE at its meeting of 18 March 2013.

The purpose of this Contract is to lay down organic rules for maintenance work (both ordinary and extraordinary) in a three-year contract with the guarantee of financing for its entire term as a necessary condition for planning maintenance efficaciously and efficiently.

The change to the contractual and operating model for infrastructure Maintenance is based on organisational models that differ from the present one. The new system, having the certainty of the State covering the necessary funds for at least three years and providing higher infrastructure safety standards, also enables the different types of maintenance to be combined more efficiently. This synergy is accompanied by a diversification of the degrees of availability of the railway lines based on market needs, measured on the basis of the number of trains per day that pass along the different segments of the infrastructure.

This organisational model allows:

- the improvement of the reliability and availability of the lines in the "market" segment;
- the organisational efficiency improvement of the lines in the universal service segment;
- a reduction in labour costs (lower amounts of operating staff and indirect staff);
- a reduction in operating costs (materials, contracts, working costs).

The contractual structure has allowed, without minimally reducing the safety level of railway traffic, savings of public resources equal to Euro 500 million and, in full operation, Euro 250 million, in the three-year period 2012-2014, compared to the levels recorded in previous years.

The need to plan maintenance work efficiently and efficaciously is stressed again in the light of recent developments in the European legislation governing the sector (the so-called Recast of the first railway package – Directive 2012/34/EU) which highlights the crucial necessity of creating a single EU railway market with independent national regulators and a level playing field in terms of investment and equal access to railway infrastructures and services.

In fact a national regulator, responsible for assuring fair and non-discriminatory access to the market, is thought to be the main means of guaranteeing adequate investments in the maintenance of the railway network.

Continuing with its Recast of the first railway package, on 30 January 2013 the European Commission approved the text of the 4th Railway Package, which therefore starts the legislative process for the final version of the Directive that is to transpose its contents. The new role of the Infrastructure Manager is boosted; with a view to making the operational efficiency of the network as high as possible, the infrastructure operator must have control over all the main functions of the railway system, including infrastructure investment planning, day-to-day operations and maintenance and the preparation of timetables.

During the early months of 2013 there were also intense and constant discussions with the State with regard to the conclusion of the new investment management Programme Contract, which had already come to its natural expiry date in 2011, even if it was extended until 30 June 2013. After the discussions had come to a close, RFI and the MIT recently signed the text of the new Act for the five-year period 2012-2016, to be followed by the usual clearance and procedural process, which must necessarily be concluded within 30 June 2013.

From that date onwards, if a new Programme Contract has not come into being, cash funding from the State will stop. The company, with the Parent Company, also in consultation with the MEF, is trying to find ways of averting periods of substantial discontinuities in cash flows.

With effect from 2012, the investments section of the new 2012-2016 Programme Contract only regulates the relations between the State and the Manager as regards investment development projects and upgrading safety standards, since the activities strictly related to extraordinary maintenance are transferred to the services section of the Programme Contract, which regulates, as we have seen, both day-to-day and extraordinary maintenance and the funds necessary for them; a contract extension clause has been laid down, which, in order to avoid blank periods in the relations between the State and the Infrastructure Manager and enable work to continue, envisages that it is extended for one year to 31 December 2017 when it expires.

In this scenario, in line with legislative developments and paying due heed to the suggestions from the MIT, top priority was mainly given to railway traffic safety measures, which provides, in this phase, for the extension of the SSC (*Sistemi di Supporto alla Condotta*, Train Driving Support Systems), SCMT (*Sistema Controllo delle Marcia del Treno*, Train Movement Control System), ERTMS (European Rail Traffic Management System), GSM-R (Global System of Mobile Communication-

Rail), the completion of the national RTB (*Rilevamento Termico Boccole*, Axle Box Thermal Detection) programme, the installation of Multi-function Portals for the reduction of risks in tunnels.

Some priority was also given, at the same time, to other aspects related to infrastructure safety, including vulnerability to earthquakes and floods, which compelled the company to make some considerable investments in order to comply with legal obligations.

In order to optimise the available resources, it was decided to support an increase in infrastructure capacity, favouring small-scale technological intervention planned in order to make the best use of the available railway assets, carrying out targeted measures to remove bottlenecks. For example capacity was increased at junctions (HDT systems, targeted infrastructural works, technological upgrading of High-Speed Junctions) and in the larger metropolitan areas in order to satisfy large demand volumes, speeds were raised on some of the main routes (boosting the performance of the country's main rail services); and inter-connections between the rail network and manufacturing districts were made more efficient, paying particular attention to cargo traffic in the main international corridors (standardising shapes and modules, remedying deficiencies in the infrastructures of ports, cargo terminals and port hinterlands).

Finally, particular attention was paid to the selection of larger-scale infrastructural development works, in line with the strategic and financial scenario. Major work started to be carried out in 2012 on the railway projects listed below:

- the doubling of the Treviglio – Brescia line;
- 3rd Valico dei Giovi;
- Brennero Base Tunnel;
- Turin – Lyon railway link.

At the same time a high degree of attention will be paid to investments in Southern Italy, both in terms of the organisation of RFI itself and in terms of concentrating on additional measures to help this part of the country (the so-called "Plan for Southern Regions"), mainly focused on the Naples-Bari-Lecce/Taranto, Salerno-Reggio Calabria and Messina-Catania-Palermo routes, which were the object of the Institutional Development Contracts entered into in 2012 and at the beginning of 2013; action is planned both in terms of medium and long-term development of infrastructures and work of a mainly technological nature in order to allow substantial improvements to be made to rail transport services standards in a very short time.

In economic and financial terms, the main changes introduced by the outline of the 2012-2016 Programme Contract, compared with the 2010-2011 Review, are the revocation of about Euro 1,250 million of the funds allocated to projects/investment programmes (considering their significant strategic importance, the resources allocated to the works envisaged in the Action and Cohesion Plan and on the Alpine passes were saved) and the inclusion in the Contract of about Euro 4,110 million mainly intended for the urgent, non-postponable measures referred to in the safety plan and works on the Alpine passes.

The company's operations continue on the lines indicated in the 2011-2015 Business Plan, confirming its continually increasing market orientation through measures taken to improve both expected quality and customer satisfaction.

The company aims at continuous improvement in the performance of the rail network, setting itself stricter punctuality targets than those attained in 2012 for both Market and Universal Services and retaining the same targets for cargo and regional traffic services by means of a combination of widespread organisational measures based on the current timetable and a substantial number of investments in technology and infrastructure to the benefit of railway operations.

As regards tolls, apart from the reformulated system already submitted to the competent Ministry, which envisages the possibility of charging Railway Companies on the basis of the services provided by the infrastructure and willingness to pay, another proposal is being considered that takes new needs into account, one of which would be a reshaped toll

structure according to the type of service and the type of network and the differentiation of tolls according to noise (the objective here would be to encourage the retrofitting of cargo wagons).
The review of the present toll system is one of the issues that will see the company conducting a dialogue with its customers and in the appropriate institutional bodies in the framework of the guidelines laid down in the 4th Railway Package, already mentioned.
The company continues to pay great attention to the practical and operational questions related to the pursuit of measures that enhance operational efficiency, already put in hand last year with the aim of providing an increasingly high level of infrastructure reliability, above all with reference to high traffic lines through the streamlining of systems. Furthermore, the company continues with the process of carrying out maintenance work in house, particularly as regards the know-how related to new technologies and planning and carrying out changes to rolling stock in service.
Finally, the long and complex discussion with ANSF (*Agenzia Nazionale per la Sicurezza Ferroviaria*, National Railway Safety Agency), at last came to an end after three years, allowing RFI to obtain safety clearance in February 2013, pursuant to Legislative Decree no. 162 of 10 August 2007. This document, which is still provisional because some final formal requirements have to be fulfilled, has now been issued and will be valid for five years, as required by the abovementioned Legislative Decree no. 162/2007.
We again draw attention to the fact that in this early part of 2013 the Parent Company, in view of the substantial 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, began the formal procedures (selection of legal advisors, arrangers and rating agencies) required in the programme for a first batch of long-term bonds to be issued to institutional investors during this financial year, after the necessary phases in which the transaction is approved and resolved. This course of action was embarked on 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.

To conclude, if we look at the year 2013 and the FS Italiane Group's intention 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 two 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 new partnerships/acquisitions with local state-owned undertakings;
- 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 2012 with a significant improvement of its result (Euro 73 million compared to Euro 41 million at the end of 2011).

On the assumption of the achievement of the main objectives of each Group company in the current financial year, we can confirm, also for 2013, the forecasts of a positive result of Ferrovie dello Stato Italiane S.p.A..

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 2012 showed a net profit of Euro 73,290,939.

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 3,664,547 to Legal Reserve;
- the residual amount, equal to Euro 69,626,392 to Profits carried forward.

Rome, 21 May 2013

The Board of Director

The Chairman

The Chief Executive Officer

Consolidated financial statements

Consolidated statement of financial position

Values in €/mil.

	Notes	31.12.2012	31.12.2011
Assets			
Property, plant and equipment	7	44,933	44,242
Investment properties	8	1,673	1,667
Intangible assets	9	564	533
Deferred tax assets	10	308	238
Investments (equity method)	11	330	334
Non-current financial assets (including derivatives)	12	1,591	1,812
Non-current trade receivables	15	35	36
Other non-current assets	13	4,634	4,671
Total non-current assets		**54,068**	**53,533**
Construction contracts	14	12	16
Inventories	14	1,873	1,693
Current trade receivables	15	2,800	2,285
Current financial assets (including derivatives)	12	184	178
Cash and cash equivalents	16	1,270	2,064
Tax receivables	17	91	91
Other current assets	13	3,832	1,655
Assets held for sale and disposal groups	6	28	4
Total current assets		**10,090**	**7,986**
Total assets		**64,158**	**61,519**
Equity	**18**	**36,401**	**36,423**
Equity attributable to owners of the parent	**18**	**36,191**	**36,207**
Share capital	18	38,790	38,790
Reserves	18	320	318
Valuation reserves	18	(814)	(417)
Profits (Losses) carried forward	18	(2,485)	(2,756)
Profit (Losses) for the year	18	379	272
Non-controlling interests	**18**	**210**	**216**
Profit/(loss) attributable to non-controlling interests	18	2	13
Capital and reserves attributable to non-controlling interests	18	208	203
Liabilities			
Medium/long term loans	19	9,633	11,390
Severance pay and other employee benefits	20	2,099	1,879
Provisions for risks and charges	21	1,391	1,545
Deferred tax liabilities	10	233	243
Non-current financial liabilities (including derivatives)	22	291	422
Non-current trade payables	24	35	54
Other non-current liabilities	23	340	412
Total non-current liabilities		**14,022**	**15,945**
Short-term loans and current portion of medium/long term loans	19	2,121	804
Short-term portion of Provisions for risks and charges	21	21	24
Current trade payables	24	4,059	3,747
Income tax payables	25	22	25
Current financial liabilities (including derivatives)	22	236	24
Other current liabilities	23	7,276	4,527
Total current liabilities		**13,735**	**9,152**
Total liabilities		**27,757**	**25,096**
Total Equity and liabilities		**64,158**	**61,519**

Consolidated Income Statement

values in €/mil.

	Notes	2012	2011
Revenue and income			
Revenues from sales and services	26	7,511	7,488
Other income	27	717	776
Total revenues		**8,228**	**8,264**
Operating costs			
Personnel cost	28	(3,877)	(4,110)
Raw and secondary materials, consumables and goods for resale	29	(853)	(877)
Costs for services	30	(2,196)	(2,048)
Leases and rentals	31	(187)	(197)
Other operating costs	32	(138)	(104)
Capitalisation of internal construction costs	33	941	854
Amortisation and depreciation	**34**	**(1,070)**	**(1,002)**
Write-downs, impairment losses (value write-backs)	**35**	**(37)**	**(54)**
Provisions	**36**	**(92)**	**(62)**
EBIT		**719**	**664**
Finance income and costs			
Finance income	37	41	96
Finance costs	38	(324)	(343)
Share of profits (losses)of equity-accounted investments	39	(7)	
Profit before tax		**429**	**417**
Income taxes	40	(48)	(132)
Profit for the year from continuing operations		**381**	**285**
Net profit for the year (Owners of the parent and Non-controlling Interests)		**381**	**285**
Net profit attributable to owners of the parent		379	272
Net profit attributable to Non-controlling Interests		2	13

Consolidated Statement of Comprehensive Income

Values in €/mil.

	Notes	31.12.2012	31.12.2011
Net profit for the year (Owners of the parent and Non-controlling Interest)		**381**	**285**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedge	18	(84)	(72)
Exchange differences	18	1	2
Gains (losses) relating to actuarial benefits	18	(313)	(28)
Other comprehensive income for the year, net of tax effects		**(396)**	**(98)**
Total comprehensive income for the year (Owners of the parent and Non-controlling Interests)		**(15)**	**187**

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 2011	**38,790**	**14**	**28**	**255**	**17**	**(342)**	**25**		**(3)**	**(2,871)**	**118**	**36,034**	**131**	36,165
Capital increase														
Distribution of dividends													(14)	(14)
Allocation of the net profit for the previous year		2							2	116	(118)			
Change in the consolidation area						(1)	(6)		(7)	(1)		(8)	86	78
Other changes														
Comprehensive Income/(Losses) recognised														
of which:														
Profit/Losses) for the year											272	272	13	285
Profits/(Losses) recognised directly in income					2	(71)	(22)		(91)			(91)		(91)
Balance as at 31 December 2011	**38,790**	**16**	**28**	**255**	**19**	**(414)**	**(3)**		**(99)**	**(2,756)**	**272**	**36,207**	**216**	36,423
Distribution of dividends														
Allocation of the net profit for the previous year													(9)	(9)
Change in the consolidation area		1							1	270	(272)	(1)		(1)
Other changes										1		1	1	2
Comprehensive Income/(Losses) recognised														
of which:														
Profit/Losses) for the year														
Profits/(Losses) recognised directly in income											379	379	2	381
Distribution of dividends					1	(84)	(313)		(396)			(396)		(396)
Balance as at 31 December 2012	**38,790**	**17**	**28**	**255**	**20**	**(498)**	**(316)**		**(494)**	**(2,485)**	**379**	**36,190**	**210**	36,401

Consolidated statement of cash flows

values in €/mil.

	2012	2011
Profit / (loss) for the year	**381**	**285**
Amortisation and depreciation	1,070	1,002
Provisions and write-downs	344	405
(Capital gains)/Losses from disposal	(66)	(107)
Change in inventories		(18)
Change in trade receivables	(498)	627
Change in trade payables	131	283
Change in deferred tax assets and liabilities	(80)	4
Change in tax payables and receivables	(2)	
Change in other liabilities	1,818	236
Change in other assets	(1,296)	1,026
Uses of provisions for risks and charges	(391)	(331)
Payment of employee benefits	(167)	(360)
Cash flow generated from / (used in) operating activities	**1,245**	**3,051**
Investments in property, plant and equipment	(3,830)	(3,830)
Investment properties	(7)	(5)
Investments in intangible assets	(117)	(126)
Investments valued at equity	(2)	
Investments, including grants	**(3,956)**	**(3,962)**
Grants in property, plant and equipment	2,046	2,393
Grants in investment properties	2	1
Grants in intangible assets	20	1
Grants	**2,068**	**2,395**
Disposals of property, plant and equipment	118	140
Disposals of intangible assets		2
Disposals	**118**	**142**
Change in financial assets	205	135
Net cash flow used in investing activities	**(1,566)**	**(1,289)**
Use and repayment of medium/long term loans	(323)	(200)
Use and repayment of short-term loans	(118)	(182)
Change in financial liabilities	(24)	(1)
Changes in equity	(8)	71
Net cash flow used in financing activities	**(473)**	**(312)**
Total cash flows generated / (used) in the year	**(794)**	**1,450**
Cash and cash equivalents at the beginning of the year	**2,064**	**614**
Cash and cash equivalents at the end of the year	**1,270**	**2,064**

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Introduction

These consolidated Financial Statements for the year ended 31 December 2012 (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"). Specifically it should be noted that 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 Legislative Decree no. 38 of 28 February 2005, 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. 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" or the "FS Italiane 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 2.

On 21 May 2013 the Directors approved the financial statements as at 31 December 2012 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 21 May 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, pursuant to article 14 of Legislative Decree 39/2010 and to articles 2409-*bis* and ff. of the Italian Civil Code.

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 21 May 2013, 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 million 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 and capital 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 ATAF Gestioni S.r.l. on the part of Busitalia-Sita Nord S.r.l. and the establishment of Infrastructure Engineering Services, a company incorporated under Serbian law, as well as to the dissolution of the partnership Italia Logistica S.r.l. by mutual consent and to Sita S.p.A. having put into liquidation in 2012 and no longer consolidated.

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	**2012**	**2011**	**2012**	**2011**
Swiss Franc	1.21	1.23	1.21	1.22
Czech Koruna	25.14	24.58	25.15	25.58
Danish Krone	7.44	7.45	7.46	7.43
Swedish Krona	8.71	9.03	8.58	8.92
Serbian Dinar	113.09	n.a.	112.37	n.a.

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 regardsrenovating 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 2012 and 2011 years:

Line	Production ratio 2012	2011
High Speed/High Capacity network	1,57%	**1,71%**
Traditional Network		
Padana cross road and international transport	1.85%	1.79%
North Tyrrhenian line and confluent lines	1.90%	1.84%
Ridge and confluent lines	1.69%	1.63%
South Tyrrhenian line	1.95%	1.93%
Adriatic line and Apennine cross-roads	1.89%	1.85%
Complementary network	2.33%	1.88%

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	1%-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 Group Italiane.

(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 (positive) difference 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

Accounting standards endorsed by the European Union and not relevant for the FS Italiane Group

The EU legislator has adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2012, which regulate cases and case studies that were not present within the FS Italiane Group at the date of this annual financial report, but which could have accounting effects on future transactions and agreements:

- On 7 October 2010 the IASB published some amendments to **IFRS 7 – "*Financial Instruments: Disclosures*"**. The amendments were issued with the intention to improve disclosures on transactions for the transfer (derecognition) of financial assets. Specifically, the amendments require greater transparency regarding the exposure to risks attached to transactions in which a financial asset has been transferred but the transferor retains some form of continuing involvement in the asset. The amendments also require more information if a disproportionate amount of such transactions is carried out towards the end of an accounting period. The adoption of this amendment has not entailed any effect on the disclosures in the financial statements.

- On 20 December 2010 the IASB issued a minor amendment to **IAS 12 – "*Income taxes*"**, which requires the company to measure deferred taxes arising from investment properties measured at fair value according to the method by which the book value of this asset will be recovered (through continuous use or through the sale). Specifically, the amendment introduces a rebuttable presumption that the carrying amount of an investment property measured at fair value according to IAS 40 is entirely recoverable through sale and that the measurement of deferred tax, in jurisdictions in which tax rates are different, should be based on the rate applied to the sale. The adoption of this amendment has not entailed any effect on the measurement of deferred taxes as at 31 December 2012 for the FS Italiane Group.

Accounting standards endorsed by the European Union and not applied by the Company/Group in advance

On 12 May 2011 the IASB issued **IFRS 10 – *Consolidated Financial Statements***, which will replace SIC-12 "Consolidation - Special Purpose Entities" and parts of 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 main amendments set out by the new standard are the following:

- 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.

In general, the application of IFRS 10 requires a significant degree of judgment on a certain number of application aspects.

The standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the financial years commencing on 1 January 2013).

On 12 May 2011 the IASB issued **IFRS 11 – *Joint Arrangements***, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. Without prejudice to the criteria to identify joint control, the new standard provides criteria for the accounting treatment of joint arrangements based on rights and obligations arising from agreements rather than on the legal form of the same and provides for the equity method as the only method of accounting for interests in joint ventures in the 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. The new standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the financial years commencing on 1 January 2013). Following the issue of the standard, IAS 28 – *Investments in Associates* was amended in order to also include interests in joint ventures within its scope of application from the effective date of the standard.

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 (or starting from the financial statements of the financial years commencing on 1 January 2013).

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 that 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 standard will be applicable on a prospective basis from 1 January 2013.

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.

On 16 December 2011 the IASB issued some amendments to **IFRS 7 – *Financial Instruments: disclosures***. The amendment requires information on the effects or potential effects of the setoff of financial assets and liabilities on the statement of financial position of an enterprise. The amendments will be applicable for the financial years commencing on or after 1 January 2013. The information must be provided on a retrospective basis.

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 amendment will be applicable from the financial years commencing on or after 1 July 2012.

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 Other comprehensive income/(losses)". 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 amendment will be applicable on a retrospective basis from the financial year commencing on or after 1 January 2013. The application of these amendments to the standard did not entail any effect on the balances for the FS Italiane Group as at 31 December 2012.

On 14 March 2012 the IASB issued an amendment to **IFRS 1 – Firsttime Adoption of International Financial Reporting Standards,** which introduces a new exception to the retrospective application of IFRS 9 and IAS 20 in relation to the accounting of government borrowings existing as at the date of transition, comparing the position of new users and that of the parties that have prepared the financial statements for some time according to international accounting standards. The amendment will be applicable from the financial year commencing on or after 1 January 2013.

On 29 June 2012 the IASB issued some amendments to **IFRS 10, IFRS 11 and IFRS 12**, which clarify how to manage the transition to the abovementioned standards. Specifically, they specify the date of first-time adoption of the standard (1 January 2013 for any companies that adopt the standard starting from the 2013 financial year) and introduces some additional instructions on the comparative information to be provided in the notes to the financial statements. The amendments will be applicable for the financial years commencing on or after 1 January 2013. The information must be provided on a retrospective basis.

On 17 May 2012 the IASB published a document named ***Annual Improvements to IFRSs: 2009-2011 Cycle***, 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, on the other hand, those that will only 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 FS Italiane 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. 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 on distributions to holders of equity instruments and transaction costs on equity instruments: it is clarified that any direct taxes relating to these cases will apply 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 effective date of the proposed amendments is expected to apply for financial years commencing on 1 January 2013 or subsequently, an early application being permitted.

Accounting standards not 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 amendments and of the standards described below.

On 12 November 2009 the IASB published **IFRS 9 – *Financial instruments***: the standard was then amended on 28 October 2010. The standard, which will be applicable on a retrospective basis from 1 January 2015, 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. The second and third phases of the project on financial instruments, which relate to the impairment of financial assets and hedge accounting, respectively, are still in progress. Furthermore, the IASB is considering limited improvements to IFRS 9 for the part relating to the Classification and measurement of financial assets.

