

# FS GROUP INTEGRATED MOBILITY PLAYER

Investor Presentation  
September 2018

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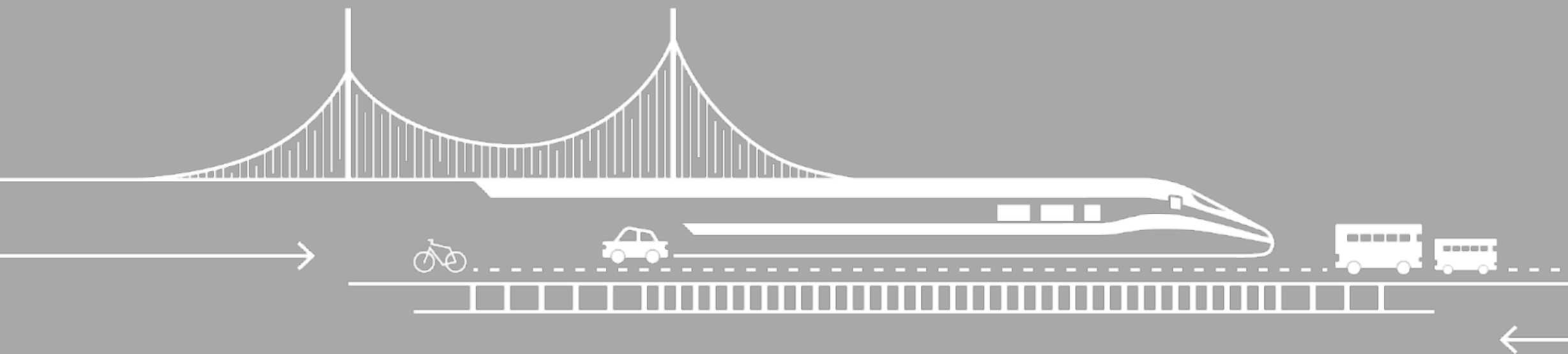
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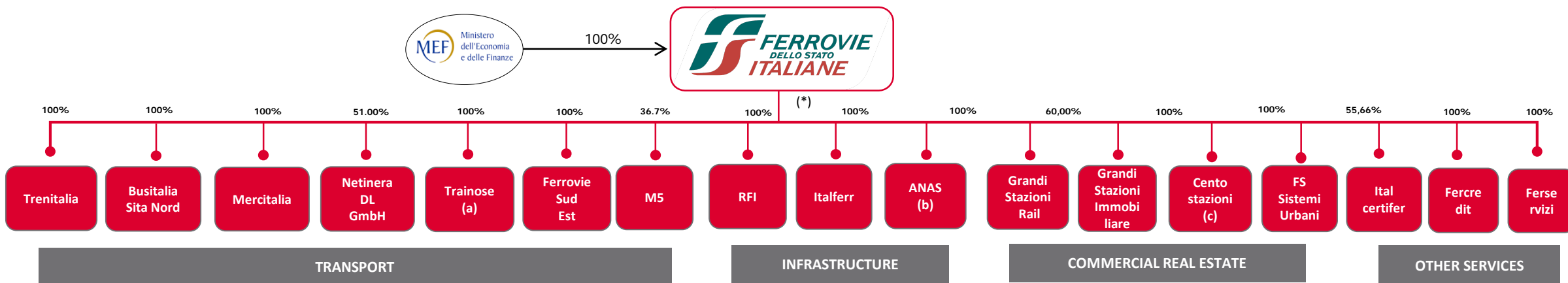
# Ferrovie dello Stato Italiane Group Overview



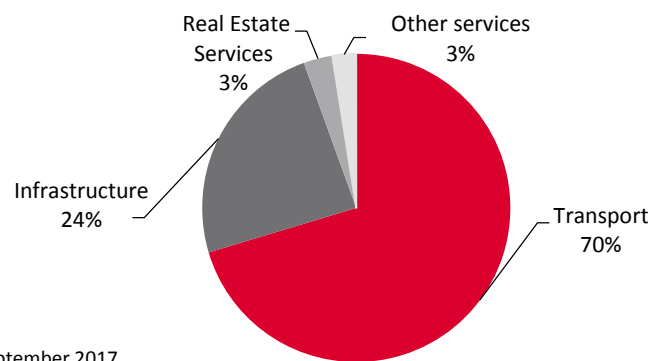
# FS Group in a snapshot

**Ferrovie dello Stato Italiane SpA** (“FS” or the “Issuer”) – **100% Italian State owned** – is the holding company of the Italian railway group (FS Group), which is the main provider of transport services in Italy by rail and bus both passenger and freight.

As **one of the largest industrial groups in the country**, it manages rail networks and transport services, contributing to develop integrated mobility and logistics in Italy and abroad.