On 1 November 2012 the IASB published some amendments to **IFRS 10 – Consolidated Financial Statements**, **IFRS 12 – Disclosure of Interests in Other Entities** and **IAS 27 – Consolidated and 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 principle will be applicable for the financial years commencing on or after 1 January 2014.

Use of estimates and valuations

The preparation of the Consolidated financial 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 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

Even if at the date of these Consolidated Financial Statements, the Parent Company Ferrovie dello Stato Italiane S.p.A. had no debt securities or shares listed in a regulated market; in view of possible transactions of this nature, it provides information on operating segments, as required by IFRS 8.

5. Financial and operating financial risk

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 is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss in not complying with an obligation. The credit risk mainly arises from financial receivables from the public administration, trade receivables, the potential exposure relating to derivative financial instruments and from the FS Italiane Group's financial investments.

In relation to derivative financial instruments that are used for hedge purposes and that may potentially generate credit exposure to the counterparties, the companies that use them have a specific policy in place that defines concentration limits by counterparty and by rating class.

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 2012 compared to 31 December 2011:

values in €/mil.

	31.12.2012	**31.12.2011**
Current trade receivables	3,201	2,685
Provision for write-down	(401)	(400)
Current trade receivables, net of provision for write-down	**2,800**	**2,285**
Other current assets	3,188	1,495
Provision for write-down	(14)	(11)
Other current assets, net of provision for write-down	**3,174**	**1,484**
Non-current financial assets (including derivatives)	1,402	1,623
Provision for write-down		
Non-current financial assets (including derivatives), net of provision for write-down	**1,402**	**1,623**
Other non-current assets	4,481	3,763
Provision for write-down		
Other non-current assets, net of provision for write-down	**4,481**	**3,763**
Cash and cash equivalents	**1,269**	**2,064**
Current financial assets (including derivatives)	184	178
Provision for write-down		
Current financial assets (including derivatives), net of provision for write-down	**184**	**178**
Non-current trade receivables	50	49
Provision for write-down	(15)	(13)
Non-current trade receivables, net of provision for write-down	**35**	**36**
Construction contracts	17	16
Provision for write-down	(4)	
Construction contracts, net of provision for write-down	**13**	**16**
Total exposure, net of provision for write-down (*)	**13,358**	**11,449**

(*) 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.

	31.12.2012	31.12.2011
Public Administration, Italian Government, Regions	10,208	7,112
Ordinary customers	1,069	1,474
Financial institutions	39	125
Other debtors	773	674
Total exposure, net of provision for write-down	**12,089**	**9,385**

	31.12.2012	31.12.2011
Public Administration, Italian Government, Regions	84.4%	75.8%
Ordinary customers	8.8%	15.7%
Financial institutions	0.3%	1.3%
Other debtors	6.4%	7.2%
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 2012, as broken down by overdue items and reported excluding Cash and Cash equivalents.

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	32	10,257
Provision for Write-down	(14)	(2)		(22)	(11)	(49)
Public Administration, Italian Government, Regions (net)	**9,337**	**458**	**173**	**219**	**21**	**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**	**68**	**12,089**

Liquidity risk

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 the course of the previous financial year, 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 2012 and 31 December 2011, including interest to be paid:

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 loans	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)**

values in €/mil.

31 December 2011	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	3,300	3,842	28	24	637	925	2,228
Loans from banks	6,947	7,747	436	290	1,256	1,999	3,766
Payables to other lenders	1,942	2,356	139	121	242	731	1,123
Trade payables	3,801	3,801	3,801				
Financial liabilities	8	8					8
Total	**15,998**	**17,754**	**4,404**	**435**	**2,135**	**3,655**	**7,125**
Derivative financial liabilities	**444**	**462**	**52**	**60**	**121**	**175**	**54**

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 2012 and 31 December 2011, by expiry date within 12 months, from 1 to 5 years and beyond five years.

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**

valori in milioni di euro

31 December 2011	**Book value**	**Within 12 months**	**1-5 years**	**Beyond 5 years**
Non-derivative financial liabilities				
Debenture loans	3,300	8	1,385	1,907
Loans from banks	6,947	610	2,872	3,465
Payables to other lenders	1,942	186	745	1,011
Trade payables	3,801	3,801		
Financial liabilities	8			8
Total	**15,998**	**4,605**	**5,002**	**6,391**

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	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**
Variable rate	8,099	8,462	269	1,722	2,256	4,214
Fixed rate	4,098	5,491	548	475	1,412	3,056
Balance as at 31 December 2011	**12,197**	**13,953**	**819**	**2,197**	**3,667**	**7,270**

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.

	31.12.2012	31.12.2011
Before hedging with derivatives		
Variable rate	67%	66%
Fixed rate	33%	34%
After hedging with derivatives		
Variable rate	11%	18%
Protected variable rate	29%	19%
Fixed rate	61%	63%

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 2012.

values in €/mil.

	Shift + 50 bps	Shift - 50 bps
Interest expense on variable-rate payables	38	(36)
Interest income from financing operations		
Net Cash Flow from hedging transactions	(24)	26
Total	**14**	**(10)**

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	89	(94)
Total	**89**	**(94)**

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 2012 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 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		
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	
Current financial liabilities (including derivatives)		236	71
Other current liabilities		7,276	

values in €/mil.

31 December 2011	Receivables and loans	Payables and borrowings	Hedging derivatives
Non-current financial assets (including derivatives)	1,623		
Non-current trade receivables	36		
Other non-current assets	3,763		
Construction contracts	16		
Current trade receivables	2,285		
Current financial assets (including derivatives)	178		
Other current assets	1,484		
Medium/long-term loans		11,390	
Non-current financial liabilities (including derivatives)		422	422
Non-current trade payables			
Other non-current liabilities		412	
Short-term loans and current portion of medium/long-term loans		804	
Current trade payables		3,801	
Current financial liabilities (including derivatives)		24	21
Other current liabilities		4,527	

6. Assets held for sale

At 31 December 2012 assets held for sale (Euro 28 million) were made up of assets relating to the sale of the private building complexes near Tiburtina Station in Rome (Euro 24 million) to BNP Paribas Real Estate Property Development Italy SpA and of the residual value of the former departmental building in Genoa (Euro 4 million).

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 2012 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	79,038	14,047	776	758	20,101	114,720
Depreciation and impairment losses	(24,988)	(6,393)	(466)	(567)	(1,547)	(33,961)
Grants	(20,497)	(525)	(89)	(38)	(12,575)	(33,724)
Balance as at 1.1.2011	**33,553**	**7,129**	**221**	**153**	**5,979**	**47,035**
Investments	8	21	1	7	3,793	3,830
Entries into service	648	541	22	48	(1,259)	
Depreciation	(74)	(800)	(18)	(37)		(929)
Impairment losses		(24)			(9)	(33)
Extraordinary transactions	44	53	1	3	25	126
Sales and disposals	(1)	(6)	(1)		(19)	(27)
Other changes	(94)				(9)	(103)
Increases in the grants for the period	(3,302)	(1)	(17)	(3)	(2,357)	(5,680)
Other reclassifications	(3)	1	(2)	8	19	23
Total changes	**(2,774)**	**(215)**	**(14)**	**26**	**184**	**(2,793)**
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 31.12.2011	**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
Sales and disposals	(22)	(19)	(1)	(2)	(8)	(52)
Reclassifications from/to "Assets held for sale "	(24)					(24)
Increases in the grants for the period	(553)	(7)	(16)	(6)	(1,464)	(2,046)
Other reclassifications	(167)	(26)		2	159	(32)
Total changes	**(232)**	**81**	**(11)**	**13**	**840**	**691**
Historical cost	79,649	15,134	806	811	24,938	121,338
Depreciation and impairment losses	(24,772)	(7,630)	(488)	(572)	(1,548)	(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**

The increase in investments entered under "Fixed assets under construction and advances", equal to Euro 3,795 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 2,780 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, "Double Decker" wagons and the new "ETR 1000" series trains) and for the reorganisation of the maintenance systems of the new High Speed trains (Euro 933 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 35 million).

The entries into service of "Land, buildings, railway and port infrastructure" were mainly linked to the railway infrastructure of RFI (Euro 562 million), while those of "Plant and machinery" mainly related to the entry into service of new locomotives and to value-increasing maintenance (Euro 938 million).

"Other reclassifications" were mainly due to:

- the transfer of no. 366 real estate complexes and of Trieste Campo Marzio, which had been initially reported under "Land, buildings, railway and port infrastructure" and "Fixed assets under construction and advances" (for an amount equal to Euro 168 million) by RFI SpA to FS SpA, which considers them as properties and land held for trading and entered as such under "Inventories";
- the transfer of rolling stock of Cisalpino in the rolling stock fleet of Trenitalia (for an amount equal to Euro 147 million).

At 31 December 2012 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 2012, in line with the state of progress of works, set-up grants were allocated for a total of Euro 2,046 million:

- Euro 95 million out of grants received from the Ministry of Economy and Finance for infrastructural investments relating to the High Speed/High Capacity system;
- Euro 1,676 million out of set-up grants received from the Ministry of Economy and Finance for infrastructural investments in the traditional network;
- Euro 243 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 7 million relating to the maintenance/upgrading of the rolling stock fleet for rail and road transport.

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 2012 and 31 December 2011.

values in €/mil.

	2012		2011	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	2,386	860	2,278	879
of which:				
Historical cost	2,387	888	2,279	906
Grants	(1)	(28)	(1)	(27)
Depreciation Fund		(399)		(162)
Provision for Write-down	(1,064)	(116)	(1,051)	(388)
Book value	**1,322**	**345**	**1,227**	**329**
Changes in the year				
Acquisitions		7		5
Grants		(2)		(1)
Reclassifications	19	(1)	18	3
Depreciation and impairment	(2)	(9)	(2)	(8)
Other changes	(5)	(2)	79	17
Total changes	**13**	**(7)**	**95**	**16**
Balance as at 31 December				
Cost	2,398	858	2,386	860
Depreciation Fund		(402)		(399)
Provision for write-down	(1,063)	(118)	(1,064)	(116)
Book value	**1,335**	**338**	**1,322**	**345**

The item "Investment properties" includes non-instrumental land and buildings valued at cost and areas intended for enhancement, divested lines, some buildings and some workshops held for enhancement or sale and a number of real properties leased to third parties.

9. Intangible assets

	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	791	57	15	4	990
Amortisation and impairment losses	(87)	(8)	(484)		(14)	(4)	(597)
Grants	(4)		(31)				(35)
Balance as at 1.1.2011	**24**	**1**	**276**	**57**	**1**		**358**
Investments			4	121	1		126
Entries into service	1		56	(57)			
Amortisation	(1)		(54)		(8)		(63)
Sales and disposals							
Extraordinary transactions			2	(1)	54	78	133
Impairment losses							
Reclassifications from/to "Assets held for sale"							
Increases in the grants for the period			(1)				(1)
Other reclassifications			1	(22)			(21)
Total changes			**8**	**41**	**47**	**78**	**174**
Historical cost	115	9	847	98	71	91	1,231
Amortisation and impairment losses	(87)	(8)	(531)		(23)	(13)	(662)
Grants	(4)		(32)				(36)
Balance as at 31.12.2011	**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	107	1,342
Amortisation and impairment losses	(88)	(9)	(579)		(33)	(13)	(722)
Grants	(5)		(32)	(19)			(56)
Balance as at 31.12.2012	**23**	**1**	**288**	**114**	**44**	**94**	**564**

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 mainly related to the amounts allocated by the Ministry of Economy and Finance to infrastructural investments in the traditional network as regards intangible assets (Euro 18 million).

Investments in "Others" related to the rights of use by the indirect subsidiary Blueferries of the bridges of the railway ships owned by RFI.
The amount of about Euro 7 million of goodwill reported under "Other Reclassifications" related to the branch of business of the joint venture Italia Logistica, which was incorporated into FS Logistica in 2012.
The residual portion of goodwill of about Euro 9 million, under "Extraordinary transactions", related to the purchase by Busitalia of a stake in Ataf Gestioni and the purchase by the latter of a stake in LI-NEA, respectively.
For any details of the transactions described above, reference is made to report on operations ("Main events in the year").

The goodwill of the Italia Logistica branch of business, already reported in the past, was confirmed on the basis of an economic value calculated in a sworn expert's report. In relation to the transaction concerning Busitalia and Ataf Gestioni, we are waiting for the allocation of the difference between prices paid and the values of the target company, in accordance with the time limits prescribed by IFRS 3.
The goodwill of Euro 78 million, which had already been recognised in 2011 in relation to the acquisition of the Netinera Group and referred to the reasonable value of the synergies expected from the acquisition itself, was tested for impairment as at 31 December 2012; the test confirmed the fairness of the amount.

Impairment Test

With the updating of the Business Plan to 2015, as submitted to the Board of Directors of the Parent Company Ferrovie dello Stato Italiane SpA in September 2012, the objectives and action to take for the businesses in the portfolio were partly redefined over the period 2013-2015, taking into account the impairment indicators that occurred during 2012 and altered some substantive aspects of the reference scenario. These new factors were both external (e.g. the economic, tax and pensions measures in the decrees known as *Salva Italia* ("Save Italy") and *Cresci Italia* ("For growth in Italy"), launched by the Monti government, changes in the international financial scene, and macro-economic indicators that show reductions compared to previous forecasts, etc.) and within the "FS world" (execution of the new CCNL (*Contratto Collettivo Nazionale di Lavoro*, National Collective Labour Agreement) Mobility/Railway business area, changes in the scope of consolidation of the Group, changed prospects for financial resources for universal services of regional and medium/long-distance transport, etc.).

Even if the updated Business Plan set economic, financial and capital objectives for the three years from 2013 to 2015 that were reviewed taking the occurrence of the above events into account, in any case it confirmed the lines of strategy of the FS Italiane Group's 2011-2015 Business Plan and showed sound and robust performance and prospective consolidated net results (EBITDA at 25% in 2015 and EBIT Margin exceeding 9%), which also constitute support for the growth path that the Group intends to pursue.

Therefore, at its meeting on 20 September 2012, the FS Italiane Board of Directors acknowledged the revised2013-2015 Business Plan, as we have already mentioned, and also noted the fact that the lines of strategy of the previous Plan remained well-founded in substance even after the partial revision, for this three-year period, of the economic, financial and capital objectives that have been modified as a result of the changes that we have described.

In short, the Group's up-to-date consolidated income statement, and its comparison with the document included in the previous Plan, show that all the profitability ratios substantially held firm, in particular for the years 2014 and 2015. In fact, against a reduction in operating revenues (reduction in universal service, both regional Transport and day/night

Services; decline in revenues from cargo transport and logistics; minor development of real estate), the trend in the overall profitability of the FS Italiane Group remained substantially unchanged due to the setoff effect arising from the substantial reduction in labour costs compared to previous estimates, the decrease in other operating costs and a reduction in amortization and depreciation.

For the purposes of the impairment test, without prejudice to both the method and the identification of the Cash Generating Unit – CGUs consistently with the business structure of the Group companies that was adopted starting from the financial statements of first-time adoption of international accounting standards IAS/IFRS, the cash flows were determined, in particular for the two main Group companies (Trenitalia and RFI), on the basis of the forecasts reported in the 2013 Budget, as approved by the respective Boards of Directors, and of the values of the last update of the 2014 and 2015 Business Plan, as described above; in relation to 2016, as the Plan data are not available, an extrapolation was made which was carried out on the basis of the 2015 data.

The discount rate used was the WACC ("Weighted Average Cost of Capital"), which was consistently calculated for each CGU as in the previous years. In particular, the rate used in 2012 was equal to 7.1% for the CGUs of Medium/Long Distance Passengers and Regional Transport Passengers, 9% for the Cargo CGU and 5.5% for the CGUs of Traditional Network and High Speed.

In the light of the above, we may conclude that, after the review of the Plan, the tests carried out and the comparison between the Net Invested Capital of the single CGUs and discounted cash flow value, plus its terminal value (value in use), no evidence of impairment was found in the assets of the FS Italiane Group.

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 2012 in deferred taxes entered for the main temporary differences.

values in €/mil.

	31.12.2011	Increase (Decrease) through P&L	Increase (Decrease) OCI	Other changes	31.12.2012
Deferred tax assets	238	70			308
Deferred tax liabilities	243	(10)			233

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 reflected, for Euro 72 million, the valuation of the current recoverability of a portion of tax losses of Trenitalia, 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 2012, 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 2011.

values in €/mil.

	Net value as at 31.12.2012	Ownership %		Net value as at 31.12.2011	Ownership %
Equity investments in companies subject to joint control					
Cisalpino SA	68.00	50.00		77.93	50.00
Trenord Srl	32.00	50.00		33.18	50.00
Italia Logistica Srl					50.00
Thellò (formerly Trenitalia Veolia Transdev SAS)					50.00
ODEG Ostdeutsche Eisenbahngesellschaft mbH	0.05	50.00		0.19	50.00
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	0.19	50.00		0.30	50.00
Berchtesgardener Land Bahn GmbH		50.00			50.00
Verkehrsbetriebe Osthannover GmbH	1.97	57.45	(*)	1.58	57.45
Kraftverkehr Celle Stadt und Land GmbH	0.56	35.04	(*)	0.55	35.04
KVG Stade GmbH & Co. KG	3.82	34.47	(*)	3.49	34.47
Kraftverkehr - GMBH - KVG	0.82	34.47	(*)	0.44	34.47
KVG Stade Verwaltungs GmbH	0.01	34.47	(*)	0.01	34.47
Verkehrsgesellschaft Landkreis Gifhorn	0.19	25.20	(*)	0.12	25.20
Equity investments in associates					
B.B.T. SE SpA	67.04	50.00		64.81	50.00
Ferrovie Nord Milano SpA	43.91	14.74		41.47	14.74
Logistica SA	1.40	50.00		1.17	50.00
LTF - Lyon Turin Ferroviarie Sas	95.05	50.00		95.05	50.00
Pol Rail Srl	1.54	50.00		1.54	50.00
Quadrante Europa Terminal Gate SpA	7.86	50.00		7.94	50.00
LI-NEA SpA	1.55	34.00			n.a.
Osthannoversche Umschlagsgesellschaft mbH	0.33	33.33		0.33	33.33
Others	3.23			4.11	
Total	**330**			**334**	

(*)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 2012.

values in €/mil.

	Closing value as at 31.12.2011	Change in scope	Capital increases	Recognition through P&L	Other	Closing value as at 31.12.2012
Equity investments in companies subject to joint control	118			(8)	(2)	108
Equity investments in associates	216	2	2	3	(1)	222
Total	**334**	**2**	**2**	**(5)**	**(3)**	**330**

The recognition through P&L refers to the results achieved in 2012.

The item "Other" included the impact of OCI reserves, i.e. changes in the fair value reserve on derivatives and reserve for actuarial gains (losses) for employee benefits and exchange differences for companies that operate in a currency other than the Euro.

The change in scope, which was positive for Euro 2 million, was due to the abovementioned extraordinary transaction relating to the acquisitions carried out by Busitalia in Ataf Gestioni and its investees. For details on this transaction, reference is made to the Report on Operations ("Main events in the financial year").

In 2012, Thellò (formerly Trenitalia Veolia Transdev SAS), which had been measured at equity in 2011, was consolidated on a line-by-line basis due to the increase in the percentage of ownership of the Group.

In 2012 Italia Logistica Srl was sold and, therefore, it exited the areas of consolidation. For details on this transaction, reference is made to the Report on Operations ("Main events in the financial year").

The 2012 capital increases referred to the subscription by TFB SpA of the capital increase of BBT SE (for a value equal to Euro 17 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 15 million, which were accounted for as an adjustment to the value of the equity investment itself. LTF Sas also made a capital increase of Euro 7 million, which was fully offset by set-up grants received from the Ministry of Economy and Finance relating to chapter 7122 for financial investments, which were also accounted for as an adjustment to the value of the investment itself

The value of the equity investment Berchtesgardener Land Bahn GmbH was equal to zero following a financial deficit of about Euro 0.8 million. Against this negative value, all the related assets were written down in the financial statements of the investing company Regental Bahnbetriebs GmbH.

The table below summarises the highlights of investments valued at equity, as unadjusted for the ownership percentage held by the FS Italiane Group.

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 companies subject to joint control 31.12.2011	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
Cisalpino Sa	50.00	223	473	696	153	308	461	38	(36)	2
Italia Logistica Srl	50.00	56	15	71	69	2	71	91	(94)	(3)
Trenord Srl	50.00	330	150	480	280	123	403	679	(671)	8
ODEG Ostdeutsche Eisenbahngesellschaft mbH	50.00	16	8	24	20	3	24	61	(64)	(3)
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	50.00	5	6	11	11		11	7	(6)	
Berchtesgardener Land Bahn GmbH	50.00	1		2	3		3	6	(6)	
Verkehrsbetriebe Osthannover GmbH	57.45	2	3	4		1	1	7	(7)	
Kraftverkehr Celle Stadt und Land GmbH	35.04	1	1	2				1	(1)	
KVG Stade GmbH & Co. KG	34.47	14	13	27	13	6	19	27	(27)	
Kraftverkehr - GMBH - KVG	34.47	2	10	12	10	1	11	20	(19)	1
KVG Stade Verwaltungs GmbH	34.47									
Verkehrsgesellschaft Landkreis Gifhorn	25.20	2	1	3	1		2	13	(13)	

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)	

Equity investments in associates 31.12.2011	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	90	382	472	237	2	239	12	(12)	
Ferrovie Nord Milano SpA	14.74	262	287	549	169	98	267	242	(221)	21
Logistica SA	50.00	2	3	5	2		2			
LTF - Lyon Turin Ferroviarie Sas	50.00	38	592	630	55		56	21	(21)	
Pol Rail Srl	50.00	7		7	4		4	15	(15)	
Quadrante Europa Terminal Gate SpA	50.00	2	20	22	1	6	6	1	(1)	
Osthannoversche Umschlagsgesellschaft mbH	33.33	1	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 €7mil

	Book value								
	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other equity investments	189		189	189		189			
Securities and Loans	24	15	39	111	15	126	(87)		(87)
Receivables from the Ministry of Economy and Finance for 15-year grants to be collected	1,316	148	1,464	1,463	142	1,605	(147)	6	(141)
Receivables for loans	62	18	80	49	17	66	13	1	14
Other financial receivables		3	3		4	4		(1)	(1)
Total	**1,591**	**184**	**1,775**	**1,812**	**178**	**1,990**	**(221)**	**6**	**(215)**

The decrease recorded in the financial assets in 2012 was mainly related to the item "Receivables from the Ministry of Economy and Finance", which mainly decreased following the payment of the two six-monthly grant tranches relating to the 15-year grants envisaged under article 1, paragraph 84, of the 2006 Finance Act (equal to Euro 138 million) and to the item "Non-current Securities and Loans", which decreased following the collection by Euterpe Finance of property tax credits that were the object of securitization (Euro 78 million) and the consequent reclassification of receivables from the Tax Office for accrued interest (Euro 9 million) under "Other non-current assets".