**Group Revenue by segment (2017) \*\***



**2017 Consolidated Highlights (€mn)**

Revenue	9,299**
EBITDA	2,313
EBITDA Margin	25%
EBIT	718
EBIT Margin	7.7%
Net Income	552
Net Invested Capital	45,954
Equity	38,681
Net Financial Debt	7,273

(a) Effective from September 2017

(b) Effective from January 2018

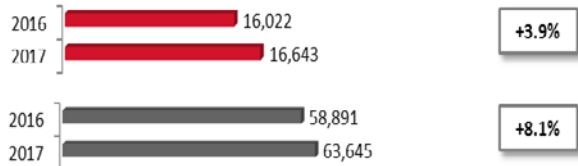
(c) Incorporated in RFI from 16 July 2018 after the spin-off of part the business in a newco Centostazioni Retail that is currently on sale

\* FS Group main line and operating segments

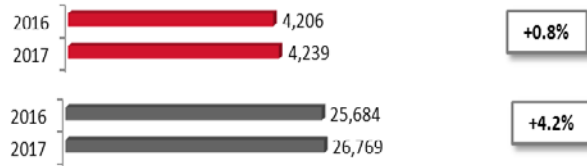
\*\*Net of (1,575)m of cons.adj.

# Key Operating Data

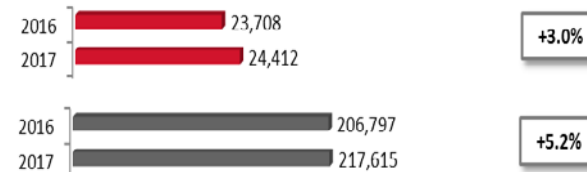
## Long-haul transport - market services - "Freccie"



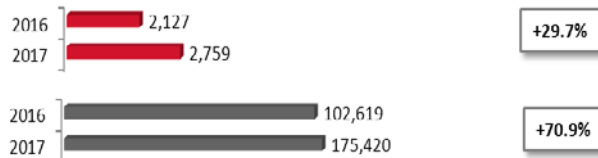
## Long-haul transport – Public Service Contract



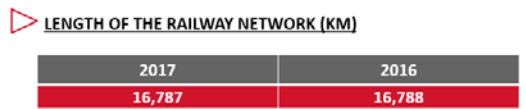
## Regional transport \*



## Road transport\*



## Railway network

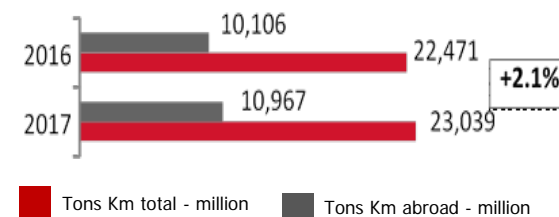


## Stations



2017  
2,300

## Cargo transport



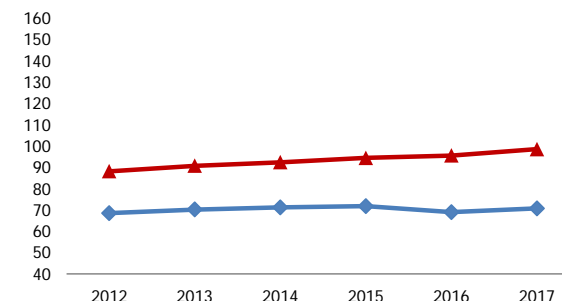
■ Passengers - km million    ■ Trains\Bus - km thousand

# Benchmarking with European rail players

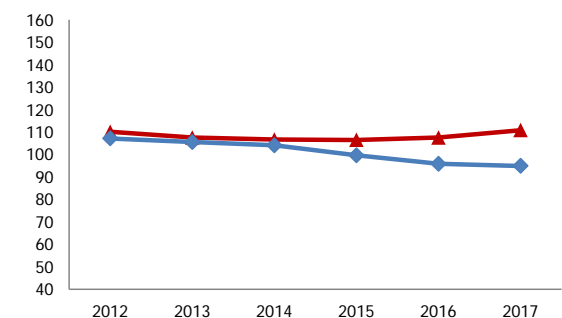


(€b)	2015	2016	2017	Issuer Rating	
Revenue	8.5	8.9	9.3	Fitch	BBB
EBITDA margin %	23%	25.7%	25%	S&P	BBB
EBIT margin %	7.5%	10%	7.7%		