13. Other non-current and current assets

This item is broken down as follows:

values in €/mil.

	31.12.2012			31.12.2011			Changes		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Other receivables from group companies		132	132		2	2		130	130
VAT credits	149	656	805	908	171	1,079	(759)	485	(274)
Ministry of Economy and Finance	3,783	1,856	5,639	3,657	1,026	4,683	126	830	956
Ministry for Infrastructures and Transport	599	834	1,433				599	834	1,433
Set-up grants from the EU, other Ministries and others		50	50		45	45		5	5
Other State Administrations		20	20		21	21		(1)	(1)
Sundry receivables and accruals/deferrals	103	298	401	106	401	507	(3)	(103)	(106)
Total	**4,634**	**3,846**	**8,480**	**4,671**	**1,666**	**6,337**	**(37)**	**2,180**	**2,143**
Provision for write-down		(14)	(14)		(11)	(11)		3	3
Total net provision for write-down	**4,634**	**3,832**	**8,466**	**4,671**	**1,655**	**6,326**	**(37)**	**2,177**	**2,140**

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 31.12.2011**	**Increases**	**Decreases**	**Values as at 31.12.2012**
Operating grants:				
- Sums due by the MEF by virtue of the Programme Contract	581	1,211	(1,260)	532
Set-up grants:				
- by virtue of the Programme Contract	815	2,471	(1,213)	2,073
- MEF decree 47339/2011	3,287	148	(400)	3,035
from MEF	**4,102**	**2,619**	**(1,613)**	**5,108**
from MIT	**0**	**1,757**	**(325)**	**1,432**
Total set-up grants	**4,102**	**4,376**	**(1,938)**	**6,540**

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. 183 of 12 November 2011, "2012

Stability Act", Euro 101 million of which were entered under advances payable and, therefore, not entered in the income statement pending their final allocation. During the year, the company collected residual receivables relating to previous years for Euro 150 million and receivables accrued in 2012 for Euro 1,110 million.

In 2012 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 2,471 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. 183 of 12 November 2011, "2012 Stability Act";
- accrued interest of Euro 148 million, on 15-year grants referred to in decree 47339 of 1 June 2011.

Furthermore, in 2012, receivables from the MIT were recognised, for the first time, for Euro 1,757 million, linked to the completion of High Speed/High Capacity lines and for the extraordinary maintenance relating to the 2010-2011 update of the 2007-2011 programme contract. In particular, Euro 833 million related to 15-year grants that will be collected starting from 2013, as allocated under Law 443 of 2001 (the so-called Target Law).

During the year an amount of 1,937 million was collected, which included the annual portion of Euro 400 million referred to in decree 47339 specified above.

It should be pointed out that any receivables entered as sums payable by the MEF and the MIT by virtue of the Programme Contract (for a total of Euro 3,506 million di euro) 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 (Euro 3,035 million) related to grants for works already completed and entered under property, plant and equipment, for an overall amount of Euro 3,333 million, whose provisions had been obtained, with annual amounts of Euro 400 million, starting from 2011.

The increase in the item "Other receivables from group companies" (Euro 130 million) included a receivable of Euro 117 million from the subsidiary Cisalpino AG and was linked to the taking over of the Eurofima loan, as already described in detail in the Report on Operations.

Below is the breakdown of Other non-current and current assets by geographical area:

values in €/mil.

	31.12.2012	31.12.2011	Changes
National regions	8,321	6,282	2,039
Eurozone countries	38	50	(12)
United Kingdom			
Other European countries (non-Euro EU)		2	(2)
Other non-EU European Countries	121	3	118
United States			
Other countries			
Total	8,480	6,337	2,143

14. Inventories and Construction contracts

The item is broken down as follows:

values in €/mil.

	31.12.2012	31.12.2011	Changes
Raw and secondary materials, and consumables	1,168	1,157	11
Provision for write-down	(225)	(230)	(5)
Net value	**943**	**927**	**16**
Work in progress and semi-finished goods	5	4	1
Provision for write-down			
Net value	**5**	**4**	**1**
Written-off assets to be disposed of	17	16	1
Provision for write-down	(10)	(14)	(4)
Net value	**7**	**2**	**5**
Construction contracts	17	16	1
Provision for write-down	(5)		5
Net value	**12**	**16**	**(4)**
Properties and Land held for Trading	1,219	1,071	148
Provision for write-down	(302)	(311)	(9)
Net value	**917**	**760**	**157**
Total Inventories and construction contracts	**1,885**	**1,709**	**175**

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.

Properties and land held for trading referred to the real estate assets held by the FS Italiane Group and intended for sale. The increase of Euro 157 million recorded in the year mainly arose from the reclassification from the item-“Property, plant and equipment”, to which reference is made for the related breakdown, which was offset, for Euro 19 million, by the decrease originated from the sales made in 2012.

15. Non-current and current trade receivables

values in €/mil.

	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	20	1,389	1,409	19	1,268	1,287	1	121	122
State Administrations and other Public Administrations	30	146	176	30	146	176			
Foreign Railways		29	29		35	35		(6)	(6)
Railways under concession		9	9		9	9			
Agencies and other transport companies		27	27		34	34		(7)	(7)
Receivables from Service Contracts:									
- Service Contract with Regional Governments		1,077	1,077		620	620		457	457
- Service Contract with the Government		398	398		386	386		12	12
Receivables from Group companies		126	126		187	187		(61)	(61)
Total	**50**	**3,201**	**3,251**	**49**	**2,685**	**2,734**	**1**	**516**	**517**
Provision for write-down	(15)	(401)	(416)	(13)	(400)	(413)	2	1	3
Total net provision for write-down	**35**	**2,800**	**2,835**	**36**	**2,285**	**2,321**	**(1)**	**515**	**514**

The increase in current trade receivables compared to the previous financial year, equal to Euro 516 million, was substantially attributable to an increase in the "Receivables from Service Contract with the Regional Governments" (Euro 457 million) for local passenger service contracts, following an extension of the time for the payment of the fees.

"Receivables from Ordinary Customers" reported an increase of Euro 122 million, while "Receivables from Group Companies" decreased by Euro 61 million as a result of a better financial settlement that took place in the year.

The provision for bad debts recorded, as a whole, an increase of Euro 3 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.

	31.12.2012	31.12.2011	Changes
National regions	3,109	2,605	504
Eurozone countries	98	79	19
United Kingdom	1	1	
Other European countries (non-Euro EU)	8	8	
Other non-EU European Countries	27	29	(2)
United States		1	(1)
Other countries	8	11	(3)
Total	**3,251**	**2,734**	**517**

16. Cash and cash equivalents

The item is broken down as follows:

values in €/mil.

	31.12.2012	31.12.2011	Changes
Bank and postal accounts	346	376	(30)
Cash and cash on hand	52	39	13
Treasury current accounts	872	1,649	(777)
Total	**1,270**	**2,064**	**(794)**

The decrease compared to 2011 was mainly attributable to the treasury current account (Euro 777 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 2012 Tax receivables amounted to Euro 91 million, as those recorded as at 31 December 2011 and related to receivables for income taxes relating to previous years.

18. Equity

The changes recorded in 2012 and 2011 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 2012 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 18 million, increased for the share of profits of Euro 2 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 20 million.

Reserve for change in fair value on derivatives (Cash Flow Hedge)

At 31 December 2012 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, showed a negative balance of Euro 498 million (Euro -414 million at 31 December 2011).

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 2012 the balance of the reserve was negative for Euro 316 million (Euro -3 million at 31 December 2011).

Profits (losses) carried forward

The negative value of Euro 2,485 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. The table below reports the gross amount and the related tax effect of said other components.

	31.12.2012			31.12.2011		
	Gross amount	**Tax effect**	**Net amount**	**Gross amount**	**Tax effect**	**Net amount**
Effective portion of changes in fair value of cash flow hedge	(84)		(84)	(74)	2	(72)
Changes in fair value of financial investments available for sale						
Exchange differences	1		1	2		2
Profits (losses) relating to actuarial benefits	(313)		(313)	(29)	1	(28)
Other comprehensive income for the year	**(396)**		**(396)**	**(101)**	**3**	**(98)**

19. Medium/long-term and short-term loans

This item amounted to Euro 11,754 million and was broken down as follows:

values in €/mil.

	Book Value		
Medium/long-term loans	**31.12.2012**	**31.12.2011**	**Changes**
Debenture loans	2,810	3,292	(482)
Loans from banks	5,215	6,337	(1,122)
Payables to other lenders	1,597	1,756	(159)
Other	11	5	6
Total	**9,633**	**11,390**	**(1,757)**

values in €/mil.

	Book Value		
Short-term loans and current portion of medium/long-term loans	**31.12.2012**	**31.12.2011**	**Changes**
(Short-term) Debenture loans	602	8	594
(Short-term) Loans from banks	1,312	610	702
(Short-term) Payables to other lenders	207	186	21
Total	**2,121**	**804**	**1,317**
Total loans	**11,754**	**12,194**	**(440)**

The item "Debenture Loans" is made up of twenty-six debenture loans issued by the Parent Company and fully subscribed by the Swiss investee company, Eurofima SA (private placement); it should be noted that 5 new debenture loans were issued in the course of the year.

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 previous twenty-one debenture loans and annual and at a fixed rate for the new 5 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.

In 2012 the medium/long-term loans from banks recorded a decrease equal to Euro 1,122 million, essentially due to:

- reclassifications of the capital quotas expected to be repaid in 2013 (Euro 1,101 million) to short-term loans;

- repayments of capital quotas of the loan raised with the European Investment Bank (EIB) for the execution of internal works of rehabilitation at some stations for about Euro 11 million.

Short-term loans from banks are made up of capital quotas of medium/long-term payables that will be repaid in 2013 and of the financial exposure to banks. The increase of Euro 702 million was mainly due to the capital quotas of expiring bank loans.

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 138 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.

	2012	2011
Present value of severance pay obligations	2,050	1,838
Present value of Free Travel Card obligations	49	41
Total present value of obligations	**2,099**	**1,879**

The table below illustrates the changes that were recorded in the present value of liabilities for defined benefit obligations.

values in €/mil.

	2012	2011
Defined benefit obligations at 1 January	1,879	2,147
Service Costs	1	
Interest cost(*)	75	86
Actuarial (Profits) losses recognised in equity	313	27
Advances, uses and other changes	(169)	(381)
Total defined benefit obligations	**2,099**	**1,879**

(*) with recognition through P&L

Actuarial assumptions

Below are reported the main assumptions made for the actuarial estimate process:

	2012	2011
Discount rate of Severance Pay	2.05%	4.05%
Discount rate of Free Travel Card	2.70%	4.60%
Annual increase rate of Severance Pay	3.00%	3.00%
Rate of inflation	2.00%	2.00%
Expected turnover rate of employees	3% - 4%	2% - 4%
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	

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 2012, showing the short-term and medium/long-term portion.

values in €/mil.

Provisions for risks and charges	31.12.2011	Provisions	Uses and other changes	Release of excess provisions	31.12.2012
Provision for taxes	23		(1)	(6)	16
Other provisions	1,522	259	(384)	(22)	1,375
Total non-current portion	**1,545**	**259**	**(385)**	**(28)**	**1,391**

values in €/mil.

Short-term portion of Provisions for risks and charges	31.12.2011	Provisions	Uses and other changes	31.12.2012
Other provisions	24	3	(6)	21
Total current portion	**24**	**3**	**(6)**	**21**

The Provision for taxes includes tax charges that will be likely to be incurred in the future. The item "Other provisions" included, among others:

- the Bilateral Income-Support Management Fund" (*Fondo Gestione Bilaterale di Sostegno al Reddito*) that has the purpose of encouraging the reorganisation of the FS Italiane Group in consideration of the reorganisation and development process of the railway transport system. In 2012, this provision increased by about Euro 92 million and was used for Euro 42 million. The use was due to the extraordinary benefits to be paid out in next years to the personnel which had access to the Fund in 2012;

- provisions for personnel for possible charges allocated in relation to the outstanding claims and to the disputes started with the competent authorities, that essentially concerned claims on remuneration and career, as well as compensation for damage suffered for occupational diseases. The change reported in the year was mainly due to the increase in the provision on the part of RFI and Trenitalia for an overall value of Euro 15 million and to the decrease in the same by an overall value of Euro 45 million as a result of the use for covering social security costs and charges relating to disputes with the personnel;
- provisions for litigation against third parties for work, service and supply contracts, for potential disputes relating to claims submitted by suppliers, as well as for any 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 change reported in the year was mainly due to the increase in the provision on the part of RFI and Trenitalia for an overall value of Euro 80 million, charged to various income statement items, due to new pending disputes and to the use of the same for Euro 38 million following the unfavourable settlement of some disputes for the Group;
- provisions for personnel for early retirement incentives, which increased by Euro 49 million against a provision set aside by RFI, and decreased for the use, on the part of the same company, for about Euro 24 million in the course of 2012;
- the other provisions for personnel were used for about Euro 192 million to cover actual personnel costs recorded following the renewal of the company's collective labour agreement.

22. Non-current and current financial liabilities (including derivatives)

values in €/mil.

	Book value								
	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivative financial instruments	288	71	359	422	21	443	(134)	50	(84)
Other financial liabilities	3	165	168		3	3	3	162	165
Total	**291**	**236**	**527**	**422**	**24**	**446**	**(131)**	**212**	**81**

The item "Hedging derivative financial instruments" essentially reports the overall value of the transactions of Interest Rate Swaps and Interest Rate Collars, as calculated according to the standard market valuation formulas (fair value) entered into by the companies in the FS Italiane Group to cover medium/long-term loans at variable rate. The decrease of about Euro 84 million recorded in 2012 was due to the early termination of three derivative contracts in accordance with the contractual provisions (Euro 193 million), on the one hand, and, on the other, to the change in the market value (Euro 109 milion). The fair value of the hedging derivatives is attributable to level 2 on the basis of the hierarchy established by IFRS 7.

The increase in "Other financial liabilities" was attributable to short-term payables to other credit institutions for bank overdrafts.

23. Other non-current and current liabilities

This item is broken down as follows:

values in €/mil.

	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		5,864	5,864		3,227	3,227		2,637	2,637
Payables to Social Security Institutions	66	283	349	78	262	340	(12)	21	9
VAT payables		82	82		54	54		28	28
Other payables to Group companies		2	2		16	16		(14)	(14)
Other payables and accrued expenses and deferred income	274	1,045	1,319	334	968	1,302	(60)	77	17
Total	**340**	**7,276**	**7,616**	**412**	**4,527**	**4,939**	**(72)**	**2,749**	**2,677**

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.

	31.12.2011	Increases	Decreases and grants	31.12.2012
Advances for grants:				
- Ministry of Economy and Finance (MEF)	2,028	2,782	(1,960)	2,850
- Ministry for Infrastructure and Transport (MIT)		1,767	(243)	1,524
- FESR	610	216		826
- TEN	99	6		105
- Others	490	70	(1)	559
Total	**3,227**	**4,841**	**(2,204)**	**5,864**

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 132 million related to grants recognized in the income statement to cover financial charges.

Other payables and current prepaid expenses and deferred income, equal to Euro 1,045 million (increased by Euro 77 million compared to 2011) mainly related to payables to the personnel for fees accrued and not yet paid, payables to the so-called Bilateral 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.

Prepaid expenses and deferred income, which amounted to Euro 204 million as at 31 December 2012 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 futureyears 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 75 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 25 million), to the transfer to Infostrada (Euro 6 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.

	31.12.2012	31.12.2011	Changes
Payables to suppliers	3,805	3,696	109
Commercial advances	54	71	(17)
Trade payables to Group companies	215	33	182
Payables for construction contracts	20	1	19
Total	**4,094**	**3,801**	**293**

The 2012 balance mainly included payables to ordinary suppliers for investment activities, the increase of which compared to the previous year, equal to Euro 109 million, was attributable to the slowdown in the payment plan.

The increase in trade payables to Group companies was mainly attributable to the transaction carried out by Trenitalia with Cisalpino for the purchase of rolling stock (ETR 610) for Euro 148 million, which is being finalized

Commercial advances recorded a negative change compared to the previous year, due to lower 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 2012 balance, equal to Euro 22 million (Euro 25 million at the end of 2011), included the sums due by the Group companies for IRAP tax (*Imposta Regionale sulle Attività Produttive*, Regional Tax on Production Activities) (Euro 21 million) and income taxes of foreign companies (Euro 1 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.

	2012	2011	Change
Revenues from Transport Services	**5,938**	**6,185**	**(247)**
Market Revenues	**3,699**	**3,845**	**(146)**
Passenger traffic products	2,847	2,951	(104)
Cargo traffic products	852	894	(42)
Revenues from Service Contract	**2,239**	**2,340**	**(101)**
Public Service Contracts and other Contracts	514	537	(23)
Revenues from Regional Governments	1,725	1,803	(78)
Revenues from Infrastructure Services	**1,340**	**1,115**	**225**
Other revenues from services	**218**	**159**	**59**
Capitalisation of works on fixed assets held for trading and other changes in inventories of products	**4**	**2**	**2**
Revenues from contract work in progress	**11**	**27**	**(16)**
Total	**7,511**	**7,488**	**23**

Revenues from "Passenger traffic products" recorded a negative change due to the decrease in revenues in the medium- and long-distance segment (Euro -140 million), in revenues from passenger road transport service rendered by Busitalia (Euro -6 million) that replaced the Sogin/Sita group in the Central and Northern Italy regions, which was partly offset by the increase in the passenger traffic of the Netinera group (Euro 29 million) and by the inclusion of Thellò in the scope of consolidation (Euro 13 million), which was consolidated on a line-by-line basis starting from July 2012. Poor performance by the medium and long-distance segment took different forms according to the different types of service.
In fact, "Market" Services recorded an overall reduction by 3.7%, equal to about € 58 million, mainly as a result of both the reduction in revenues for low-intensity services and their consequent streamlining, which entailed a reduction of about Euro 30 million, and lower revenues for international traffic, for about Euro 41 million, following the closing of the Artesia channel, which has not yet been offset by the start of operations of Thellò.

On the other hand the revenues from the Frecce trains and other Eurostar services, particularly as a result of the boost to the range on the High-Speed Turin-Milan-Naples-Salerno section, increased by about Euro 24.3 million, an even more impressive fact when it is considered in the context of competition starting from another High-Speed train operator.

Finally, the substantial fall of about Euro 75 million (equal to -20.7% compared to the previous year) in the Universal Service traffic segment 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 the rest of Europe.
Revenues from Regional Transport services remained almost unchanged.

Lower revenues from Cargo traffic products came from reduced operations of intermodal logistics (Euro -26 million) and from a decline in revenues of companies that operate in the domestic market (Euro -27 million), which was partially offset by the foreign market, in particular the German market, which recorded positive indexes for about Euro 6 million.
"Revenues from Service Contracts" reported a total decrease of Euro 101 million. The table below reports the breakdown of fees for the Public Service Contract with the Government:

	2012	2011	Changes
Tariff and service obligations:			
for passenger transport	408	431	(23)
for cargo transport	106	106	
Total	**514**	**537**	**(23)**

The reduction in fees mainly concentrated within the services purchased by the Government for Special Regions (*Regioni a Statuto Speciale*) (Sicily, Sardinia, Valle d'Aosta and "joint services" (*servizi indivisi*) in the Northern-East Area); on the contrary, revenues from service contracts with the Government within the Universal Service of Medium/Long-Distance and Cargo traffic remained almost unchanged.
The reduction in fees for "Revenues from Regions" was caused by both fewer services acquired by Ordinary Regions, owing to restrictions on public funds, which were offset by a substantial rationalisation of services, an increase in fares (Euro -6 million) and a change in the consolidation perimeter (Euro -114 million), which had included, in 2011, revenues for fees from Regional Governments relating to Trenord for the first five months of the year, and relating to the Sita/Sogin group, which was replaced by Busitalia for the Regions in the Central and Northern Italy only; these reductions were offset by higher revenues from the German federal states ("Länders") for the German group Netinera (Euro 42 million).
The positive change in "Revenues from Infrastructure Services" was almost entirely attributable to the increase in revenues from the Manager of the Infrastructure both for the Service Contract (Euro 133 million) and for the toll service for Trenord (Euro 30 million) and the new railway company that entered the high-speed train market (Euro 57 million).
The increase in "Other revenues from services" was also due to higher revenues from services rendered to railway companies, in particular Trenord, concerning the hire, maintenance of rolling stock and other transport-related services.
The reduction in "Revenues from contract work in progress" was mainly generated by the reduction in production volumes for both the domestic market and the production activities carried out abroad.

27. Other income

The table below reports the breakdown of other income:

values in €/mil.

	2012	2011	Change
Revenues from Property Management	**273**	**265**	**8**
Lease rentals	187	167	20
Charge-back of service charges and IRES tax	15	13	2
Sale of properties and land held for trading	42	49	(7)
Sale of advertising spaces	29	36	(7)
Sundry income	**444**	**511**	**(67)**
Total	**717**	**776**	**(59)**

The positive change in "Revenues from Property Management" was mainly due to the increase in lease rentals, following the entry into service of some new business areas at stations and for positive settlements compared to the estimates made in the previous financial year, while the sale of advertising spaces at stations reported a negative decline.

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 decrease was mainly attributable to both lower capital gains on sales of properties (Euro -36 million) realised in 2012, compared to 2011, and lower works on behalf of third parties following the completion of works on orders relating to the extension of some railway stretches (Euro - 21 million).

This item also included operating grants of Euro 21 million received from the Government, the EU and other public Administrations.

28. Personnel cost

The table below reports the breakdown of personnel costs:

values in €/mil.

	2012	2011	Change
Permanent staff	**3,790**	**4,027**	**(237)**
Wages and salaries	2,785	3,078	(293)
Social security contributions	746	826	(80)
Other permanent staff costs	25	47	(22)
Severance pay	180	124	56
Service Costs TFR/CLC		1	(1)
Provisions and releases (*)	54	(49)	103
Self-employed staff and Collaborators	**8**	**4**	**4**
Wages and salaries	5	3	2
Social security contributions			
Other costs of permanent staff and Collaborators	3	1	2
Other costs	**79**	**79**	
Total	**3,877**	**4,110**	**(233)**

(*) of which Euro 64 million of provisions and Euro 10 million of releases in 2012

The decrease in personnel costs was substantially attributable to the reduction in average workforce (which passed from 76,510 units in 2011 to 72,341 units in 2012). This reduction was due to the continuous and gradual process for the reorganization of production and organization of labour, as well as to the access to extraordinary benefits of the so-called Bilateral Fund.

On the contrary, unit pays recorded an increase linked to the dynamics in contractual renewals and to the automatic increases envisaged in the contracts themselves. In fact, it should be pointed out that, as already reported in the Report on Operations, 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 2012.

It should be noted that, for a better representation of the income statement, the item "Personnel cost – Provisions and releases" relating to 2011 included a reclassification from the item "Provisions", equal to Euro 13 million.

The table below reports the FS Italiane Group's average staff broken down by category:

values in €/mil.

PERSONNEL	2012	2011	Changes
Executives	814	866	(52)
Middle managers	12,045	12,529	(484)
Other staff	59,482	63,115	(3,633)
TOTAL	**72,341**	**76,510**	**(4,169)**

29. Raw and secondary materials, consumables and goods for resale

The item is broken down as follows:

values in €/mil.

	2012	2011	Change
Materials and consumables	592	603	(11)
Electricity and traction fuels	180	184	(4)
Lighting and driving force	61	67	(6)
Change in inventories of properties and land held for trading	20	23	(3)
Total	**853**	**877**	**(24)**

As highlighted by the comparison with the previous year, purchases for "Raw and secondary materials, consumables and goods for resale" showed a general decrease.

In fact, the purchases of "Materials and consumables" recorded a decrease (Euro -25 million) due to the reduction, linked to the containment of general costs, in the purchases of materials for consumption and use, such as fuels for heating of properties, fuels and lubricants for vehicles and office materials, and of materials for the warehouse, which was offset by the purchase of materials for the sector of infrastructures, which reported higher consumption (Euro 14 million).

Costs also reduced, compared to the previous year, for "Electricity and traction fuels" and for "Lighting and driving force" following the streamlining of purchases and the efficiency improvement of energy systems.

30. Costs for services

The balance is broken down in the table below:

values in €/mil.

	2012	2011	Change
Transport services	**523**	**515**	**8**
Other services linked to Transport	50	50	
Toll	154	135	19
Handling services	20	18	2
Cargo transport services	299	312	(13)
Maintenance, cleaning and other contracted-out services	**939**	**912**	**27**
Services and works contracted out on behalf of Third Parties	39	62	(23)
Cleaning services and other contracted-out services	336	341	(5)
Maintenance and repair of intangible assets and property, plant and equipment	564	509	55
Real estate services and utilities	**82**	**67**	**15**
Administrative and IT services	**122**	**127**	**(5)**
External communication and advertising costs	**16**	**17**	**(1)**
Sundry costs	**514**	**410**	**104**
Professional and consultancy services	36	36	
Tenders and fees to other Railway Companies	15	18	(3)
Insurance	89	88	1
Sleeping cars and catering	75	81	(6)
Commissions to agencies	60	53	7
Engineering services	21	29	(8)
Other costs for services, provisions and releases	55	(76)	131
Other	163	181	(18)
Total	**2,196**	**2,048**	**148**

Costs for "Transport services" recorded an overall increase linked to the performance of revenues from traffic for type of service offered. In fact, following higher traffic volumes recorded by the Netinera Group, costs for "Toll" increased by Euro 19 million compared to the previous financial year, while costs for "Cargo transport services" decreased by Euro 13 million because of reduced logistics operations.

Services for "Maintenance, cleaning and other contracted-out services" showed an increase in the costs incurred for rolling stock maintenance (Euro 85 million), which was offset both by a decrease, arising from cost efficiency policies, in the cost of the maintenance of buildings and infrastructure (Euro -33 million) and also a decrease in the services and works contracted out on behalf of third parties (Euro -23 million), mainly as a result of the completion of some outstanding orders for infrastructural works and improvements to railway areas.

"Sundry costs" rose compared to the previous year, as a result of conflicting factors. Costs of "Sleeping Cars and Catering" showed a decrease, which was due, for onboard train services, to the combined effect of the decrease in the costs of night train services and an increase in the costs of catering services, mainly because the system of four levels of service in the Frecce trains became operational, replacing the previous classes. Costs for "Engineering Services" decreased following a decline in production volumes, which led to a reduction in outsourced services. On the contrary, costs for "Commissions to agencies" recorded an increase due to higher traffic volumes of the Netinera group. Furthermore, in particular, higher provisions and lower releases for disputes and litigation with contractors were recorded in 2012 compared to 2011.
Finally, it should be noted that, for a better representation of the income statement, the item "Other costs for services, provisions and releases" relating to 2011 included a reclassification from the item "Provisions", equal to Euro 4 million.

31. Leases and rentals

The table below reports the breakdown of costs for leases and rentals.

values in €/mil.

	2012	2011	Change
Operating lease rentals	2	2	
Lease rentals, service charges and IRES tax	49	45	4
Rentals and indemnities of rolling stock and other	136	150	(14)
Total	**187**	**197**	**(10)**

The increase recorded in "Lease rentals, service charges and IRES tax" was essentially due to the lease of new hand-held devices for onboard train staff (Euro 4 million).
Lower costs for "Rentals and indemnities of rolling stock and other" were mainly due to reduced integrated logistics operations (Euro -4 million) and to the reduction in costs for rentals due to foreign networks (Euro -8 million).

32. Other operating costs

The table below reports the breakdown of other operating costs:

values in €/mil.

	2012	2011	Change
Other costs	119	100	19
Capital losses	7	4	3
Provisions/releases	12		12
Total	**138**	**104**	**34**

The overall increase recorded in "Other operating costs" was due to the increase in "Other costs" for the payment of the single local tax (IMU, *Imposta Municipale Unica*), which generated higher outlays of about Euro 26 million. The other items, such as membership fees and contributions to various entities, penalties payable and indemnities, non-deductible VAT and other duties and taxes, reduced by about Euro 10 million.
The higher ordinary capital losses mainly arose from the sale of buses and two ferries.
It should be noted that, for a better representation of the income statement, the item "Other operating costs – Provisions and releases" relating to 2011 included a reclassification from the item "Provisions", equal to Euro 4 million.

33. Capitalisation of internal construction costs

Capitalisation of internal construction costs mainly related to the value of costs of materials and personnel costs capitalised in 2012 against work performed on the High Speed lines and of value-increasing maintenance actions carried out on rolling stock at the workshops owned by the FS Italiane Group. The total amount of the item amounted to Euro 941 million.

Higher capitalisations recorded in 2012, equal to Euro 87 million, were essentially due to increased production related to extraordinary maintenance projects involving the improvement and development of infrastructures and tracks, higher costs resulting from labour- and material-intensive works and more value-enhancing maintenance of rolling stock in Group workshops.

34. Amortisation and depreciation

The item, which totalled Euro 1,070 million, is broken down as follows:

	2012	2011	Change
Amortisation of intangible assets	57	63	(6)
Depreciation of property, plant and equipment	1,013	939	74
Total	**1,070**	**1,002**	**68**

The increase in the item, compared to the previous year, mainly related to depreciation of property, plant and equipment following the entry into service of new assets, above all as a result of the investments and the refurbishment and value-enhancing maintenance of rolling stock, which entailed increased amortization and depreciation of about Euro 74 million.

35. Write-downs and impairment losses (value write-backs)

The item is broken down as follows:

values in €/mil.

	2012	2011	Change
Write-down of intangible assets	1		1
Write-down of property, plant and equipment	27	33	(6)
Value adjustments and write-backs on receivables	9	21	(12)
Total	**37**	**54**	**(17)**

The decrease recorded in write-downs of property, plant and equipment in the year was due to the combined effect of higher write-downs as a result of losses for elimination of assets (Euro 20 million), in particular following natural disasters and demolitions, and lower write-downs of rolling stock (Euro -26 million), for which the Fleet of Carriages for the Universal Service had been written down in 2011.

36. Provisions

Provisions totalled Euro 92 million and included provisions set aside by the companies in the FS Italiane Group, which had started the procedure to access the Bilateral Income-Support Management Fund in 2011, 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.

It should be noted that, for a better representation of the income statement, an amount of Euro 22 million was reclassified in 2011 to the items "Personnel cost - Provisions and releases", "Other costs for services, provisions and releases" and "Other operating costs – Provisions and releases".

37. Finance income

The table below reports the breakdown of finance income:

	2012	2011	Change
Finance income from non-current receivables and securities	3	3	
Sundry finance income	37	89	(52)
Revaluation of financial assets		3	(3)
Foreign exchange gains	1	1	
Total	**41**	**96**	**(55)**

Finance income recorded an overall decrease of Euro 55 million.

The reduction was mainly due to sundry finance income, which had included the recognition by the CEPAV DUE Consortium of the currency appreciation in 2011, equal to Euro 27 million, in consideration of the financial loan for the High Speed works relating to the Milan-Verona section.

In 2012 sundry finance income also included the recognition of lower interest on VAT credits that the Group asked for refund (Euro -4 million), lower default interest (Euro -6 million) and lower interest income on the transaction account with Trenord (Euro -3 million).

38. Finance costs

The table below reports the breakdown of finance costs:

values in €/mil.

	2012	2011	Change
Finance costs on payables	239	228	11
Finance costs for employee benefits (*)	80	98	(18)
Finance costs on derivatives	1	8	(7)
Sundry finance costs	1		1
Write-downs of financial assets		1	(1)
Foreign exchange loss	3	8	(5)
Total	**324**	**343**	**(19)**

(*) These include 11% of tax already paid on revaluation, equal to Euro 6 million

Finance costs, equal to about Euro 324 million, recorded a decrease compared to the previous year, which was mainly attributable to the combined effect of higher finance costs on payables and lower costs for employee benefits.

"Finance costs on payables" 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.

"Finance costs for employee benefits", attributable to the discounting of the TFR and CLC funds, recorded a decrease in the Interest cost calculated by applying the actuarial rate.

The abovementioned finance costs were entered net of Government grants, amounting to Euro 132 million.

39. Share of profits (losses) of equity-accounted investments

This item, which related to a portion of losses of Euro 7 million, included the results of the Group companies accounted for at equity, or any associated companies and companies subject to joint control.
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:

	2012	2011	Change
IRAP tax	133	120	13
IRES tax	3	5	(2)
Deferred tax assets and liabilities	(80)	6	(86)
Adjustments to income taxes relating to previous years	(8)	1	(9)
Total income taxes	**48**	**132**	**(84)**

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 2012 financial year, is equal to Euro 3,908 thousand, including accrued fees paid out to the same in the year for other auditing services other than statutory audit (Euro 1,491 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	**2012**	**2011**	**Change**
Directors	1,480	1,477	3
Statutory Auditors	100	100	
TOTAL	**1,580**	**1,577**	**3**

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 2012 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.

	2012	2011
Short-term benefits	16.1	13.2
Post-employment benefits	1.0	0.9
Other long-term benefits		
Benefits due for termination of the employment relationship		0.3
Total	**17.1**	**14.4**

The benefits relate to the fees paid to the persons indicated for various reasons. In addition to short-term benefits of Euro 16.1 million paid out in 2012, note a variable part to be paid in 2013, for an amount not exceeding Euro 3.1 million (Euro 2.8 million in 2011).

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	24		1	8	7	76
Eni Group	8	3		1	24	39
Finmeccanica Group	5	109	66	30	21	141
Invitalia Group				5		
Anas Group	1				4	
Cassa Depositi e Prestiti Group	15			22	7	62
ENAV Group	1				1	
Fintecna Group						
GSE Group	2			150		402
Poste Italiane Group	8	2			8	4
SACE Group						
EUROFER		4				
PREVINDAI		2				1
Other Related Parties		7				
Total	**64**	**127**	**67**	**216**	**72**	**725**

Financial relations

values in €/mil.

Description	Receivables	Payables	Income	Costs
Finmeccanica Group			1	
Cassa Depositi e Prestiti Group		1,736		63
Poste Italiane Group	2			
Total	**2**	**1,736**	**1**	**63**

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 (Euro 3,410 million);
- guarantees issued by Banks and by Poste Italiane in favour of the Regional Governments as to the Service contracts entered into and in favour of other Entities (Euro 170 million);
- sureties issued in the interests of the General Contractors, contracting authorities and suppliers;
- bonds issued to the Tax Authorities, as well as to the Public Administrations affected by the crossing of the High Speed/High Capacity lines for the good and timely performance of works;
- bank guarantees issued for an amount of Euro 19 million in favour of other entities for the participation in tenders (Bid Bond) or in consideration of the good performance of the contracts awarded;
- a commitment arising from the execution of a preliminary contract between Grandi Stazioni and Metropolitana di Napoli in 2011, concerning the commitment by Metropolitana di Napoli to grant a lease to Grandi Stazioni in relation to the property making up the Shopping Centre, for an overall term of 35 years from the date of delivery, which

provides for the advance payment by Grandi Stazioni of the lease rental, equal to Euro 21 million, plus VAT, as at the date of execution of the final contract.

As regards the guarantees and commitments of the Parent Company, reference is made to the special section in the Notes to the separate Financial Statements.

46 Group segment reporting

Starting from these financial statements, 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 2012 and 2011:

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	159	228	(1,544)	278
Operating revenues	**6,476**	**2,667**	**383**	**246**	**(1,544)**	**8,228**
Personnel cost	(2,182)	(1,533)	(30)	(154)	23	(3,877)
Other net costs	(2,864)	(769)	(246)	(76)	1,521	(2,433)
Operating costs	**(5,045)**	**(2,302)**	**(276)**	**(230)**	**1,544**	**(6,310)**
EBITDA	**1,431**	**365**	**107**	**16**		**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**	**139**	**66**	**20**		**381**
Net invested capital	**8,782**	**35,208**	**1,387**	**376**		**45,804**

values in €/mil.

2011	Transport	Infrastructure	Property Services	Other Services	Adjustments and Eliminations Operating Segments	Ferrovie dello Stato Italiane Group
Revenues from Third Parties	6,540	1,444	236	19		8,240
Inter-segment revenues	132	1,120	168	229	(1,626)	24
Operating revenues	**6,672**	**2,564**	**405**	**248**	**(1,626)**	**8,264**
Personnel cost	(2,347)	(1,596)	(31)	(156)	21	(4,110)
Other net costs	(2,891)	(737)	(258)	(91)	1,605	(2,372)
Operating costs	**(5,238)**	**(2,333)**	**(289)**	**(247)**	**1,626**	**(6,482)**
EBITDA	**1,434**	**231**	**116**	**1**		**1,782**
Amortisation and depreciation	(897)	(67)	(22)	(15)		(1,001)
Write-downs and provisions	(38)	(64)	(6)	(9)		(117)
EBIT	**499**	**101**	**88**	**(23)**		**664**
Finance income and costs	(254)	1	(4)	11		(247)
Income taxes	(119)	(22)	(28)	36		(132)
Net profit for the year (Owners of the parent and Non-controlling Interests)	**125**	**80**	**56**	**23**		**285**
Net invested capital	**8,192**	**35,322**	**1,263**	**123**		**45,178**

47. Events after the balance sheet date

January

- On 14 January 2013 the Quotaholders' Meeting of Toscana In Bus Scarl resolved to change the company name from Toscana In Bus Scarl to MOBIT Scarl (the acronym of "*mobilità in Toscana*", Mobility in Tuscany).
- On 16 January 2013 Cisalpino AG 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.
- On 17 January 2013 the Chairman, the Managing Director, some Italferr employees 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 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;

  • landscape permit;

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

  • method of accounting for work progress reports.

  Preliminary inquiries are being carried out in this stage, in the framework of which arrangements have been made for technical reports to be drawn up.

  At present the companies involved are collaborating with the investigators to the utmost, providing the necessary support to the experts appointed by the Public Prosecutor's Office pending the outcome of the detailed inquiries in progress in order to consider what action to take with respect to the General Contractor.
- On 21 January 2013 Sideuropa Srl in liquidation was cancelled from the Register of Companies of Milan.
- On 24 January 2013 prices were increased by 3.5% on average for the Frecciabianca connections.
- On 28 January 2013 the Managing Director 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 29 January 2013 a letter of intent was signed by the Mayor of Venice and the Mayor of Padua, Flavio Zanonato, and the Managing Director of FS Italiane bringing a partnership into life in the local public transport sector in the Veneto Region, in view of the imminent calling of the local services tender for the award of public transport services in the area. The parties involved in the agreement, ACTV (Venice), APT (Padua) and Busitalia-

SITA Nord s.r.l., intend to work together to create a strong operator powerful enough to compete against the main European undertakings that are active in the local public transport market.

- On 30 January 2013 the European Commission approved the Fourth Railway Package: "I welcome the liberalisation measures and the Single European Railway Area, a fundamental step towards common rules for operators" is the position expressed by the Managing Director of the Ferrovie dello Stato Italiane Group and Chairman of the European Railway Community (CER) in the margins of the meeting of Social Democrat European Members of Parliament in Trieste. On the other hand his opinion on unbundling, the separation of railway managers from track operators, is not favourable: "This would raise the costs of the system by Euro 6 billion a year on a European scale and this amount could go as high as 15 billion if the railway transport white book is approved." The Fourth Railway Package, approved by the European Commission as we have already said, is now under consideration in the European Council and Parliament.
- 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.
- Also 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.
- 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.

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. The target is to attain top quality in European terms not only in cleaning but also in the care and decorum of travel environments. Features of this contract are the introduction of the very latest best practices and innovative technologies in the whole of Europe, a new way of considering cleaning service on board trains as one of the most important factors as far as the customer is concerned, quality certification of all the operational phases and constant attention to customer satisfaction.
- On 5 February 2013 Trenitalia and ECTAA (the European Travel Agents and Tour Operators' Associations) signed a strategic partnership for the promotion and distribution of Trenitalia tickets and the entire range of its services through all European travel agencies and tour operators. Trenitalia is the first railway company to have concluded an agreement with ECTAA, the association founded in 1961 which combines more than 30 national travel agents and tour operators' associations.
- On 6 February 2013 a start was made to the construction of the new Services Mall in Rome Termini Station, the new Mezzanine opposite the heads of the platforms and the multi-storey Car Park above the tracks. This is a new look that will create a new Termini, the biggest station in Italy and the city's indispensable intermodal

junction. After more than 12 years since the station was revamped for the Jubilee in 2000, the subsidiary Grandi Stazioni reaffirms its commitment to the development of Roma Termini at the service of the city of Rome and the 150 million travellers, visitors and tourists that throng it every year. The works, which began in the summer of 2012, have a total value of Euro 83 million euro; the Service Mall will take about 40 months to complete and the Car Park about 50 months. These new facilities are very complex to build and will be very imposing when they are finished; added to them are the refurbishment of the Forum Termini and the Galleria Centrale, which connects Via Giolitti to Via Marsala. These projects are at an advanced stage of development and will be completed at the same time as the Services Mall is ready. Thanks to these projects, Termini's image will be in step with its times and will provide an increasingly wide range of services, confirming its role as an intermodal hub and a landmark among European stations for functionality and elegance.

- On 13 February 2013 Italferr signed the contract for the design of the new railway link between Esenboğa International Airport and Ankara. This order is worth about Euro 1.5 million. Italferr's appointment (for 12 months) involves drawing up a feasibility study and a preliminary and final design of this railway link (about 27 kilometres) between the airport and the capital of Turkey. The assignment also includes the design of 8 intermediate stations to serve one of the most important axes along which the city is growing.
- On 21 February 2013, *The Guardian*, in an article that listed six things wrong with Italy and six reasons to love it, lists trains among the latter, because they connect all the main cities, are fast and do not cost much. Their speed, low fares and the possibility of moving about between the principal cities in comfort are the basic reasons for this opinion, which is as flattering as it is unsought.
- The new Reggio Calabria Airport Station started to operate on 22 February 2013. Constructed by Rete Ferroviaria Italiana with a total investment of over Euro 2 million, this station is an important train/air interchange junction, a modern and comfortable railway terminal equipped with the latest technological equipment for the control of movements and information for the public: 29 regional trains stop here every day.
- On 27 February 2013 Tuscany Regional Government Resolution 129 extended the deadline for the submission of expressions of interest in participation in the tender for local transport services. We await the conclusion of the tender procedure with the publication of the special contract specifications which, we learn from unofficial sources, should take place before the end of 2013.
- On 28 February 2013 the Territorial Governance, Economic Development and the Infrastructures and Transport Ministries, the Governor of the Sicily Region and the Managing Directors of Ferrovie dello Stato Italiane and Rete Ferroviaria Italiana signed the Institutional Development Agreement (*Contratto Istituzionale di Sviluppo* – CIS), whose creation was envisaged in Article 6 of Legislative Decree 88/2011 for the modernisation of the Messina-Catania-Palermo railway link. The agreement involves 5 macro projects totalling 14 works; Euro 2,426 million of the Euro 5,106.1 million cost of these works is already available. The overall plan consisting of the works, the designs and the studies envisaged in the Agreement will bring three results: a gradual substantial reduction in journey times and an increase in the frequency and the quality of the services among the three main metropolitan areas of Sicily, improved accessibility to the interior of Central and Southern Sicily and to the big metropolitan areas and a heightening of the efficiency of the Catania and Palermo railway junctions.

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.
- 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.
- On 18 March 2013 the Interministerial Committee for Economic Planning (*Comitato Interministeriale per la Programmazione Economica*, CIPE) gave the green light to the 2012-2014 Programme Contract-Services between the Ministry for Infrastructures and Transport and Rete Ferroviaria Italiana. The financing, equal to Euro 4,575 million, will be used for ordinary and extraordinary maintenance of the railway network, safety and security and railway transport. The CIPE also acknowledged the disclosures concerning the financing of the purchase of bimodal diesel/electric trains to eliminate intermediate reloading at the Ivrea station and, accordingly, to improve railway access to the Valle d'Aosta Region, which was financed with Euro 22 million of the Regional Implementing Programme (*Programma Attuativo Regionale*, PAR) of the Regional Government and with resources of the 2007-2013 Development and Cohesion Fund (*Fondo Sviluppo e Coesione*).