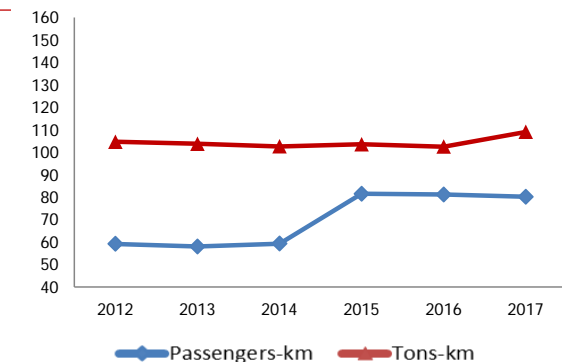
Trend in passenger and cargo traffic



(€b)	2015	2016	2017	Issuer Rating	
Revenue	43.2	43.3	45.6	S&P	AA-
EBITDA margin %	10%	10.3%	9.9%	Moody's	Aa1
EBIT margin %	-0.4%	3.4%	3.7%		



(€b)	2015	2016	2017	Issuer Rating	
Revenue	31.4	32.3	33.5	Fitch	AA
EBITDA margin %	14%	12.8%	13.7%	S&P	AA-
EBIT margin %	-0.3%	6.6%	7.9%	Moody's	Aa3



# Rating Overview



## RATING

Corporate Rating	BBB	Outlook STABLE
Stand Alone Credit Profile	bbb	

**1 notch upgrade on October 30<sup>th</sup> 2017**



Corporate Rating	BBB	Outlook STABLE
Stand Alone Rating	BBB	

**Rating confirmed on November 2<sup>nd</sup> 2017**

## COMMENTS

FS' rating reflects the:

- **“very important” role** for the Italian government as holding group of the country’s national railway and the **“integral” link** with its sole owner (Italian Govt)
- **“Strong” business risk profile:** «...dominant market position in the Italian transport segment and network concessionaire...the vertical integration combines infrastructure manager and transportation services and gives earnings operating stability»
- **“Intermediate” financial risk profile:** «FS’s financial metrics remain solid with FFO/debt at ~ 20% in 2016»

FS' rating reflects the:

- **Full ownership and high integration** with the Italian government and its **key role for railway transport and mobility in Italy** as well as **the national infrastructural development**
- **Revenue Defensibility:** «...a dominant market share in passenger transportation services in Italy and growing operations in UK, Greece and Netherlands»
- **Financial profile:** «...Fitch expects FS to maintain strong operating cash flow generation capacity»

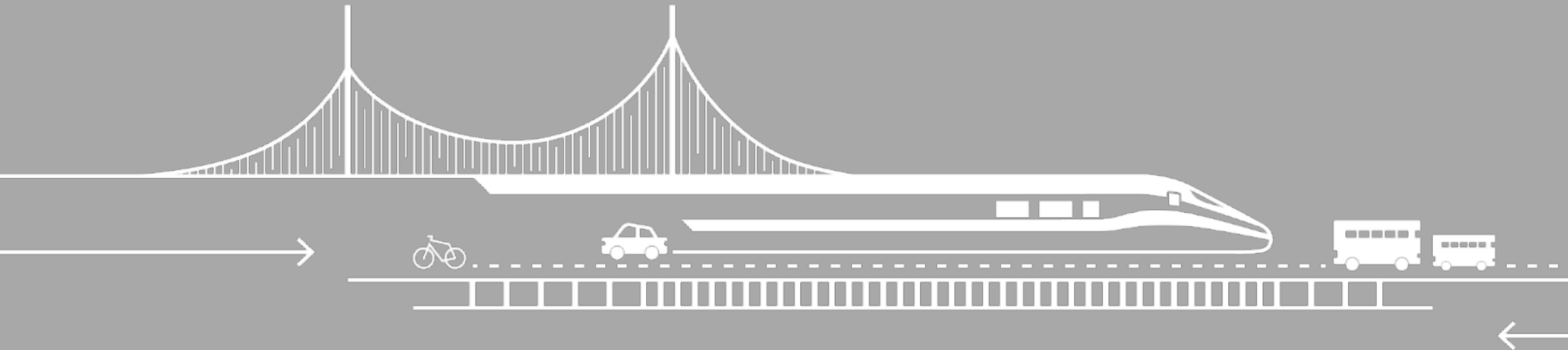


# Integrated Mobility Player



# Operations and Industry Overview

Transport



# Trenitalia: rail passenger transport in Italy and abroad

## Key highlights

- Trenitalia is one of the leading railway operators in Europe
- Everyday manages about 9,000 trains and each year transports c. 600 million of passengers
- Trenitalia is also abroad with **c2c** in UK and **Thello** in France
- Organized in **two business segments**:
  - **medium/long distance passengers**
  - **regional passengers**

€mn	Financial highlights	
	2016 *	2017
Revenues	5,078.7	5,318.4
EBITDA	1,394.5	1,585.7
EBIT	332.5	399.1
Net Income	116*	276.2
EBITDA Margin	27.5%	29%
EBIT Margin	6.5%	7.5%



### Medium Long distance revenues (€mn)

	2016	2017	Change
▪ High Speed services			
▪ International and domestic services	2,295	2,506	+9.9%