April

- On 1 April the prices of Intercity, Intercity Notte, Espressi trains and sleeper trains increase by 6%.
- On 5 April 2013, Trenitalia is an increasingly enterprising global partner for tourist sector operators both in Italy and abroad. This is confirmed by the international agreements concluded with the European (ECTAA) and world (UTFAA) associations containing the main tourist operators on the global market and the inclusion of its services and products in GDS, Global Distribution Systems, through which tour operators can plan journeys in our beautiful country taking more advantage of the great and not yet sufficiently known potential of the Ferrovie dello Stato Italiane's Trenitalia Frecce trains and High-Speed train systems. This and various other projects carried on in the tourist sector by Trenitalia were spoken of in Naples today, on the opening day of the Mediterranean Tourism Market, now in its 17th edition.

Annexes

Consolidation area and equity investments of the Group

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS **ANNEX NO. 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 Region Ost GmbH	Berlin	250,000	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 Region Ost 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	85.49
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 (formerly 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
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

LIST OF JOINT VENTURES VALUED AT EQUITY **ANNEX NO. 2**

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 AG	Berna	162.500.000 (1)	Trenitalia SpA	50
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim	500,000	Prignitzer Eisenbahngesellschaft mbH	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

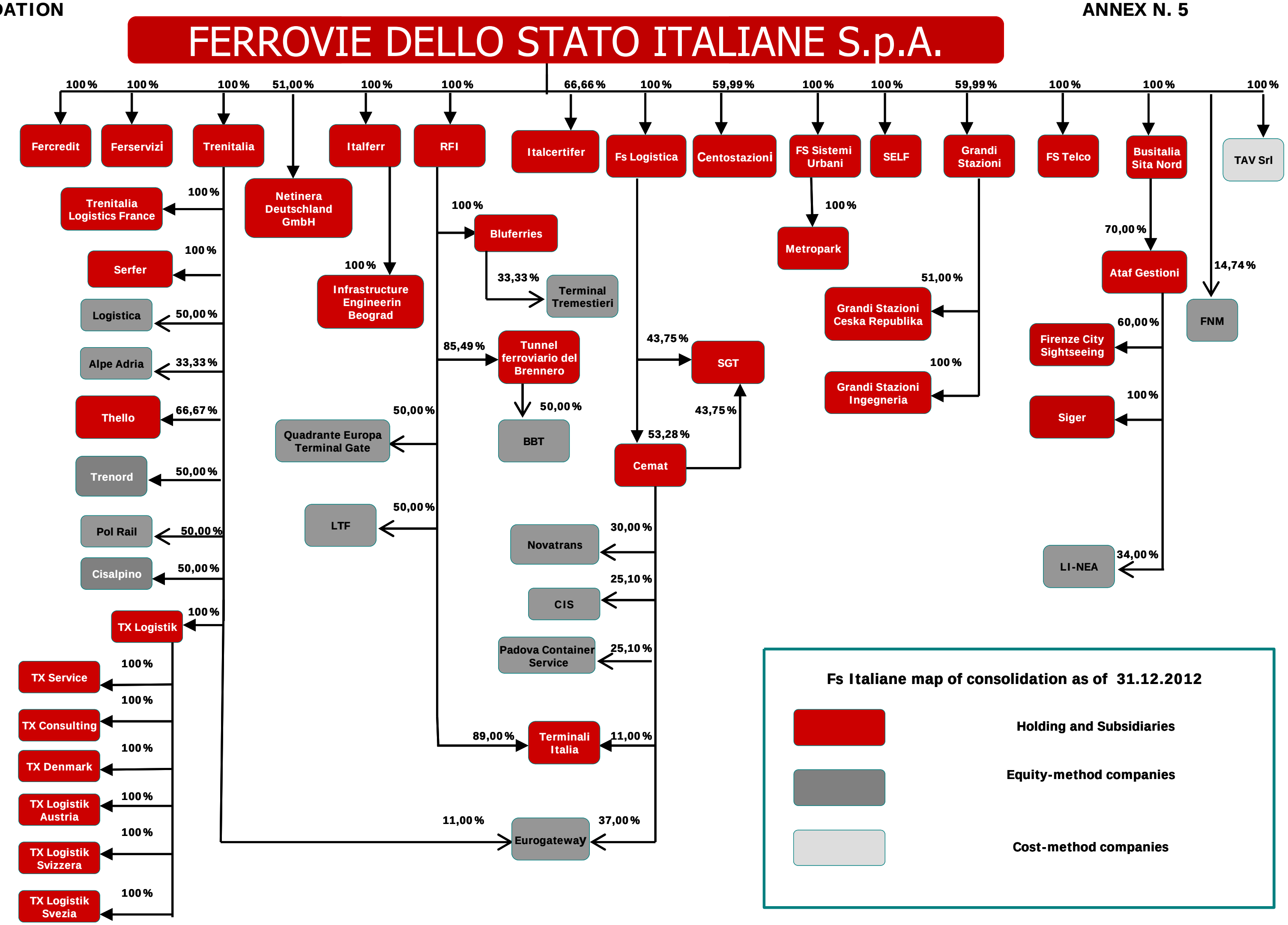
LIST OF ASSOCIATES AND SUBSIDIARIES VALUED AT EQUITY **ANNEX NO. 3**

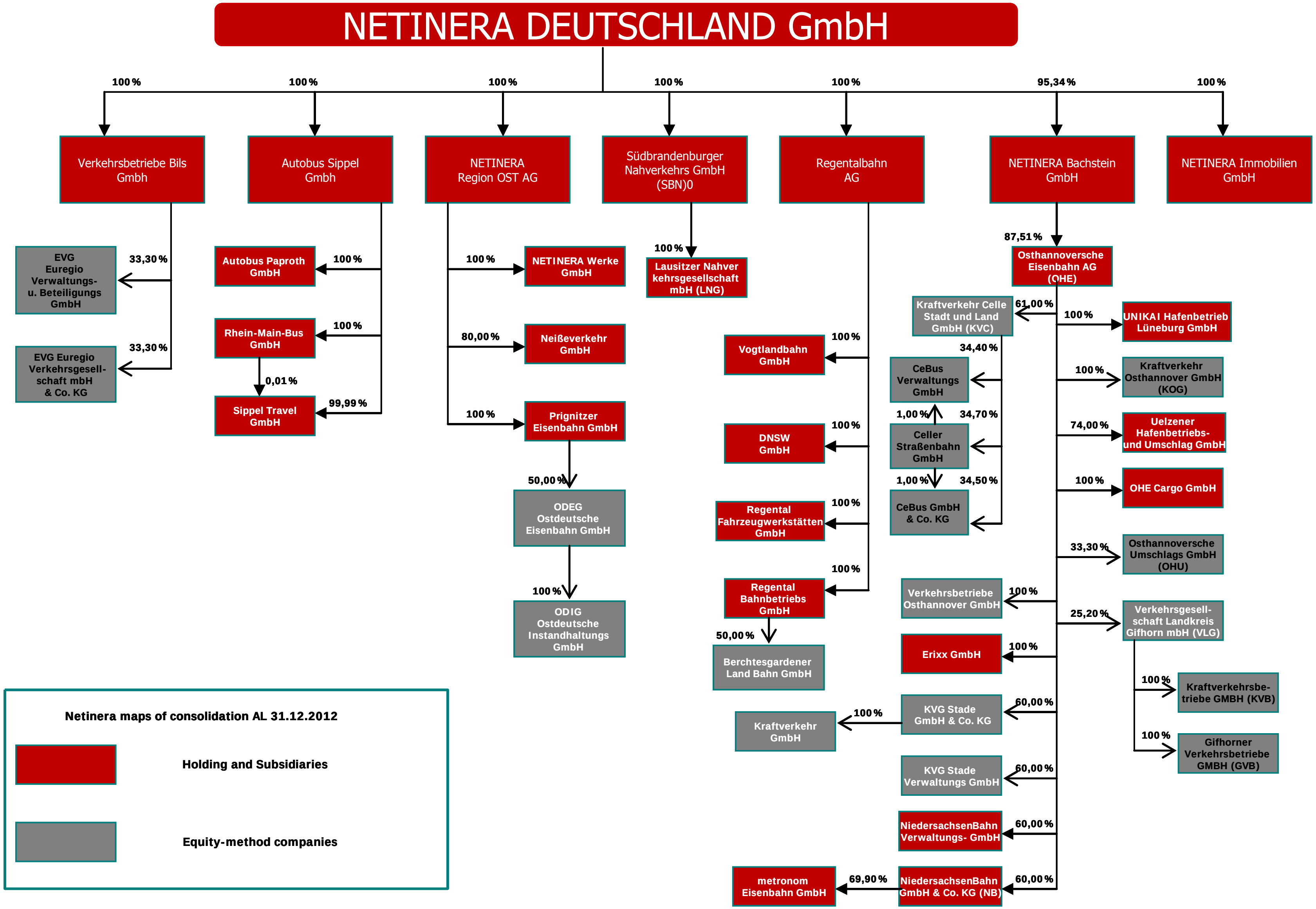
Name	HQ	Share Capital	Investing Company	Ownership %
Gifhorner Verkehrsbetriebe GmbH	Gifhorn	25,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100
KVB Kraftverkehrsbetriebe GmbH	Isenbüttel	50,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100
Galleria di base del Brennero – Brenner Basistunnel BBT SE	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				24.72
Padova Container Service Srl				
Li-Nea SpA				
Alpe Adria SpA				
Terminal Tremestieri Srl				
KOG Südwest Verwaltungs-GmbH in liquition			Kraftverkehr Osthannover GmbH	75
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster	25,500	Verkehrsbetriebe Bils GmbH	33.30
Osthannoversche Umschlagsgesellschaft mbH				
Novatrans Italia Srl				
Cesar Information Services - CIS Scrl				
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
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

FS ITALIANE MAP OF CONSOLIDATION **ANNEX N. 5**




NETINERA DEUTSCHLAND GmbH
100 %
100 %
100 %
100 %
100 %
95,34 %
100 %
Verkehrsbetriebe Bils Gmbh
Autobus Sippel Gmbh
NETINERA Region OST AG
Südbrandenburger Nahverkehrs GmbH (SBN)0
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 %
NETINERA Werke GmbH
100 %
Neißeverkehr GmbH
80,00 %
Prignitzer Eisenbahn GmbH
100 %
50,00 %
ODEG Ostdeutsche Eisenbahn GmbH
100 %
ODIG Ostdeutsche Instandhaltungs GmbH
100 %
Lausitzer Nahverkehrsgesellschaft 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
UNIKAI Hafenbetrieb Lüneburg GmbH
100 %
Kraftverkehr Osthannover GmbH (KOG)
100 %
Uelzener Hafenbetriebs- und Umschlag GmbH
74,00 %
OHE Cargo GmbH
100 %
Osthannoversche Umschlags GmbH (OHU)
33,30 %
Verkehrsbetriebe Osthannover GmbH
100 %
Verkehrsgesell-schaft Landkreis Gifhorn mbH (VLG)
25,20 %
Erixx GmbH
100 %
Kraftverkehrsbe-triebe GMBH (KVB)
100 %
Gifhorner Verkehrsbetriebe GMBH (GVB)
100 %
KVG Stade GmbH & Co. KG
60,00 %
Kraftverkehr GmbH
100 %
KVG Stade Verwaltungs GmbH
60,00 %
NiedersachsenBahn Verwaltungs- GmbH
60,00 %
NiedersachsenBahn GmbH & Co. KG (NB)
60,00 %
metronom Eisenbahn GmbH
69,90 %
Netinera maps of consolidation AL 31.12.2012
Holding and Subsidiaries
Equity-method companies

Financial Statements of Ferrovie dello Stato SpA as at 31 December 2012

Statement of financial position

values in Euro

	Notes	31.12.2012	31.12.2011
Assets			
Property, plant and equipment	6	42,460,268	42,054,287
Investment properties	7	514,967,472	523,955,997
Intangible assets	8	42,229,808	43,043,875
Deferred tax assets	9	213,743,080	201,033,717
Equity investments	10	35,530,336,380	35,732,853,286
Non-current financial assets (including derivatives)	11	4,836,403,680	5,624,425,083
Non-current trade receivables	14	10,941,711	8,494,141
Other non-current assets	12	150,987,682	909,108,182
Total non-current assets		**41,342,070,081**	**43,084,968,568**
Inventories	13	503,194,991	336,014,210
Current trade receivables	14	110,583,432	121,824,836
Current financial assets	11	1,977,116,823	1,485,924,587
Cash and cash equivalents	15	268,151,411	229,582,570
Tax receivables	16	83,917,046	81,577,960
Other currrent assets	12	658,640,214	216,717,219
Assets held for sale and disposal groups	17	63,037,803	63,037,803
Total current assets		**3,664,641,720**	**2,534,679,185**
Total assets		**45,006,711,801**	**45,619,647,753**
Equity			
Share capital	18	38,790,425,485	38,790,425,485
Reserves	18	300,099,321	298,034,055
Valuation reserves	18	(1,611,517)	196,801
Profits (losses) carried forward	18	(2,987,495,412)	(3,026,752,981)
Profit (Loss) for the year	18	73,290,939	41,305,322
Total Equity		**36,174,708,816**	**36,103,208,682**
Liabilities			
Medium/long term loans	20	4,818,170,788	5,993,259,963
Severance pay and other employee benefits	21	18,123,660	16,587,683
Provisions for risks and charges	22	87,527,852	100,391,654
Deferred tax liabilities	9	389,636,487	369,499,079
Non-current financial liabilities	23	566,001	
Other non-current liabilities	24	349,060,865	1,121,891,853
Total non-current liabilities		**5,663,085,653**	**7,601,630,232**
Short-term loans	20	30,241,032	30,252,753
Current portion of medium-long term loans	20	1,296,470,741	219,783,158
Current trade payables	25	89,732,512	68,467,921
Income tax payables	26	1,899,082	409,034
Current financial liabilities (including derivatives)	23	738,585,080	1,009,731,467
Other current liabilities	24	1,011,988,885	586,164,506
Total current liabilities		**3,168,917,332**	**1,914,808,839**
Total liabilities		**8,832,002,985**	**9,516,439,071**
Total Equity and liabilities		**45,006,711,801**	**45,619,647,753**

Income statement

	Notes	2012	2011
			Values in Euro
Revenues from sales and services	27	145,342,740	139,402,127
Other income	28	11,225,900	6,336,412
Total operating revenues		**156,568,640**	**145,738,539**
Operating costs			
Personnel cost	29	57,091,184	54,297,893
Raw and secondary materials, consumables and goods for resale	30	10,222,364	17,139,687
Costs for services	31	49,942,865	57,437,902
Leases and rentals	32	7,398,992	8,996,685
Other operating costs	33	21,891,288	14,443,396
Capitalisation of internal construction costs	34	(187,026)	(194,940)
Total operating costs		**146,359,667**	**152,120,623**
Amortisation and depreciation	35	**21,473,932**	**18,901,977**
Write-downs, impairment losses (value write-backs)	36	**1,323,236**	**1,552,091**
Provisions for risk and charges	37		**3,000,000**
EBIT		**(12,588,195)**	**(29,836,152)**
Finance income and costs			
Income from equity investments	38	59,016,853	118,819,275
Other finance income	38	185,767,968	211,326,014
Costs on equity investments	39	28,603	102,497,339
Other finance costs	39	171,986,930	214,410,399
Profit (loss) before tax		**60,181,093**	**(16,598,601)**
Income taxes	40	(12,649,454)	(57,903,923)
Profit from continuing operations		**72,830,547**	**41,305,322**
Profit from assets held for sale, net of tax effects	41	**460,392**	
Net profit for the year		**73,290,939**	**41,305,322**

Statement of comprehensive income

	Notes	2012	2011
			values in Euro
Net profit for the year	18	**73,290,939**	**41,305,322**
Other comprehensive income			
Gains (losses) relating to actuarial benefits	19	(2,399,736)	16,688
Total tax effects		**591,418**	
Other comprehensive income for the year, net of tax effects		**(1,808,318)**	**16,688**
Total comprehensive income for the year		**71,482,621**	**41,322,010**

Statement of changes in equity

values in Euro

Equity	Share capital	Reserves				Profits (losses) carried foward	Profits (losses) for the year	Total
		Legal reserve	Extraordinary reserve	Other reserves	Reserve for actuarial gains (losses) for employee benefits			
Balance as at 1 January 2011	**38,790,425,485**	**14,491,830**	**27,896,982**	**254,599,169**	**180,113**	**(3,046,628,381)**	**20,921,474**	**36,061,886,672**
Capital increase								
Distribution of dividends								
Allocation of the net profit for the previous year		1,046,074				19,875,400	(20,921,474)	
Comprehensive Income/(Losses) recognised								
of which:								
Profit/(Loss) recognised directly in equity					16,688			
Other changes								16,688
Profit (Loss) for the year							41,305,322	41,305,322
Balance as at 31 December 2011	**38,790,425,485**	**15,537,904**	**27,896,982**	**254,599,169**	**196,801**	**(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				39,240,056	(41,305,322)	
Other changes						17,513		17,513
Comprehensive Income/(Losses) recognised								
of which:								
Profit/(Loss) recognised directly in equity					(1,808,318)			(1,808,318)
Other changes								
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**	**(1,611,517)**	**(2,987,495,412)**	**73,290,939**	**36,174,708,816**

STATEMENT OF CASH FLOWS

	2012	2011
		values in Euro
Profit (loss) for the year	73,290,939	41,305,322
Amortisation and depreciation	21,473,932	18,901,977
Provisions and write-downs	1,416,347	108,087,365
Change in Inventories	8,879,384	14,177,058
Change in trade receivables	8,793,834	(29,661,889)
Change in trade payables	21,264,591	12,422,387
Change in deferred tax assets and liabilities	8,371,831	(11,350,642)
Change in tax payables and receivables	(849,038)	613,801
Change in other assets	325,039,921	481,861,213
Change in other liabilities	(354,312,966)	(412,464,679)
Use of provisions for risks and charges	(12,004,658)	(3,983,105)
Payment of employee benefits	(1,592,457)	(2,271,729)
Cash flows generated from (used in) operating activities	**99,771,660**	**217,637,079**
Investments in property, plant and equipment	(1,578,723)	(314,310)
Investment properties	(2,142,622)	(2,149,693)
Investments in intangible assets	(11,722,397)	(13,399,187)
Investments in equity investments		(90,500,749)
Investments	**(15,443,742)**	**(106,363,939)**
Disposals of property, plants and equipment	204	
Disposals of equity investments	35,247,667	
Disposals	**35,247,871**	
Change in financial assets	157,319,663	48,835,382
Net cash flow used in investing activities	**177,123,792**	**(57,528,557)**
Use and repayment of medium/long-term loans	(98,401,592)	(196,766,061)
Change in short-term loans	(11,721)	(99,765,754)
Change in financial liabilities	3,817,201	(63,654)
Net cash flow used in financing activities	**(94,596,112)**	**(296,595,469)**
Total cash flows generated / (used) in the year	**182,299,340**	**(136,486,947)**
Cash and cash equivalents at the beginning of the year	**151,529,107**	**288,016,054**
Cash and cash equivalents at the end of the year	**333,828,447**	**151,529,107**
of which: balance of the intercompany current account	65,677,036	(78,053,463)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Introduction

These separate financial statements for the year ended 31 December 2012 (hereinafter also referred to as the "Separate Financial Statements" or "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). Specifically it should be noted that Ferrovie dello Stato Italiane SpA (hereinafter also referred to as the "Company", or "Parent Company" or "FS") made use of the right provided for in Legislative Decree no. 38 of 28 February 2005, 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 applied the EU-IFRS to the preparation of the Separate Financial Statements starting from the year ended 31 December 2010. Up to the 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 21 May 2013 the Directors approved the financial statements at 31 December 2012 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 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 21 May 2013, 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 consolidated equity of Euro 36,191 million and a profit for the year attributable to the Group of Euro 379 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.

3. Criteria for the preparation of Separate 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 21 May 2013, the 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 thousand 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;
- 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 and operational 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	rate
Land	0%
Reclamation costs	10%
Industrial buildings	2%
Instrumental civil buildings	2%
Non-instrumental civil buildings	1.50%
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. The main intangible assets are broken down as follows:

(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 in 5 years.

Any costs relating to the maintenance of software programmes are expensed at the time when they are incurred.

(b) *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 is demonstrated that the project is technically feasible;
- it has been demonstrated that there is the intention to complete the project and to sell or use 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 of 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.

Profits and losses arising from the sale of an intangible asset are determined as the difference between the value of disposal, 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 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) Intangible assets not yet available for use

The recoverable amount 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.

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 always 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 (cases that are not present at FS Italiane), 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:

Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of an asset or a liability that is attributable to a particular risk, any gain or loss from the change in fair value of the hedging instrument is recognized in profit or loss. Any gain or loss arising from any adjustment of the hedged item at fair value, for the portion attributable to the hedged item, changes the book value of this item and is recognized in profit or loss.

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.

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 in 2007, 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 Company has 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 subsidiary company Trenitalia SpA.

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.

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 income statement.

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 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.

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 income statement under "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 regulations in force for the companies.

Deferred tax assets and liabilities are calculated against all differences that arise between the taxable base of an asset or liability and the related carrying amount, except for those relating to differences arising from equity investments in subsidiaries, when the time limit for the reversal of these differences is subject to control by the Company and they are expected not to be reversed in a reasonable foreseeable period of time. Deferred tax assets, including those relating to previous tax losses, for the portion that is not offset by deferred tax liabilities, 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. 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

Accounting standards endorsed by the European Union and not relevant for the Company

The EU legislator has adopted some accounting standards and interpretations, whose application became compulsory on 1 January 2012, which regulate cases and case studies that were not present within the Company at the date of this annual financial report, but which could have accounting effects on future transactions and agreements:

- On 7 October 2010 the IASB published some amendments to **IFRS 7 – "Financial Instruments: Disclosures".** The amendments were issued with the intention to improve disclosures on transactions for the transfer (derecognition) of financial assets. Specifically, the amendments require greater transparency regarding the exposure to risks attached to transactions in which a financial asset has been transferred but the transferor retains some form of continuing involvement in the asset. The amendments also require more information if a disproportionate amount of such transactions is carried out towards the end of an accounting period. The adoption of this amendment has not entailed any effect on the disclosures in the financial statements;

- On 20 December 2010 the IASB issued a minor amendment to **IAS 12 – "Income taxes",** which requires the company to measure deferred taxes arising from investment properties measured at fair value according to the method by which the book value of this asset will be recovered (through continuous use or through the sale). Specifically, the amendment introduces a rebuttable presumption that the carrying amount of an investment property measured at fair value according to IAS 40 is entirely recoverable through sale and that the measurement of deferred tax, in jurisdictions in which tax rates are different, should be based on the rate applied to the sale. The adoption of this amendment has not entailed any effect on the measurement of deferred taxes as at 31 December 2012.