### Regional revenues (€mn)

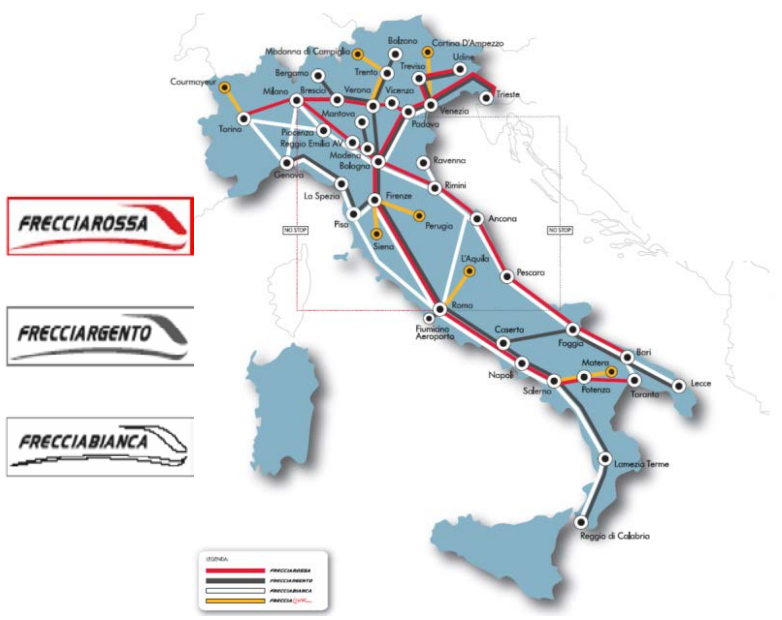
	2016	2017	Change
▪ Commuter passenger services			
▪ Regional/Inter-regional services	2,751	2,774	+0.8%

#### \* Note:

- Trenitalia demerged its Cargo division allocating the related assets to Mercitalia Rail with effect as of 1 January 2017.
- In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the revenue and costs of such division for 2016 were recognized in the separate item “Loss from discontinued operations” in the income statement, after the profit from continuing operations.
- Therefore Trenitalia’s 2016 and 2017 Revenues, EBITDA and EBIT items hereby shown does not include freight division results, which however contributed to the Net Income in 2016.

# Focus: High Speed Transport

## Freccie network



- The Medium\Long Haul Passenger Division ensures the national and international passenger transportation, including High Speed services
- The Italian High Speed network connects the main metropolitan area of the country
- High Speed services have been the key element for the modal shift from plane to rail in Italy
- Frecciarossa trains are the Trenitalia's flagship product, combining high-speed and maximum comfort

The ETR 1000, named "Frecciarossa 1000" is the new high-speed train of Trenitalia, comfortable, safe and environmentally friendly, designed to meet the most advanced techniques. Able to travel on all European high-speed networks.

The fleet counts 50 ETR 1000 with the last delivered in June 2017  
Part of fleet was funded via the first green bond issued by FS in November 2017

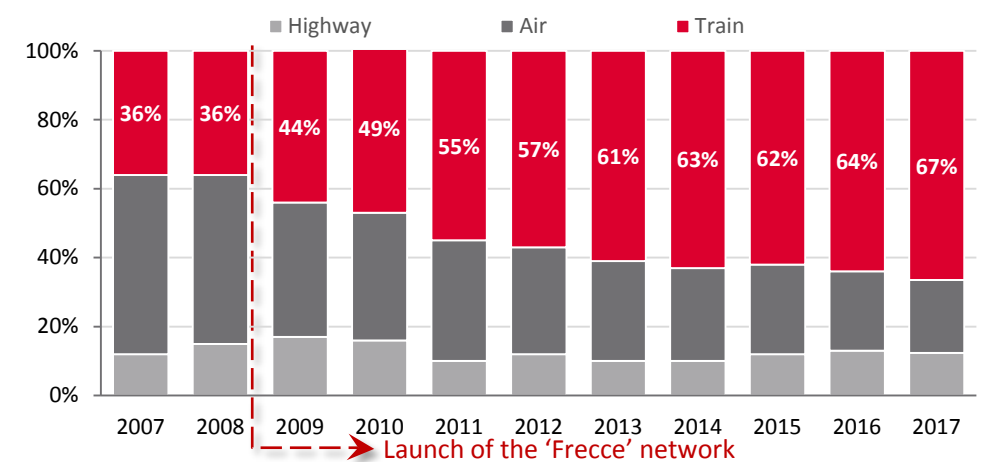


Italy, sole country to have competitors on HS, has lower fares and higher frequency compare to European peers