Accounting standards endorsed by the European Union and not applied by the Company/Group in advance

- On 12 May 2011 the IASB issued **IFRS 10 – *Consolidated Financial Statements***, which will replace SIC-12 "Consolidation - Special Purpose Entities" and parts of 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 main amendments set out by the new standard are the following:
  - 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.

In general, the application of IFRS 10 requires a significant degree of judgment on a certain number of application aspects.
The standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the years commencing on 1 January 2013).

- On 12 May 2011 the IASB issued **IFRS 11 – Joint Arrangements**, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers. Without prejudice to the criteria to identify joint control, the new standard provides criteria for the accounting treatment of joint arrangements based on rights and obligations arising from agreements rather than on the legal form of the same and provides for the equity method as the only method of accounting for interests in joint ventures in the 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. The new standard will be applicable on a retrospective basis from 1 January 2014 (or starting from the financial statements of the years commencing on 1 January 2013). Following the issue of the standard, IAS 28 – Investments in Associates was amended in order to also include interests in joint ventures within its scope of application from the effective date of the standard. The Company has not yet carried out an analysis of the effects arising from the application of this new standard.
- 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 (or starting from the financial statements of the years commencing on 1 January 2013).
- 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 that 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 standard will be applicable on a prospective basis from 1 January 2013.
- 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 years commencing on or after 1 January 2014.
- On 16 December 2011 the IASB issued some amendments to **IFRS 7 – *Financial Instruments: disclosures***. The amendment requires information on the effects or potential effects of the setoff of financial assets and liabilities on the statement of financial position of an enterprise. The amendments will be applicable for the years commencing on or after 1 January 2013. The information must be provided on a retrospective basis.
- 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 amendment will be applicable from the years commencing on or after 1 July 2012.

- 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 year and the subsequent one, to be divided into three components: the cost components linked to the working activity of the 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 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 "Other comprehensive income/(losses)". 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 amendment will be applicable on a retrospective basis from the year commencing on or after 1 January 2013. This standard does not produce any effects, as the employee benefits are always treated by recognizing them in the "Other comprehensive income (OCI)" and the Company does not hold assets serving the plan, and, therefore, the value entered under liabilities remains the same.

Accounting standards not 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 amendments and of the standards described below.

- On 12 November 2009 the IASB published **IFRS 9 – *Financial instruments***: the standard was then amended on 28 October 2010. The standard, which will be applicable on a retrospective basis from 1 January 2015, 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. The second and third phases of the project on financial instruments, which relate to the impairment of financial assets and hedge accounting, respectively, are still in progress. Furthermore, the IASB is considering limited improvements to IFRS 9 for the part relating to the classification and measurement of financial assets.
- On 17 May 2012 the IASB published a document named ***Annual Improvements to IFRS: 2009-2011 Cycle***, 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, on the other hand, those that will only 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. 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 ("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 year; otherwise, under "Inventories".
- **IAS 32 Financial instruments: presentation –** Direct taxes on distributions to holders of equity instruments and transaction costs on equity instruments: it is clarified that any direct taxes relating to these cases will apply IAS 12.

The effective date of the proposed amendments is expected to apply for years commencing on 1 January 2013 or subsequently, an early application being 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 Ferrovie dello Stato 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 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.

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 Company uses valuation techniques that use input that can be observed in the market, either directly or indirectly, at the end of the 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.

5. Financial and operating financial risk

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. It should be noted that the data compared to the financial statements of the previous year were restated, net of the provision for bad debts and do not include receivables from the tax office.

	31.12.2012	31.12.2011
Current trade receivables	128,262	138,180
Provision for write-down	(17,679)	(16,355)
Current trade receivables, net of provision for write-down	**110,583**	**121,825**
Other current assets	47,603	85,614
Provision for write-down	(153)	(8,995)
Other current assets, net of provision for write-down	**47,450**	**76,618**
Non-current financial assets (including derivatives)	4,836,404	5,624,425
Provision for write-down		
Non-current financial assets (including derivatives) net of provision for write-down	**4,836,404**	**5,624,425**
Other non-current assets	1,236	1,231
Provision for write-down		
Other non-current assets, net of provision for write-down	**1,236**	**1,231**
Cash and cash equivalents	**268,151**	**229,583**
Current financial assets (including derivatives)	1,976,982	1,485,789
Provision for write-down		
Current financial assets (including derivatives) net of provision for write-down	**1,976,982**	**1,485,789**
Non-current trade receivables	11,088	8,640
Provision for write-down	(146)	(146)
Non-current trade receivables, net of provision for write-down	**10,942**	**8,494**
Total exposure, net of provision for write-down	**7,251,748**	**7,547,966**

The tables below report the exposure to credit risk by counterparty, in absolute terms and as a percentage.

	31.12.2012	31.12.2011
Public Administration, Italian Government, Regions	2,612	1,131
Ordinary customers	24,468	23,992
Group companies	6,947,346	7,201,558
Other debtors	9,170	91,702
Total exposure, net of provision for write-down	**6,983,596**	**7,318,383**

	31.12.2012	31.12.2011
Public Administration, Italian Government, Regions	0.04%	0.02%
Ordinary customers	0.35%	0.33%
Group companies	99.48%	98.40%
Other debtors	0.13%	1.25%
Total exposure, net of provision for write-down	**100.00%**	**100.00%**

The tables below provide a percentage breakdown of financial assets at 31 December 2012 and 2011, as broken down by overdue items, net of provision for bad debts.

	31.12.2012					
		Expired since				
	Not expired	0 - 180	180 - 360	360 - 720	beyond 720	Total
Public Administration, Italian Government, Regions	27.61%	8.18%	8.35%	15.27%	40.58%	100.00%
Ordinary customers	74.25%	5.98%	3.39%	4.85%	11.51%	100.00%
Group companies	99.98%	0.02%				100.00%
Other debtors	100.00%					100.00%
Total exposure, net of provision for write-down	**99.86%**	**0.04%**	**0.02%**	**0.02%**	**0.06%**	**100.00%**

	31.12.2011					
		Expired since				
	Not expired	0 - 180	180 - 360	360 - 720	beyond 720	Total
Public Administration, Italian Government, Regions	28.11%	13.87%	28.81%	29.21%		100.00%
Ordinary customers	62.50%	13.79%	2.27%	21.44%		100.00%
Group companies	99.05%	0.53%	0.03%	0.39%		100.00%
Other debtors	100.00%					100.00%
Total exposure, net of provision for write-down	**98.94%**	**0.57%**	**0.04%**	**0.46%**		**100.00%**

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 granted 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.

It should be noted that all the data, compared to the financial statements of the previous year, concern borrowings.

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	**6,973,767**	**7,761,991**	**965,224**	**1,294,786**	**332,540**	**1,818,431**	**3,351,010**

31 December 2011	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	3,300,514	3,841,273	27,950	24,465	636,530	924,582	2,227,746
Loans from banks	1,377,489	1,628,640	34,181	114,276	593,544	332,490	554,149
Payables to other lenders	1,565,292	1,900,000	100,000	100,000	200,000	600,000	900,000
Borrowings from Group companies	1,009,732	1,009,732	1,009,732				
Trade payables	68,468	68,468	68,468				
Total	**7,321,495**	**8,448,113**	**1,240,331**	**238,741**	**1,430,074**	**1,857,072**	**3,681,895**

Derivative and non-derivative financial liabilities

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	1,987,577
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	**6,973,767**	**2,155,029**	**1,789,253**	**3,029,485**

31 December 2011	Book value	within 12 months	1-5 years	Beyond 5 years
Non-derivative financial liabilities				
Debenture loans	3,300,514	8,114	1,384,600	1,907,800
Loans from banks	1,377,489	103,562	789,885	484,042
Payables to other lenders	1,565,292	138,360	612,039	814,893
Borrowings from Group companies	1,009,732	1,009,732		
Trade payables	68,468	68,468		
Total	**7,321,495**	**1,328,236**	**2,786,524**	**3,206,735**

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 quite limited and residual, as it is limited to the sole risk relating to the Unicredit variable-rate loan. Specifically, variable-rate financial liabilities are almost totally offset by corresponding financial assets towards subsidiaries, except for the abovementioned loan equal to Euro 475,000 thousand.

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.

	Book value	Contractual cash flows	Current portion	1 and 2 years	2 and 5 years	Beyond 5 years
Variable rate	4,577,607	4,884,182	1,854,016	11,374	851,048	2,167,744
Fixed rate	2,306,427	2,788,076	316,260	321,166	967,383	1,183,267
Balance at 31 December 2012	**6,884,034**	**7,672,258**	**2,170,276**	**332,540**	**1,818,431**	**3,351,011**
Variable rate	4,816,882	5,369,536	1,097,964	1,119,245	924,582	2,227,745
Fixed rate	2,436,145	3,010,109	312,640	310,830	932,490	1,454,149
Balance at 31 December 2011	**7,253,027**	**8,379,645**	**1,410,604**	**1,430,075**	**1,857,072**	**3,681,894**

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 2012, showing the substantial setoff arising from the simultaneous change in income from loans granted against the same change in interest rates.

	Shift + 50 bps	Shift - 50 bps
Interest expense on variable-rate payables	19,758	(19,151)
Interest income from Intercompany Financing Transactions	(16,736)	16,494
Total	**3,022**	**(2,657)**

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 2012 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 2012	Receivables and loans	Payables and borrowings
Non-current financial assets (including derivatives)	4,836,268	
Non-current trade receivables	10,942	
Current financial assets	1,977,117	
Other non-current assets	1,236	
Current trade receivables	110,583	
Other current assets	47,450	
Medium/long term loans		4,818,171
Non-current financial liabilities		566
Short-term loans and current portion of medium/long-term loans		1,326,712
Current trade payables		89,733
Other current liabilities		738,585

31 December 2011	Receivables and loans	Payables and borrowings
Non-current financial assets (including derivatives)	5,615,447	
Non-current trade receivables	8,494	
Current financial assets	1,485,925	
Other non-current assets	1,231	
Current trade receivables	121,825	
Other current assets	85,461	
Medium/long term loans		5,993,260
Non-current financial liabilities		
Short-term loans and current portion of medium/long-term loans		250,036
Current trade payables		68,468
Other current liabilities (including derivatives)		1,009,731

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 2012, no changes were recorded in the estimated useful life of the assets.

	Land and buildings	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Historical cost	51,482	523	13,237	443	65,685
Depreciation and impairment losses	(11,150)	(284)	(12,197)		(23,631)
Balance as at 1 January 2012	**40,332**	**239**	**1,040**	**443**	**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**

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".

In 2012 "Other assets", fully depreciated, were disposed of, which entailed a reduction of Euro 444 thousand of the historical cost and of the related accumulated depreciation.

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 2012, no changes were recorded in the estimated useful life of the assets.

	2012		2011	
	Land	**Buildings**	**Land**	**Buildings**
Balance as at 1 January				
Cost	455,614	392,579	413,022	283,181
Accumulated depreciation	(8,004)	(156,142)	(6,044)	(93,725)
Provision for Write-Down	(138,722)	(21,369)	(147,689)	(30,805)
Book value	**308,888**	**215,068**	**259,289**	**158,651**
Changes in the year				
Increases		2,143		2,150
Reclassifications (1)	(2,853)	(513)	(24,925)	(14,112)
Depreciation	(1,960)	(5,805)	(1,960)	(4,646)
Demerger (2)			76,484	73,025
Total Changes	**(4,813)**	**(6,318)**	**49,599**	**56,417**
Balance as at 31 December				
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**	**308,888**	**215,068**
(1) Reclassifications				
Cost	(3,426)	(828)	(42,876)	(46,227)
Accumulated depreciation	(2)	313	0	22,297
Provision for Write-Down	575	2	17,951	9,818
Total	**(2,853)**	**(513)**	**(24,925)**	**(14,112)**
(2) Demerger				
Cost			85,468	153,475
Accumulated depreciation				(80,068)
Provision for Write-Down			(8,984)	(382)
Total			**76,484**	**73,025**

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.

The net reduction relating to reclassifications is attributable to the transfer from the item "Inventories" of the assets that are no longer held for sale for Euro 3,366 thousand.

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.

	Concessions, licences, trademrks and similar rights	Fixed assets under construction and advances	Total
Historical cost	102,350	4,553	106,903
Amortisation and impairment losses	(63,859)		(63,859)
Balance as at 31 December 2011	**38,491**	**4,553**	**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)
Balance as at 31 December 2012	**35,332**	**6,898**	**42,230**

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.

	31.12.2011	Incr.(decr.) with impacts through P&L	Other changes	31.12.2012
Deferred tax assets				
Value differences on property, plant and equipment and intangible assets	122,466	(583)	335	122,218
Provisions for risks and charges and impairment losses with deferred tax deductibility	35,084	(2,412)	206	32,878
Value differences on properties held for Trading - Inventories	43,484	15,163		58,647
Total deferred tax assets	**201,034**	**12,168**	**541**	**213,743**
Deferred tax liabilities				
- Provision for deferred tax liabilities				
Value differences on property, plant and equipment and intangible assets	112,019	(2,456)		110,130
Value differences on properties held for Trading - Inventories	43,517	(735)		41,772
Other	(380)	(38)	(403)	(380)
Total provision for deferred tax liabilities	**155,156**	**(3,229)**	**(403)**	**151,522**
- Provision for taxes from consolidated IRES tax base	214,343	(181)	23,952	238,114
Total deferred tax liabilities	**369,499**	**(3,410)**	**23,549**	**389,636**

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 most significant change (Euro 15,163 thousand) was mainly due to the allocation of deferred tax assets for the misalignment between book values and values recognized for tax purposes of inventories held for trading that were transferred by RFI through demergers in the course of 2012.

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 23,770 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 2012 and 2011.

	31.12.2012	31.12.2011	Accumulated provision for write-downs
Equity investments in:			
Subsidiaries	35,373,776	35,576,148	41,605
Associates	23,061	23,061	
Other companies	133,499	133,644	
Total	**35,530,336**	**35,732,853**	**41,605**

Changes in 2012:

	Net value 31.12.2011	Changes in the year			Merger	Net value 31.12.2012	Accumulated provision for write-downs
		Acquisitions / subscriptions	Other changes	Decreases			
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 (former 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	
	35,576,148			**(35,131)**	**(167,241)**	**35,373,776**	**41,605**
Equity investments in associates							
Ferrovie Nord Milano SpA	23,061					23,061	
	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	
	133,644			**(145)**		**133,499**	
Total	**35,732,853**			**(35,276)**	**(167,241)**	**35,530,336**	**41,605**

These changes included:

- the reduction in the share capital of the subsidiary Ferservizi SpA for Euro 34,873 thousand;
- the final liquidation of FS Formazione, which entailed a financial income of Euro 13 thousand;
- the decrease in the equity investment held in the subsidiary RFI SpA following the partial demergers carried out in favour of FS SpA in 2012;
- the final liquidation of Consorzio italiano Infrastrutture e Trasporti per l'Iraq, which entailed a loss of Euro 4 thousand;
- the capital increase, free of charge, of the subsidiary Ferrovie Nord Milano SpA;
- the Foundations were written down.

For more details, reference is made to the Report on Operations – Main events in the financial year: Extraordinary transactions and Equity transactions.

Changes in 2011:

	Net value 31.12.2010	Changes in the year			Net value 31.12.2011	Accumulated provision for write-downs
		Acquisitions/ subscriptions	Other changes	Decreases		
Equity investments in subsidiaries						
Centostazioni SpA	3,050				3,050	
Fercredit SpA	31,413				31,413	
Ferservizi SpA	43,251				43,251	
FS Formazione SpA in liquidation	258				258	
FS Logistica SpA	242,268		3,187	(102,360)	143,095	
FS Sistemi Urbani Srl	523,482		10,612		534,094	
Grandi Stazioni SpA	17,601				17,601	
Netinera Deutschland GmbH (former FS2Move GmbH)	14	89,580			89,594	
FS Telco Srl	5				5	15
Italcertifer SpA	211	672			883	
Italferr SpA	8,047				8,047	
RFI SpA	33,227,273		(163,311)		33,063,962	
Self Srl	35				35	
Sita SpA		248	452	(138)	562	
Sogin Srl	59,225		(59,225)			
Trenitalia SpA	1,612,874				1,612,874	41,590
Busitalia - Sita nord Srl	45		27,329		27,374	
Tav Srl	50				50	
	35,769,102	**90,500**	**(180,956)**	**(102,498)**	**35,576,148**	**41,605**
Equity investments in associates						
Ferrovie Nord Milano SpA	23,061				23,061	
	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	
	133,644				**133,644**	
Total	**35,925,807**	**90,500**	**(180,956)**	**(102,498)**	**35,732,853**	**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.

	HQ	Share capital	profits (loss) for the period	Equity at 31.12.2012	Ownership %	Accrued equity (a)	Book value as at 31.12.2012 (b)	Difference (b) - (a)
Equity investments in subsidiaries								
Busitalia - Sita Nord Srl	Rome	15,000	118	24,600	100.00%	24,600	27,374	2,774
Centostazioni SpA	Rome	8,333	10,197	30,459	59.99%	18,272	3,050	(15,222)
Fercredit SpA	Rome	32,500	8,473	86,482	100%	86,482	31,413	(55,069)
Ferservizi SpA	Rome	8,170	13,640	23,966	100%	23,966	8,378	(15,588)
FS Logistica SpA	Rome	143,096	(17,067)	107,135	100%	107,135	143,095	35,960
FS Sistemi Urbani Srl	Rome	532,783	4,001	542,800	100%	542,800	534,094	(8,706)
Grandi Stazioni SpA	Rome	4,304	19,272	149,432	59.99%	89,644	17,601	(72,043)
Netinera Deutschland GmbH (former FS2Move GmbH) (*)	Berlin	35,160	(16,487)	(19,450)	51%	(9,920)	89,594	99,514
FS Telco Srl (**)	Rome	20	(26)	67	100%	67	5	(62)
Italcertifer SpA	Florence	480	661	2,866	66.66%	1,910	883	(1,027)
Italferr SpA	Rome	14,186	12,966	57,077	100%	57,077	8,047	(49,030)
RFI SpA	Rome	32,007,633	159,987	33,004,735	100%	33,004,735	32,896,721	(108,014)
Self Srl	Rome	35		35	100%	35	35	
Sita SpA in liquidation	Florence	200	(884)	(602)	55%	(331)	562	893
Trenitalia SpA	Rome	1,654,464	206,424	1,617,380	100%	1,617,380	1,612,874	(4,506)
TAV Srl	Rome	50	(13)	24	100%	24	50	26
Total						**35,563,877**	**35,373,776**	**(190,101)**
Equity investments in associates								
Ferrovie Nord Milano SpA	Milan	230,000	13,735	287,221	14.74%	42,336	23,061	(19,275)
Total						**35,606,214**	**35,396,837**	**(209,377)**

(*) the values reported relate to the 2012 statutory accounts of Netinera prepared according to the German accounting standards.

(**) The equity value entered by the subsidiary includes any payment on account of future capital increases for Euro 135 thousand that Ferrovie dello Stato recognises as receivables for payments on account of future capital increases.

The difference between the book value of Netinera Deutschland and the corresponding portion of equity is mainly justified by the Shareholder Loan (Euro 71,676 thousand) paid out to the company (formerly FS2Move GmbH) at the time of the acquisition, having the nature of "semi-equity" and, for the residual part, by the effects arising from the application of different accounting standards (the so-called "German GAAPs").

No write-down is made for the difference between the book value of the subsidiaries FS Logistica SpA and Busitalia Sita Nord Srl 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 SAP in liquidation.

Below is reported the summary of the main financial and economic items of the associate Ferrovie Nord Milano:

	Ownership %	Current assets	Non-current assets	Total Assets	Current liabilities	Non-current liabilities	Total Liabilities	Revenues	Costs	Profit / (loss)
31.12.2011	14.74%	202,888	257,991	460,879	148,992	311,887	460,879	144,342	46,798	97,544
31.12.2012	14.74%	172,442	278,698	451,140	128,654	322,486	451,140	57,894	44,159	13,735

11. Current and non-current Financial assets (including derivatives)

The table below reports the breakdown of financial assets in the two additional years under comparison.

	Book value								
	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial assets									
Medium/long term loans	4,824,171	825,748	5,649,919	5,614,970	222,992	5,837,962	(790,799)	602,756	(188,043)
Payments on account of future capital increases		135	135		135	135			
Receivables for short-term loans		346,697	346,697		327,585	327,585		19,112	19,112
Other financial receivables	12,233	804,537	816,770	9,455	935,213	944,668	2,778	(130,676)	(127,898)
Total	**4,836,404**	**1,977,117**	**6,813,521**	**5,624,425**	**1,485,925**	**7,110,350**	**(788,021)**	**491,192**	**(296,829)**

In 2012 financial assets recorded, as a whole, a decrease of Euro 296,829 thousand.

"Medium/long-term loans" as at 31 December 2012 related to loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA and Fercredit SpA, for a total amount of Euro 5,649,919 thousand. The decrease in the item, equal to Euro 188,043 thousand, was attributable to the closing of the transaction with Euterpe Finance, following the total refund by the Tax Office of any credits assigned at the time, for Euro 86,711 thousand; this entailed a receipt of Euro 77,868 thousand and the reclassification, for Euro 8,843 thousand, to the item "Other non-current assets" as an increase in the receivables from the Tax Office on account of interest. At the relevant time a request for refund was submitted for this residual credit.

"Payments on account of future capital increases" related to FS Telco Srl (Euro 135 thousand).

"Receivables for short-term loans" related to the short-term loans granted to subsidiaries.

"Other non-current financial receivables" (Euro 12,233 thousand) are mainly made up of the receivables for any interest accrued on the Shareholder Loan granted to Netinera Deutschland GmbH (formerly FS2Move GmbH), for the purchase of the group with the same name (Euro 11,220 thousand), of the financial charges incurred on the Backup Facility credit line pertaining to the years after 2013 (Euro 613 thousand) and of the receivables from banks for sums confiscated (Euro 390 thousand).

"Other current financial receivables" (Euro 804,537 thousand) are made up of the balance of the intercompany current account of Trenitalia (Euro 800,930 thousand) and of the financial charges incurred on the Backup Facility credit line pertaining to 2013 (Euro 3,607 thousand).

12. Other non-current and current assets

The table below reports the breakdown of other assets at the end of the two years under comparison.