Departure - Destination	Fare/Km (€/km)	Frequency (n°rides between 9 - 13)
Rome – Milan	0.15	17
Barcelona - Madrid	0.17	5
Lyon - Paris	0.23	5
Hamburg - Berlin	0.28	5

Eligible Green Project

## Milan – Rome route modal share



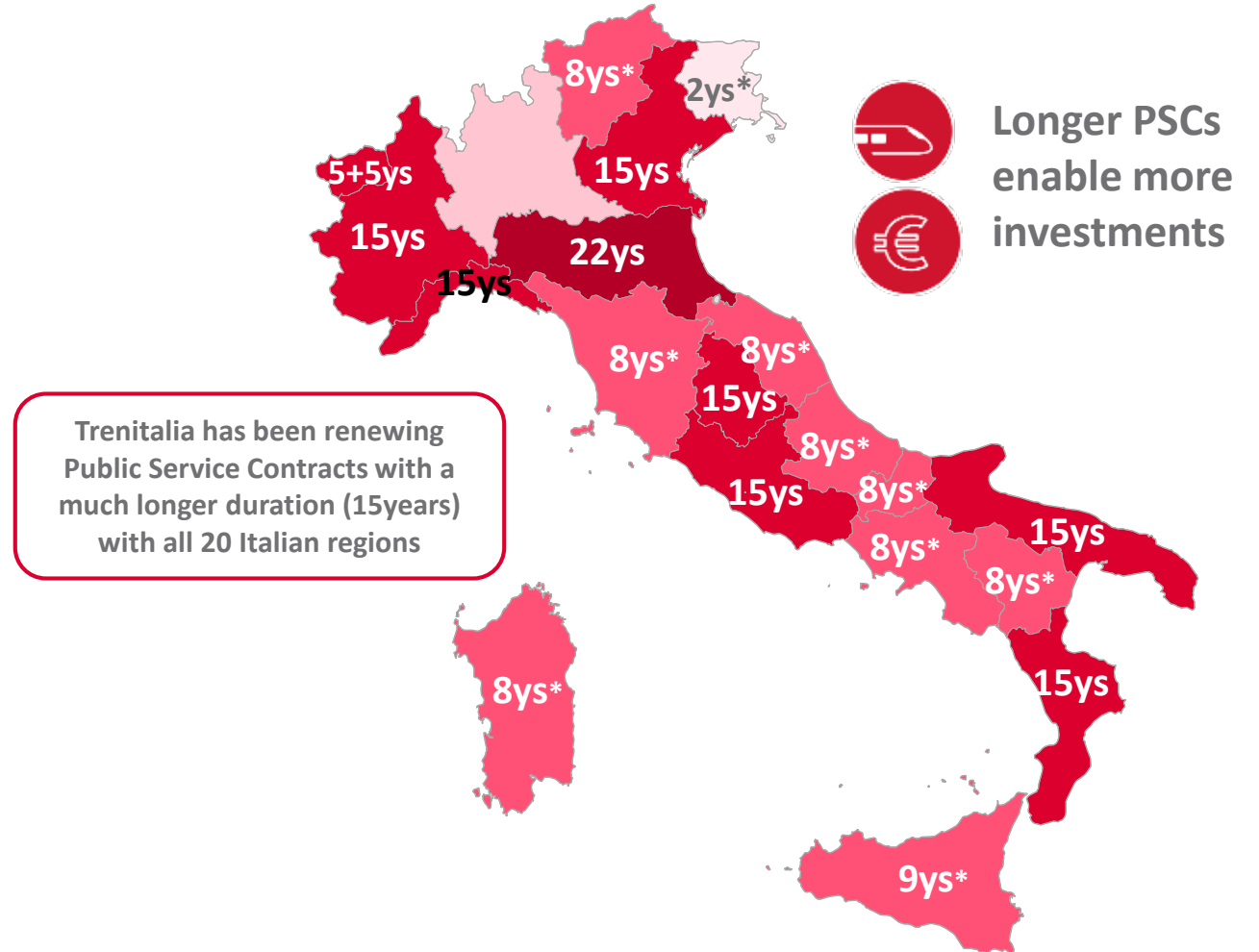
# Focus: Regional Transport

## Overview

- Offers **urban, regional** and **interregional** mobility
- Business with local administrations is regulated by different **Public Service Contracts** ('PSCs')
- PSCs are subject to specific regulation in terms of eligible costs and adequate capital investments returns
- In 2017 revenues related to regional passenger services equal **€ 2,774mn (+0.83% vs. 2016)**



## Trenitalia regional services portfolio as of today



\* negotiation ongoing for new 15 years PSCs from 2019

■ PSC signed for the period 2015 – 2020 operated by Trenord.

# Focus: Regional Transport

## Service Enhancement

- The regional fleet will be upgraded in **2019-2024** by **229 new medium capacity ("Pop")** and **288 high-capacity ("Rock")** highly energy efficient trains for a total expected investment of €4.25 bn\*



Eligible Green Project



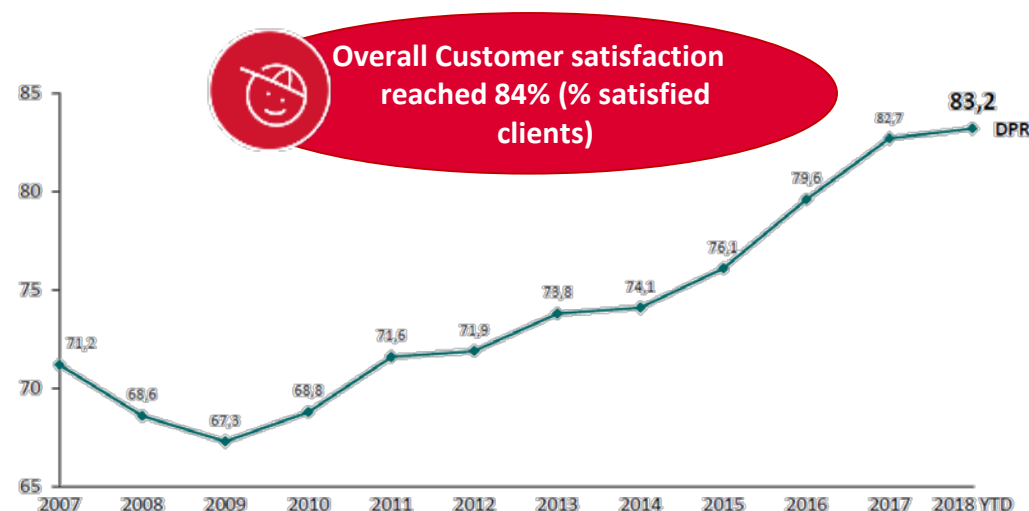
**€ 4.25 billion**

Total expected investment

- First 39 *Rock* and 47 *Pop* deliveries will enhance the fleet of **Emilia Romagna** region from 2019

These regional trains daily let commuters, students, tourists and workers travel throughout the country

We are investing for the regional transport turnaround



# Busitalia: road passenger transport in Italy and abroad

## For an integrated mobility

### Key highlights

- Busitalia provides **local bus transport**, both urban and suburban, in **Veneto, Tuscany, Umbria and Campania**
- In August 2017 Busitalia acquired **Qbuzz**, the Dutch company which operates public bus transport services in the **Netherlands**
- Busitalia also operates **long-distance bus** services, **tourism** and rental and arranges the replacement of rail services by bus ones including **Freccialink**

### Financial highlights

€mn	2016	2017
Revenues	354	472
EBITDA	36	43.1
<i>EBITDA Margin</i>	10%	9.1%
EBIT	13	15.3
<i>EBIT Margin</i>	4%	3.2%
NET INCOME	5.9	9

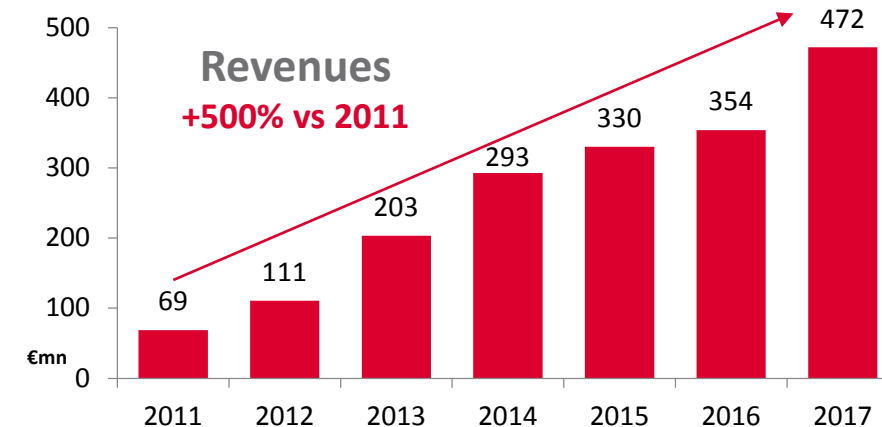
### One of the country's top players together with ATAC and ATM