	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from group companies		44,089	44,089		80,836	80,836		(36,747)	(36,747)
VAT receivables	149,749	611,162	760,911	907,877	131,226	1,039,103	(758,128)	479,936	(278,192)
Sundry receivables and accrued income and prepaid expenses	1,239	3,542	4,781	1,231	4,808	6,039	8	(1,266)	(1,258)
Total	**150,988**	**658,793**	**809,781**	**909,108**	**216,870**	**1,125,978**	**(758,120)**	**441,923**	**(316,197)**
Provision for write-down		(153)	(153)		(153)				
Total, net of Provision for write-down	**150,988**	**658,640**	**809,628**	**909,108**	**216,717**	**1,125,978**	**(758,120)**	**441,923**	**(316,197)**

"Other receivables from Group Companies" (Euro 44,089 thousand at the end of 2012) related to the Group VAT (Euro 27,570 thousand), and to the consolidated IRES tax base (Euro 1,326 thousand), to the transfer by the Company of IRES receivables from the Tax Office (Euro 1,901 thousand) and to other sundry receivables (Euro 13,292 thousand) that mainly concerned Rete Ferroviaria Italiana SpA (Euro 4,593 thousand) and Trenitalia SpA (Euro 8,531 thousand).

The decrease in the item "VAT receivables", totalling Euro 278,192 thousand, was essentially attributable to the differential effect due to the decrease for the refunds made by the Tax Office for the VAT tax refund requested in relation to 2009 (Euro 547,213 thousand), to the increases in the VAT pooling for 2012 (Euro 247,614 thousand), to the interest accrued on the VAT tax credit refund requested (Euro 12,634 thousand), as well as for the reclassification following the closing of the securitization transaction with Euterpe Finance, which has been dealt with in the previous point (Euro 8,843 thousand).

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

	31.12.2012	31.12.2011	Changes
National regions	809,601	1,125,533	(315,932)
Eurozone countries	97	253	(156)
United Kingdom	83	118	(35)
Other countries		74	(74)
Total	**809,781**	**1,125,978**	**(316,197)**

13. Inventories

Inventories are broken down as follows:

	31.12.2012	31.12.2011	Changes
Land and Buildings held for Trading	719,282	557,420	161,862
Provision for write-down	(216,087)	(221,406)	5,319
Total	**503,195**	**336,014**	**167,181**

Inventories are made up of properties held for sale. The increase compared to 31 December 2011 (Euro 167,181 thousand) is attributable to the increase recorded in the same as a result of the partial demergers of RFI SpA (Euro 172,694 thousand), to the decrease for the sales made in the year, net of the use of the provision for write-down (Euro 9,371 thousand), to the increases in works carried out (Euro 492 thousand) and to the increase for reclassifications of land and buildings held for sale from the item "Investment Properties" (Euro 3,366 thousand).

14. Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	11,088	30,534	41,622	8,640	31,359	39,999	2,448	(825)	1,623
State Administrations and other Public Administrations		3,105	3,105		1,382	1,382		1,723	1,723
Receivables from Group companies		94,622	94,622		105,439	105,439		(10,817)	(10,817)
Total	**11,088**	**128,261**	**139,349**	**8,640**	**138,180**	**146,820**	**2,448**	**(9,919)**	**(7,471)**
Provision for write-down	(146)	(17,678)	(17,824)	(146)	(16,355)	(16,501)		(1,323)	(1,323)
Total, net of Provision for write-down	**10,942**	**110,583**	**121,525**	**8,494**	**121,825**	**130,319**	**2,448**	**(11,242)**	**(8,794)**

In 2012 current and non-current trade receivables, net of provision for write-down, recorded a decrease of Euro 8,794 thousand.

Current receivables from Group companies mainly concerned trade receivables from the subsidiaries Rete Ferroviaria Italiana SpA (Euro 18,038 thousand), FS Logistica SpA (Euro 6,225 thousand), Ferservizi SpA (Euro 4,883 thousand), Trenitalia SpA (Euro 14,951 thousand), FS Sistemi Urbani Srl (Euro 20,188 thousand), Grandi stazioni SpA (Euro 23,478 thousand), Italferr SpA (Euro 2,178 thousand) and Busitalia Srl (Euro 1,872 thousand).

Other trade receivables, net of the provision for bad debts, were equal to Euro 26,903 thousand and were essentially attributable to the sales of properties held for trading.

Below is reported the maximum exposure to the credit risk, as broken down by geographical region:

	31.12.2012	31.12.2011	Changes
National regions	135,856	145,171	(9,315)
Eurozone countries	691	49	642
Other non-EU European Countries	2	0	2
Other countries	2,800	1,600	1,200
Total	**139,349**	**146,820**	**(7,471)**

15. Cash and cash equivalents

The item is broken down as follows:

Description	31.12.2012	31.12.2011	Changes
Bank and postal accounts	213,562	174,356	39,206
Cheques		104	(104)
Cash and cash on hand	25	30	(5)
Treasury current accounts	54,564	55,093	(529)
Total	**268,151**	**229,583**	**38,568**

The item recorded an increase of Euro 38,568 thousand compared to the previous year. The increase is mainly due to the Bank and postal accounts, which recorded a reduction in short-term uses of liquidity of Euro 72,005 thousand and an increase in bank deposits of Euro 111,211 thousand.

16. Tax receivables

At 31 December 2012 tax receivables amounted to Euro 83,917 thousand (Euro 81,578 thousand at the end of 2011) and related to IRES receivables from the Tax Office. The item recorded increases following the deductions applied to the Company and to the subsidiaries that participate in the consolidated IRES tax base and decreases for the sums directly used by the Company itself or by its subsidiaries as a deduction from the payments to be made to the Tax Office for various reasons.

17. Assets held for sale and disposal groups

These assets, which were entered as at 31 December 2011 following the reclassifications of the assets included under "Investment properties" (Euro 52,108 thousand) and "Inventories" (Euro 10,930 thousand), did not report any changes in the balance (Euro 63,038 thousand) in the year; they are made up of the railway workshops, land (Euro 47,637 thousand) and buildings (Euro 15,401 thousand), which fall within the scope of the plan of contribution to the subsidiary Trenitalia SpA that, compared to the company's forecasts, was postponed to the 2013 year.

18. Equity

The changes recorded in 2012 and 2011 for the main equity items are reported analytically in the statement reported after the financial statements formats.

Share capital

At 31 December 2012 the share capital of the Company, which was fully subscribed and paid up by the sole shareholder Ministry of Finance and Economy, 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 2012 it amounted to Euro 17,603 thousand, following the allocation of the share of 2011 profits for an amount equal to Euro 2,065 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 2012 there was an actuarial loss of Euro 1,612 thousand.

Profits (losses) carried forward

At 31 December 2012 net losses carried forward increased by Euro 39,258 thousand, mainly as a result of the allocation of 2011 profits.

Profit for the year

The 2012 profit for the year was equal to Euro 73,291 thousand.

The table below reports the origin, availability and distributability of the equity items.

Source	Amounts at 31.12.2012 (a+b)	Unvailable portion (a)	Available portion (b)	Distributable portion of (b)
Share capital	38,790,425	38,790,425		
Capital reserve:				
Demerger reserve	254,599	254,599		
Retained earnings:				
Legal reserve	17,603	17,603		
Extraordinary reserve	27,897		27,897	
Total	**39,090,524**	**39,062,627**	**27,897**	

It should be noted that the Legal Reserve will not be available until it reaches one fifth of the share capital and may be used, regardless of the amount reached for the coverage of losses, as an alternative compared to any other available reserves; the Extraordinary Reserve is not subject to particular restrictions and, therefore, it may be used for the coverage of losses, capital increases free of charge or may be distributed to shareholders. No uses were recorded in the three previous years.

19. Other components of the statement of comprehensive income

The financial statements report the Statement of Comprehensive Income that shows the other components of the comprehensive income.

20. . 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:

Medium/long term loans		**Book value**	
	31.12.2012	**31.12.2011**	**Changes**
Debenture loans	2,809,698	3,292,400	(482,702)
Loans from banks	725,527	1,273,928	(548,401)
Payables to other lenders	1,282,946	1,426,932	(143,986)
Total	**4,818,171**	**5,993,260**	**(1,175,089)**

Short-term loans and current portion of medium/long-term loans		**Book value**	
	31.12.2012	**31.12.2011**	**Changes**
(Short-term) Debenture loans	602,104	8,114	593,990
(Short-term) Loans from banks	580,622	103,562	477,060
(Short-term) Payables to other lenders	143,987	138,360	5,627
Total	**1,326,713**	**250,036**	**1,076,677**
Total Loans	**6,144,884**	**6,243,296**	**(98,412)**

Below are the terms and conditions of outstanding medium/long-term loans, including the respective short-term portion:

				31.12.2012		31.12.2011	
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	200,007	200,000	200,038
EUROFIMA	EUR	6-month Euribor + Spread	2018	200,000	200,008	200,000	200,038
EUROFIMA	EUR	6-month Euribor + Spread	2018	149,400	149,405	149,400	149,428
EUROFIMA	EUR	6-month Euribor + Spread	2019	160,000	160,026	160,000	160,141
EUROFIMA	EUR	6-month Euribor + Spread	2019	183,000	183,022	183,000	183,134
EUROFIMA	EUR	6-month Euribor + Spread	2016	194,000	194,018	194,000	194,144
EUROFIMA	EUR	6-month Euribor + Spread	2016	32,300	32,303	32,300	32,324
EUROFIMA	EUR	6-month Euribor + Spread	2015	83,000	83,013	83,000	83,089
EUROFIMA	EUR	6-month Euribor + Spread	2018	62,700	62,702	62,700	62,711
EUROFIMA	EUR	6-month Euribor + Spread	2020	62,700	62,700	62,700	62,706
EUROFIMA	EUR	6-month Euribor + Spread	2015	165,300	165,530	165,300	166,183
EUROFIMA	EUR	6-month Euribor + Spread	2016	310,000	310,269	310,000	311,256
EUROFIMA	EUR	6-month Euribor + Spread	2026	190,000	190,076	190,000	190,405
EUROFIMA	EUR	6-month Euribor + Spread	2026	100,000	100,040	100,000	100,214
EUROFIMA	EUR	6-month Euribor + Spread	2027	128,700	128,834	128,700	129,263
EUROFIMA	EUR	6-month Euribor + Spread	2026	116,000	116,048	116,000	116,248
EUROFIMA	EUR	6-month Euribor + Spread	2022	120,000	120,109	120,000	120,509
EUROFIMA	EUR	6-month Euribor + Spread	2024	122,200	122,239	122,200	122,421
EUROFIMA	EUR	6-month Euribor + Spread	2027	65,700	65,770	65,700	65,990
EUROFIMA	EUR	6-month Euribor + Spread	2020	47,400	47,400	47,400	47,404
EUROFIMA	EUR	6-month Euribor + Spread	2013	600,000	600,511	600,000	602,868
EUROFIMA	*CHF*	fixed rate 2.57%	2020	37,276	37,315		
EUROFIMA	EUR	fixed rate 3.7795%	2014	7,700	7,784		
EUROFIMA	*CHF*	fixed rate 2.501%	2016	10,355	10,381		
EUROFIMA	*CHF*	fixed rate 2.795%	2017	19,467.0	19,526		
EUROFIMA	EUR	6-month Euribor + Spread	2025	42,500	42,765		
				3,409,698	3,411,802	3,292,400	3,300,514
Unicredit	EUR	3-month Euribor + Spread		475,000	475,317	475,000	476,384
BEI	EUR	fixed rate 4.685%	2021	798,928	800,591	869,043	870,853
CASSA DD.PP.	EUR	fixed rate 4,026%	2021	1,426,932	1,426,932	1,565,292	1,565,292
Total borrowings				**6,110,558**	**6,114,642**	**6,201,735**	**6,213,043**

21. Severance pay and other employee benefits

	31.12.2012	31.12.2011
Present value of severance pay obligations	17,939	16,445
Present value of Free Travel Card obligations	182	140
Other benefits	3	3
Total present value of obligations	**18,124**	**16,588**

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").

	2012	2011
Defined benefit obligations at 1 January	16,585	18,025
Service Costs	2	2
Interest Cost (*)	727	850
Actuarial (Profits) losses recognised in equity	2,400	(17)
Adavances, uses and intragroup secondment	(1,593)	(2,275)
Total defined benefit obligation	**18,121**	**16,585**

(*) with recognition through P&L.

The use of the Severance Pay and of the Free Travel Card, equal to Euro 1,593 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 losses of Euro 2,400 thousand that are compared to the 2011 actuarial gains equal to Euro 17 thousand.

Actuarial assumptions

Below are reported the main assumptions made for the actuarial estimate process:

	2012	2011
Discount rate of Severance Pay	2.05%	4.05%
Discoun rate of Free Travel Card	2.70%	4.60%
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	

22. Provisions 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 2012, showing the short-term portion.

Description	31.12.2011	Provisions	Uses	Other changes	Release of excess provisions	31.12.2012
Provision for taxes	206					206
Disputes with personnel and third-parties	28,735	659	(7,885)			21,509
Other minor risks	71,451		(4,120)	(1,518)		65,813
Total non-current and current portions	**100,392**	**659**	**(12,005)**	**(1,518)**		**87,528**

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 has been used for Euro 7,885 thousand, essentially for the 2012 settlement agreements.

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 1,380 thousand), charges incurred for the contractual obligations referred to above (Euro 2,740 thousand). The reduction for other changes (Euro 1,518 thousand) was due to the adjustment to the estimated charges to be incurred towards the Inps for the personnel who have had access to the Bilateral management fund – extraordinary component as at 31 December 2012.

23. Current and non-current financial liabilities (including derivatives)

	Book value								
	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Financial instruments					81	81		(81)	(81)
Other financial liabilities	566	738,585	739,151		1,009,650	1,009,650	566	(271,065)	(270,499)
Total	**566**	**738,585**	**739,151**		**1,009,731**	**1,009,731**	**566**	**(271,146)**	**(270,580)**

Following the refund by the Tax Office of the residual credits assigned to Euterpe Finance, the notes issued by Euterpe were fully redeemed; this entailed the consequent write-off of the transaction connected with the assignment of receivables from the Tax Office (Euro 81 thousand). Other financial liabilities were essentially made up of payables to subsidiaries for the balance of intercompany current accounts; the reduction recorded in the item was essentially due to the repayment of the payables to RFI and FS Sistemi Urbani as a result of the collection from the Tax Office of the VAT tax refund requested for the 2009 year.

24. Other non-current and current liabilities

	31.12.2012			31.12.2011			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Payables to social security institutions		4,650	4,650		5,052	5,052		(402)	(402)
Other payables to Group companies	152,470	779,542	932,012	919,410	375,794	1,295,204	(766,940)	403,748	(363,192)
Payables for consolidated tax base		29,290	29,290		8,440	8,440		20,850	20,850
Other payables and accrued expenses and deferred income	196,591	198,507	395,098	202,482	196,879	399,361	(5,891)	1,628	(4,263)
Total	**349,061**	**1,011,989**	**1,361,050**	**1,121,892**	**586,165**	**1,708,057**	**(772,831)**	**425,824**	**(347,007)**

Other current and non-current liabilities recorded a decrease of Euro 347,007 thousand, mainly attributable to "Other payables to Group companies" (Euro 363,192 thousand).

"Payables for consolidated IRES tax base" (Euro 29,290 thousand at the end of 2012) 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 152,470 thousand at the end of 2012) exclusively related to payables for VAT required for reimbursement pertaining to Rete Ferroviaria Italiana and Trenitalia; the reduction of Euro 766,940 thousand was due to the repayments made to the abovementioned subsidiaries and to FS Sistemi Urbani following the collection from the Tax Office of the VAT tax refunds requested (totalling Euro 547,311 thousand), to increased payables to Rete Ferroviaria Italiana SpA for the settlement of the 2012 VAT tax return, with the reclassification of current liabilities (Euro 131,074 thousand) and to the other changes for the increase in the interest accrued on payables and for the decrease due to the reclassifications made for the transfer, under current liabilities, of those payables that are expected to be repaid in the subsequent financial year (a net decrease of Euro 350,703 thousand). The current portion (Euro 779,542 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 748,957 thousand, Euro 351,574 thousand at the end of 2011) and to payables to the subsidiary Rete Ferroviaria Italiana (Euro 23,802 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 196,591 thousand at the end of 2012) essentially related to the subscribed capital to be paid for the capital increases of Eurofima (Euro 193,464 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 loss of Euro 1,337 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 8,437 thousand), and to the Bilateral Management fund, as regards its ordinary component (Euro 130,866 thousand). The latter provision is made up of the deductions applied to personnel under the railway contract, the contributions to be paid by the Group companies concerned, as well as interest accrued at 31 December 2012; it should be noted that contributions ceased effective from 1 July 2005.

25. Current trade payables

The item is broken down as follows:

	31.12.2012	31.12.2011	Changes
Payables to suppliers	33,604	36,478	(2,874)
Commercial advances	4,379	2,797	1,582
Trade payables to Group companies	51,750	29,193	22,557
Total	**89,733**	**68,468**	**21,265**

The increase in current trade payables (Euro 21,265 thousand) was substantially attributable to the increase in payables to Group companies. It should be noted that no non-current trade payables were reported.

26. Income tax payables

This item amounted to Euro 1,899 thousand (Euro 409 thousand at the end of 2011) and related to IRAP tax.

27. Revenues from sales and services

The tables and comments below report the breakdown of the items that make up Revenues from sales and services.

	2012	2011	Changes
Revenues from property management (*)	**83,378**	**75,844**	**7,534**
Rent income for use of the brands	**36,614**	**36,700**	**(86)**
Services:	**20,550**	**21,644**	**(1,094)**
Finance Area	3,815	3,762	53
Tax and Budget Area	451	497	(46)
Executive staff administration	402	438	(36)
Corporate Secretary's Office	1,175	1,178	(3)
Legal Affairs and Labour	4,386	4,391	(5)
Industrial relations	3,024	3,578	(554)
Development and Organisation Area	966	962	4
External Relations Area	2,354	2,354	
Communications	1,755	1,755	
Facilities	2,222	2,729	(507)
Capitalisation of works on properties held for trading	**492**	**1,530**	**(1,038)**
Other services	**4,309**	**3,684**	**625**
Total	**145,343**	**139,402**	**5,941**

(*) Amount recognised net of revenues from "Assets held for sale" equal to €687 thousand.

The most significant item was attributable to revenues from property management relating to leases (Euro 59,114 thousand) and sales of properties and land held for trading (Euro 20,060 thousand) and to the charge-backs of service charges (Euro 3,113 thousand).

The main sales made in 2012 concerned: a real estate complex located in Rome, via Bari for Euro 6,170 thousand, the former cinema premises located in Rome, at via Bari, for Euro 3,977 thousand, a property located in Rome, at via Forlì, for Euro 1,502 thousand and some areas and buildings on the railway section Rimini - Riccione for Euro 335 thousand. Furthermore, 93 flats were sold for an overall value of Euro 5,932 thousand.

28. Other income

The table below reports the breakdown of Other income:

	2012	2011	Changes
Commissions earned on sureties	**2,044**	**1,306**	**738**
Reimbursements	**3,835**	**3,141**	**694**
Corporate positions of executives with FS Group companies	2,378	2,352	26
From staff	45	46	(1)
Other reimbursements	1,412	743	669
Sundry income	**5,347**	**1,889**	**3,458**
Total	**11,226**	**6,336**	**4,890**

The increase in the item “Sundry income” compared to the previous year was essentially due to the inclusion of the residual value (Euro 3,359 thousand) of the guarantee paid out by the Working Men’s Club of Railways (*Dopolavoro Ferroviario*, DLF) at the relevant time, in relation to the preliminary contract of sale for the portion of properties of the Company, which has no longer been purchased.

In 2012, for a better representation, a reclassification was made from the item "Other Income" to the item "Other personnel costs". This entailed the same reclassification in 2011 for an amount equal to Euro 43 thousand.

29. Personnel cost

The table below reports Personnel cost:

	2012	2011	Changes
Permanent staff	**54,155**	**50,436**	**3,719**
Wages and salaries	39,734	39,295	439
Social security contributions	10,685	10,857	(172)
Other permanent staff costs	641	(2,153)	2,794
Severance pay	2,438	2,480	(42)
Provisions/releases	657	(43)	700
Self-employed staff and Collaborators	**263**	**149**	**114**
Wages and salaries	210	96	114
Social security contributions	53	53	
Other costs	**2,673**	**3,713**	**(1,040)**
Total	**57,091**	**54,298**	**2,793**

The increase of Euro 2,793 thousand in the Personnel cost was essentially attributable to the higher costs for early retirement incentives arising from the continuous and gradual process for the reorganization of production and organization of labour on the part of the Company.

The item "Provisions/releases" includes estimated charges, releases and recoveries (if any) for labour litigation; the reclassification of Euro 43 thousand made from the item "Other Income" in 2011, which has been referred to above, involved this item.

The table below reports the Company's average staff broken down by category:

	2012	2011	Changes
Personnel			
Executives	94	104	(10)
Middle managers	239	241	(2)
Other staff	214	221	(7)
Total	**547**	**566**	**(19)**

30. Raw and secondary materials, consumables and goods for resale

The item is broken down as follows:

	2012	2011	Changes
Materials and consumables	727	1,332	(605)
Lighting and driving force	123	101	22
Change in inventories of properties and land held for trading	9,372	15,707	(6,335)
Total	**10,222**	**17,140**	**(6,918)**

The most significant change related to the item "Change in inventories of properties and land held for trading" (Euro 6,335 thousand) for sale of properties made in the year.

31. Costs for services

The balance is broken down in the table below:

	2012	2011	Changes
Transport services	**29**	**11**	**18**
Cargo transport services	29	11	18
Maintenance, cleaning and other contracted-out services	**4,145**	**3,833**	**312**
Services and works contracted-out on behalf of Third Parties	1,330	1,230	100
Cleaning services and other contracted-out services	18	22	(5)
Maintenance and repair of intangible assets and property, plant and equipment	2,797	2,581	215
Real estate services and utilities	**20,339**	**21,952**	**(1,613)**
Administrative and IT services	**10,113**	**9,953**	**160**
External communication and advertising costs	**3,105**	**6,263**	**(3,158)**
Sundry costs	**12,212**	**15,426**	**(3,214)**
Professional services	1,750	1,567	183
Insurance	1,645	1,654	(9)
Consultancy	1,993	3,375	(1,382)
Other	6,824	8,830	(2,006)
Total	**49,943**	**57,438**	**(7,495)**

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.

The decrease in the item "Costs for services" was essentially due to lower costs for external communication and advertising costs (Euro 3,158 thousand), for real estate services and utilities (Euro 1,613 thousand) and for consultancy services (Euro 1,382 thousand).

32. Leases and rentals

The table below reports the breakdown of Costs for leases and rentals:

	2012	2011	Changes
Lease rentals and service charges	7,290	8,938	(1,648)
Rentals and indemnities of rolling-stock and other	109	59	50
Total	**7,399**	**8,997**	**(1,598)**

The decrease mainly related to reduced charges for lease rentals of properties.

33. Other operating costs

The table below reports the breakdown of other operating costs:

	2012	2011	Changes
Membership fees and contributios	4,328	4,797	(469)
Non-deductible VAT (pro-rata)	2,294	3,484	(1,190)
Duties and taxes	11,593	4,749	6,844
Other sundry charges	3,676	1,222	2,454
Provisions and releases		191	(191)
Total	**21,891**	**14,443**	**7,448**

The increase in the item "Other operating costs" was essentially due to the higher costs of Euro 6,649 thousand incurred for the local s tax (IMU, *Imposta Municipale Unica*).

The item "Provisions and releases" included the reclassification of Euro 191 thousand made for 2011 from the item "Provisions for risks and charges" in relation to the amount allocated to the Provision for taxes.

34. Capitalisation of internal construction costs

Capitalisation of internal construction costs, equal to Euro 187 thousand (Euro 195 thousand in 2011), related to personnel costs attributable to investments, connected with the implementation and development of software.

35. Amortisation and depreciation

The item is broken down as follows:

	2012	2011	Changes
Amortisation of intangible assets	12,536	10,992	1,544
Depreciation of property, plant and equipment	8,938	7,910	1,028
Total	**21,474**	**18,902**	**2,572**

36. Write-downs and impairment losses (value write-backs)

This item amounted to Euro 1,323 thousand (Euro 1,552 thousand in 2011) and related to the adjustment to the provision for bad debts carried out on the basis of the expected collection of receivables.

37. Provisions for risks and charges

This item was equal to zero in 2012; the amount of Euro 3,000 thousand entered in 2011 was net of a reclassification of Euro 191 thousand, transferred to the item "Other operating costs" referred to above.

38. Finance income

The table below reports the breakdown of finance income:

	2012	2011	Changes
Finance income from non-current receivables and securities	142,649	161,467	(18,818)
Sundry finance income	43,115	49,856	(6,741)
Dividends	59,017	118,819	(59,802)
Foreign exchange gains	4	3	1
Total	**244,785**	**330,145**	**(85,360)**

"Finance income from non-current receivables and securities" related to interest on receivables for medium- and long-term loans granted to the subsidiaries Rete Ferroviaria Italiana (Euro 102,209 thousand), Trenitalia (Euro 40,235 thousand) and Fercredit (Euro 205 thousand).

"Sundry finance income" were mainly made up of:

● interest income on the intercompany current account towards Trenitalia SpA (Euro 4,972 thousand);

● interest income on short-term loans granted to the subsidiaries Netinera Deutschland (Euro 3,065 thousand), Fercredit (Euro 1,590 thousand), FS Logistica (Euro 1,480 thousand) and Trenitalia (Euro 272 thousand);

● the interest accrued on the Shareholder Loan granted to Netinera Deutschland itself for the purchase of the then Arriva Deutschland group (Euro 6,287 thousand);

● commissions earned on sureties granted to the subsidiaries Rete Ferroviaria Italiana (Euro 1,037 thousand) and Trenitalia (Euro 814 thousand), Cisalpino (Euro 795 thousand) and Netinera Deutschland (Euro 635 thousand);

● interest and commissions for the Intercompany Backup Facility granted to the subsidiaries Trenitalia (Euro 3,005 thousand) and Rete Ferroviaria Italiana (Euro 1,797 thousand);

● interest on the VAT credit requested for reimbursement (Euro 12,635 thousand);

● income from bank and postal accounts (Euro 3,001 thousand).

"Dividends" include dividends from subsidiaries Rete Ferroviaria Italiana (Euro 25,000 thousand), Grandi Stazioni (Euro 9,500 thousand), Fercredit (Euro 8,000 thousand), Ferservizi (Euro 6,088 thousand), FS Sistemi Urbani (Euro 4,748 thousand), Centostazioni (Euro 4,150 thousand), Italferr (Euro 1,521 thousand) and Hit Rail (Euro 10 thousand).

39. Finance costs

The table below reports the breakdown of finance costs:

	2012	2011	Changes
Finance costs on payables	169,917	208,212	(38,295)
Finance costs for employee benefits	727	850	(123)
Write-downs of financial assets	29	102,497	(102,468)
Foreign exchange losses	1,343	5,349	(4,006)
Total	**172,016**	**316,908**	**(144,892)**

The item "Finance costs on payables" was essentially made up of:

● interest expenses on VAT requested for reimbursement pertaining to Rete Ferroviaria Italiana SpA (Euro 11,759 thousand), Trenitalia SpA (Euro 674 thousand) and FS Sistemi Urbani Srl (Euro 201 thousand);

● interest expenses on intercompany current accounts, mainly towards the subsidiaries Rete Ferroviaria Italiana (Euro 2,281 thousand), Ferservizi (Euro 330 thousand), Grandi Stazioni (Euro 115 thousand), Italferr (Euro 109 thousand), Centostazioni (Euro 42 thousand) and Fercredit (Euro 37 thousand);

● charges for interest on debenture loans subscribed by Eurofima (Euro 38,784 thousand);

● interest on medium/long-term granted by banks and other lenders (Euro 106,806 thousand);

● interest and commissions for the non-use of the "Intercompany Backup Facility" (Euro 7,034 thousand);

● interest expenses on financial instruments (Euro 1,210 thousand).

The item "Finance costs for employee benefits" included finance costs arising from the discounting of the Severance Pay and of the Free Travel Card. The reduction in the item was determined by the decrease in the amount of the Severance Pay Interest Cost calculated by the Actuary in 2012 compared to the comparative period.

The item "Write-downs of financial assets", equal to Euro 29 thousand, is attributable to the write-downs of the Foundations "Accademia di S. Cecilia" for Euro 5 thousand and "Memoriale Shoah" for Euro 20 thousand and to the loss for Euro 4 thousand following the liquidation of the Consorzio per l'Iraq (CIITI).

The item "Foreign exchange losses" included the adjustment to the exchange rate at 31 December 2012 of the subscribed capital to be paid to the investee company Eurofima, as expressed in Swiss Francs (Euro 1,337 thousand).

40. Current, deferred tax assets and liabilities for the year

The table below reports the breakdown of income taxes:

	2012	2011	Changes
IRAP tax	3,709	2,364	1,345
IRES tax	11,261	826	10,435
Income from participation in the consolidated tax base	(9,009)	(62,987)	53,978
Deferred tax assets and liabilities	(15,398)	3,807	(19,205)
Adjustments to income taxes relating to previous years	(2,985)	(1,914)	(1,071)
Total income taxes	**(12,422)**	**(57,904)**	**45,482**

The amounts of the current IRAP and IRES tax, totalling Euro 227 thousand, included the tax impact relating to the Profit from assets held for sale, as illustrated in the specific table of note 41; therefore, income taxes related to the profit from continuing operations reported in the Company's income statement were equal to a positive value of Euro 12,649 thousand.

The table below reports the reconciliation of the effective tax rate:

	2012		2011	
		%		%
Profit (Loss) for the year	73,291		41,305	
Total income taxes	(12,422)		(57,904)	
Profit (Loss) before taxes	60,869		(16,599)	
IRES tax (theoretical rate)		**27.50%**		**27.50%**
Lower taxes:				
dividends from shareholdings	(56,066)		(112,878)	
uses of provisions	(15,507)		(9,646)	
other decreases	(1,500)		(8)	
Higher taxes:				
allocations to provisions	1,781		5,698	
impairment of investments			102,497	
contingent liabilities	1,107		1,974	
exchange difference	1,376		5,347	
amortisation and depreciation	13,545		5,029	
changes in inventories				
non-deductible taxes	13,183		1,910	
other increases	22,162		19,679	
total IRES taxable income	40,949		3,003	
IRES tax (effective rate)	**11,261**	**18.50%**	**826**	**N.A.**
IRAP tax	**3,709**	**5.57%**	**2,364**	**5.57%**
Foreign taxes				
Difference on estimated taxes from previous years	**(2,985)**		**(1,914)**	
Total deferred taxes	**(15,398)**		**3,807**	
Income from participation in the consolidated tax base	**(9,009)**		**(62,987)**	
TOTAL INCOME TAXES	**(12,422)**		**(57,904)**	

41. Profit from assets held for sale, net of tax effects

The table below reports the breakdown of the Profit from assets held for sale, net of tax effects (equal to zero in 2011):

	2012
Revenues from rentals	687
Current IRES	(189)
Current IRAP	(38)
Total profit from assets held for sale	**460**

42. Contingent assets and liabilities

At the balance sheet date there were no contingent assets or liabilities to be reported.

43. 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 548 thousand, including accrued fees (if any) paid out to the same in the year for other services (Euro 293 thousand); the residual part fully relates to statutory audit services (Euro 255 thousand).

44. . Fees due to Directors and Statutory Auditors

	2012	**2011**
Directors	1,264 (1)	1,264
Statutory Auditors	100	100
Total	**1,364**	**1,364**

(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 2012 (Euro 50 thousand in 2011). 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.

45. Related parties

Transactions with executives with strategic responsibilities

	2012	2011
Short-term benefits	7,992	5,483
Post-employment benefits	443	366
Benefits due for termination of employment relationship		325
Total	**8,435**	**6,174**

The benefits relate to the fees paid to the persons indicated for various reasons.

In addition to short-term benefits of Euro 7,992 thousand paid out in 2012, note a variable part to be paid in 2013, for an amount not exceeding Euro 1,550 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**	Charge-back of utilities
	Finance	Technical Entity for works of property maintenance
	Tax/Budget	Charge-back of IT services
	Corporate affairs	Staff services
	Legal and Labour Affairs	Helath benefits
	Executive Staff Administration	Training
	Industrial relations	Charge-back costs for revenues pertaining to Civil Defence
	Organisation Development	Rental of premises
	External communication and Media relations	
	Corporate Protection	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Reimbursements - IT services	
	Charge-back of service charges	
	Sale of properties held for trading	
	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**	Property management
	Finance	Charge-back of service charges for asset protection
	Tax/Budget	IT services
	Corporate affairs	Staff services
	Legal and Labour Affairs	
	Executive Staff Administration	Fees for the purchase of tickets
	Corporate Protection	Fees for asset enhancement
	Industrial relations	Administrative technical management services
	Organisation Development	Staff administration
	External communication and Media relations	Accounting/Treasury
	Corporate positions	Facilities and building management
	Staff services	Administrative services
	Insurance refunds	Training
	Use of IT services	Asset Allocation Services
	Use of the brand	Tender procedures management
	Lease and sub-lease of office premises	Legal protection of assets
	Charge-back of service charges	Assistance Services for the Manager Responsible
	Charge-back of service charges for Bilateral Fund	
Fercredit SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	
	Corporate affairs	
	Legal and Labour Affairs	
	External communication and Media relations	
	Corporate Protection	
	Corporate positions	
	Insurance refunds	
	Charge-back of service charges	
	Leases and sub-leases of office premises	
	Use of the brand	
Grandi Stazioni SpA	**Area services**	
	Finance	Advertising and marketing
	Tax/Budget	Rental of premises
	Corporate affairs	Occupancy expenses
	Legal and Labour Affairs	Service charges
	Executive staff management	Staff services
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Sale and leaseback payments of premises	
	Insurance refunds	
	Advertising	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
Centostazioni SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	
	Corporate affairs	
	Executive staff administration	
	External communication and Media relations	
	Use of IT services	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Use of the brand	
FS Sistemi Urbani Srl	**Area services**	
	Finance	Fees for asset enhancement
	Tax/Budget	Rental of premises
	Corporate affairs	Staff services
	Legal and Labour Affairs	
	Executive staff administration	
	Industrial relations	
	External communication and Media relations	
	Charge-back of service charges for Bilateral Management Fund	
	Corporate protection	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Leases and sub-leases of office premises	
	Use of the brand	
	Charge-back of service charges	
Ferport Napoli Srl in liquidation	Insurance refunds	
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 and Labour Affairs	
	Insurance refunds	
Trenitalia SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	Advertising and marketing
	Corporate affairs	Passenger transport costs
	Legal and labour affairs	Training financing
	Executive staff administration	Charge-back costs for revenues pertaining to Civil Defence
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate Protection	
	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 Fund	
	Advertising	
Italferr SpA	**Area services**	
	Finance	Staff services
	Tax/Budget	Training financing
	Corporate affairs	Technical and administrative management services
	Legal and labour affairs	
	Executive staff administration	
	Industrial relations	
	Organisation Development	
	External communication and Media relations	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Use of the brand	
	Charge-back of service charges for Bilateral Fund	
	Charge-back of service charges	
	Technical assistance for training projects	

	CREDIT RELATIONSHIPS	DEBT RELATIONSHIPS
Subsidiaries		
FS Logistica SpA	**Area services**	
	Finance	Transport and forwarding
	Tax/Budget	Facilities management
	Corporate affairs	Staff services
	Industrial relations	
	Legal and labour affairs	
	Administration services	
	External communication and Media relations	
	Corporate positions	
	Insurance refunds	
	Charge-back of IT services	
	Leases of office premises	
	Use of the brand	
	Charge-back of service charges	
Busitalia - Sita Nord Srl	**Area services**	
	Tax/Budget	Advertising and marketing
	Executive staff administration	
	External communication and Media relations	
	Corporate positions	
	Staff services	
	Insurance refunds	
	Use of IT services	
Italcertifer SCpA	Executive staff administration	
	Staff services	
	Charge-back of service charges for Bilateral Management Fund	
Cemat SpA	Insurance refunds	Lease rentals
	Corporate positions	
Metropark SpA	Insurance refunds	
	Corporate Protection	
	Charge-back of service charges	
	Lease and sub-lease of office premises	
Netinera Deutschland GmbH	**Area services**	
	Tax/Budget	Charge-back of operating costs for valuation
	Staff services	
	Charge-back of IT services	
Trenitalia Logistic France SaS	**Area services**	
	Corporate affairs	
Trenord Srl	Insurance refunds	
	Lease and sub-lease of office premises and workshops	
	Charge-back of service charges	
Terminali Italia Srl	Insurance refunds	
	Leases of office premises	
	Charge-back of service charges	
Thello Sas	Insurance refunds	
Bluferries Srl	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	
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 land	Loans
ENEL Group	Rentals for easements on land	Electricity utilities
ENI Group	Rentals for easements on land	Gas supply
Finmeccanica Group	Advertising refunds	Maintenance Software
Invitalia Group		Guarantee deposits
POSTE Group	Rentals of production buildings	Postal charges
	Staff services	
	Insurance refunds	
	Charge-back of service charges	
RAI Group	Rentals	
Eurofer	Staff services	Grants
	Corporate positions refunds	
	Charge-back of service charges	
	Insurance refunds	
Other welfare funds	Corporate positions refunds	Insurance policies
Previndai	Charge-back of service charges	Grants

(*) Companies sharing with Ferrovie dello Stato SpA the same controlling entity (i.e. Ministry for the 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		Bluferries			Ataf Gestioni	
					TX Logistik	
			Netinera		Netinera Deutschland	
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 2012.

BUSINESS AND OTHER RELATIONS

Name	31.12.2012			2012	
	Receivables	Payables	Guarantees and Commitments	Charges	Income
Subsidiaries					
Ataf Gestioni Srl	1				
Bluferries Srl		1			1
Busitalia - Sita Nord Srl	1,909	675		3	333
Cemat SpA	532	896		1	10
Centostazioni SpA	3,939	447		10	325
FS Logistica SpA	6,267	2,515	215	94	496
Fercredit SpA	421	8,690		2	334
Ferport Genova Srl in liquidation		92			
Ferport Napoli Srl in liquidation	3	69			1
Ferservizi SpA	13,281	38,734	1,062	26,805	15,321
FS Sistemi Urbani Srl	26,033	1,554	38	558	1,110
FS Telco Srl		6			
Grandi Stazioni SpA	26,673	2,735	3,203	2,009	26,557
Grandi Stazioni Ingegneria Srl	219	1			
Italcertifer ScpA	485	1			331
Italferr SpA	7,926	1,520	368	752	1,404
Metropark SpA	799	2			220
Netinera Deutschland GmbH	546		78,070	249	351
Nord Est Terminal SpA in liquidation		215			4
Rete Ferroviaria Italiana SpA	22,632	925,795	1,681,372	3,692	37,027
Self Srl		490			
Serfer Srl	2,384	614			6
SGT SpA		47			
Sita SpA in liquidation	11	866	234		11
Terminali Italia Srl	815	14			23
Thello Sas	3	1			1
Trenitalia Logistic France Sas	3				3
Trenitalia SpA	23,482	27,560	95,170	2,340	49,820
Trenord Srl	149	31			181
Tunnel Ferroviario del Brennero SpA		23	28		
TX Logistik AG	60	5	50		13
Total	**138,573**	**1,013,599**	**1,859,810**	**36,515**	**133,883**
Associates					
Ferrovie Nord Milano SpA	3				3
Total	**3**				**3**
Associates of subsidiaries					
Alpe Adria SpA	7				7
BBT SE	10				10
Terminal Tremestieri Srl	9				9
L.T.F. Lyon Tourin Ferroviarie Sas	70				27
Logistica SA	36	2		3	3
Quadrante Europa Terminal Gate SpA	3				3
Total	**135**	**2**		**3**	**59**
TOTAL	**138,711**	**1,013,601**	**1,859,810**	**36,518**	**133,945**
Other related parties					
ANAS Group	27				27
CDDPP Group	1				292
ENEL Group	186	12		99	176
ENI Group	44	23		446	63
Finmeccanica Group	12	22			12
INVITALIA Group	4				
POSTE Group	525	131		367	89
RAI Group	2				2
Eurofer	26	85			58
Other welfare funds	9	57			19
Previndai		556		522	
Total	**836**	**886**		**1,434**	**738**

FINANCIAL RELATIONS

Name	31.12.2012			2012	
	Receivables and current accounts	Payables	Guarantee and commitments	Charges	Income
Subsidiaries					
ATAF Gestioni Srl			2,335		1
Bluferries Srl		2,885			
Busitalia - Sita Nord Srl	6,273	187	6,825		85
Cemat SpA					4
Centostazioni SpA		96	6,300	42	4,155
Cisalpino AG				2	795
FS Logistica SpA	92,223	1,092	657	9	1,484
Fercredit SpA	95,770	1,220		37	9,796
Ferservizi SpA		61,479		330	6,088
FS Sistemi Urbani Srl		44,408	2,830	214	4,750
Grandi Stazioni SpA		4,836		115	9,500
Grandi Stazioni Ingegneria Srl				1	
Italcertifer ScpA				1	
Italferr SpA		7,202	1,670	109	1,522
Metropark SpA		2,576		8	
Netinera Deutschland GmbH	116,205		196,820		9,987
Rete Ferroviaria Italiana SpA	2,227,592	609,430	707,133	14,041	130,043
Self Srl					2
Serfer Srl	3,501	1,400	16	7	97
Terminali Italia Srl	1,000				22
Trenitalia SpA	4,266,202	2,339	1,404,282	674	49,298
TOTAL	**6,808,766**	**739,150**	**2,328,868**	**15,590**	**227,629**
Other related parties					
CDDPP Group		1,426,932		61,640	
POSTE Group	1,599				8
TOTAL	**1,599**	**1,426,932**		**61,640**	**8**

46. 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.

Issued in the interests of	Financial	Non-financial
Rete Ferroviaria Italiana SpA	707,133	1,681,372
Trenitalia SpA	1,404,282	95,170
Netinera Deutschland GmbH	196,820	78,070
Busitalia - Sita Nord Srl	6,825	
Centostazioni SpA	6,300	
Grandi Stazioni SpA		3,203
FS Sistemi Urbani Srl	2,830	38
Ataf Gestioni Srl	2,335	
Italferr SpA	1,670	368
Ferservizi SpA		1,062
FS Logistica SpA	657	215
Sita SpA in liquidation		234
TX Logistik AG		50
Tunnel Ferroviario del Brennero SpA		28
Serfer Srl	16	
Total	**2,328,868**	**1,859,810**

Financial guarantees are mainly made up of sureties issued to banks for loans granted to the subsidiaries or for counter-guarantees of guarantees granted by the banks themselves to third parties in the interests of the subsidiaries.

Direct guarantees amounted to Euro 2,056,630 thousand, of which Euro 1,859,810 thousand related to non-financial guarantees and Euro 196,820 thousand related to financial guarantees.

The main direct non-financial guarantees have been issued to the Tax Office (Euro 1,629,016 thousand), to secure the refund of tax credits to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA, Ferservizi SpA, Grandi Stazioni SpA, Sita SpA in liquidation, FS Sistemi Urbani Srl and Tunnel Ferroviario del Brennero SpA. The main additional direct non-financial guarantees have 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 direct financial guarantees are represented by the guarantees in favour of banks and finance companies for the loans granted to the companies in the Netinera Deutschland GmbH group (Euro 196,819 thousand).

The counter-guarantees amounted to Euro 1,712,048 thousand; the main ones have been issued to a pool of banks for the loans granted by the EIB to the subsidiary Trenitalia SpA (Euro 971,250 thousand), to Unicredit Corporate Banking (Euro 367,500 thousand) and to the EIB (Euro 300,000 thousand) for the loans granted to the subsidiary Rete Ferroviaria Italiana SpA, to Deutsche Bank (Euro 31,024 thousand) to secure contractual obligations of the subsidiary Rete Ferroviaria Italiana SpA.

Furthermore, a "Comfort Letter" (Euro 420,000 thousand) has been issued for financing the OPI (now BIIS of the Intesa SanPaolo Group) loan granted to Trenitalia SpA in 2004.

47. Events after the balance sheet date

On 29 March 2013, in accordance with the mandate to resolve as to the investments of the current year, which was granted by the Board of Directors of FS Italiane to the Chief Executive Officer at the time of the approval of the 2013 Budget, an investment project was authorized for the acquisition by the subsidiary FS Logistica of 13 assets, for an overall area of about 660,000 square metres, for a total cost of Euro 33.6 million.

The relevant preliminary contract of sale was executed on 5 April 2013.

No significant additional events are reported that occurred after the closing date of the 2012 Financial Statements.

Ferrovie dello Stato Italiane

Piazza della Croce Rossa, 1
00161 Roma

www.fsitaliane.it