**Production**  
110 mn Bus-Km

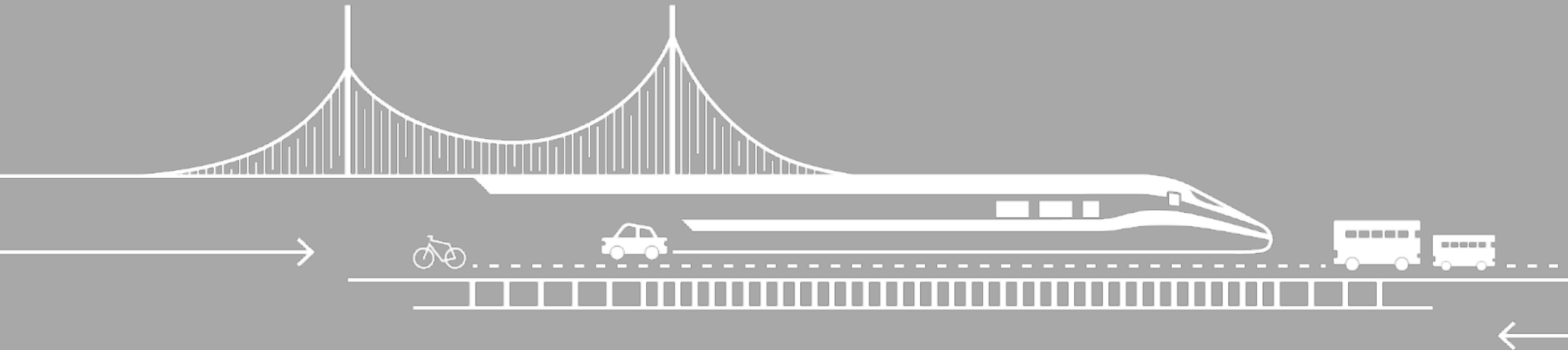


**Passengers**  
200 mn/year



# Operations and Industry Overview

Infrastructure





# RFI: Railway Infrastructure Manager

Key figures		
€mn	2016	2017
<b>Revenues</b>	<b>2,575</b>	<b>2,537.7</b>
Track access charges	1,058	1,103
CdP-Service	975.5	975.5
Sale of electrical energy for traction	200	59
Other income	341	400
<b>EBITDA</b>	<b>357</b>	<b>480</b>
EBITDA margin %	14%	18.8%
<b>EBIT</b>	<b>215</b>	<b>293</b>
EBIT margin %	8%	11.5%
<b>Net Income</b>	<b>181</b>	<b>262</b>

## TOTAL PRODUCTION 2017

**354 million train-km**

**22.5% from no-FS Group railway companies**

## NETWORK HIGHLIGHTS 2017

**16,787 km network length**

**23,016 km Traditional tracks**

**1,497 km HS tracks**

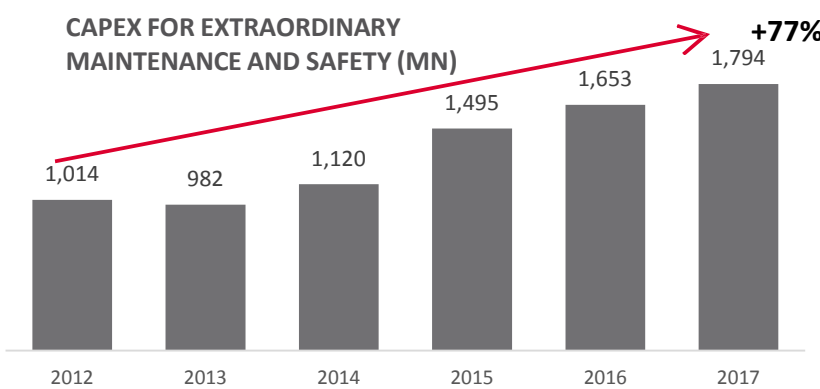
## High Speed Network



## Traditional network



## INFRASTRUCTURE INVESTMENTS € 4,409 million



**95% Traditional network**

**5% High Speed network**

**40% Maintenance and Safety**

# ANAS: road infrastructure

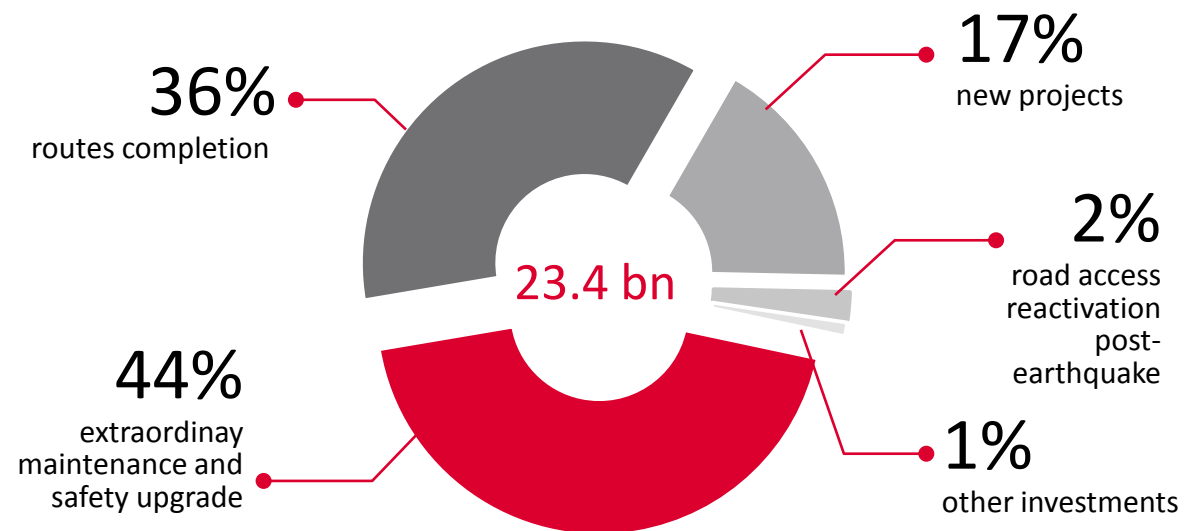
- ANAS is part of FS Group since January 2018, following the equity transfer from the MEF.
- With ANAS, alongside RFI, FS group is now Europe's largest integrated rail and road hub in terms of both number of people serviced and investments

Designing, construction and maintenance of national roads

Concessionaire of 26,000 km of roads

~ 1000 km of highways

## Investment Programme Agreement 2016-2020 signed with the MIT



Synergies from the integration

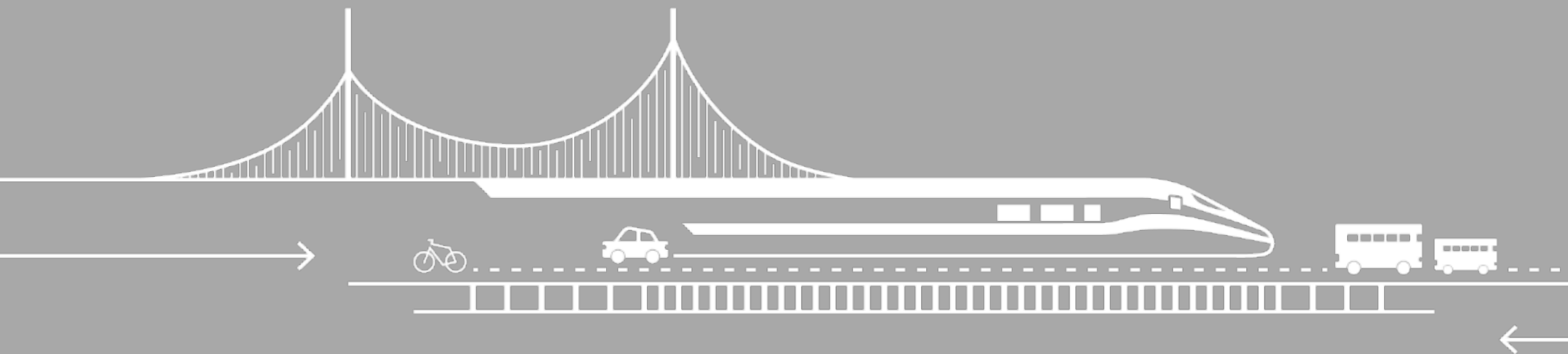


44,000 km of railway and roads



# Corporate Sustainability

Green Bond Programme



# FS Sustainability approach

Our sustainability approach permeates the full organizational structure ensuring integration of environmental, social and economical aspects within strategic business decisions

A BUSINESS THAT IS PART OF THE ECONOMIC COMMUNITY AND PROVIDES **INTEGRATED AND SUSTAINABLE** MOBILITY AND LOGISTICS SERVICES, USING TRANSPORT INFRASTRUCTURES SYNERGICALLY AND CREATING VALUE IN ITALY AND ABROAD



**ECONOMIC COMMITMENT**

**Be a leader in the mobility sector** by promoting the quality and efficiency of transport and infrastructure services



**SOCIAL COMMITMENT**

**Be at the forefront of an integrated mobility project** that, through a virtuous business model, encourages fair business practices and active engagement



**ENVIRONMENTAL COMMITMENT**

**Be pioneers** in the development and implementation of large-scale integrated mobility solutions that help regenerate **natural capital**



# FS Green Bond Framework

- Ferrovie strongly believes that **rail and public transport are critical for sustainable development** and global efforts to combat climate change, by facilitating the modal shift away from cars into less carbon intensive modes of transport.
- Ferrovie has developed a **Green Bond Framework** which is in accordance with the 2017 ICMA **Green Bond Principles** and which aims at **financing projects with a positive impact in terms of environmental and social sustainability**. The GBF obtained a **Second Party Opinion** from Sustainalytics



## ELIGIBLE GREEN PROJECTS

*To ensure energy efficiency improvements, carbons emission reduction and modal shift to rail in the local and long distance public transport, among other improvements related to air quality and comfort for passengers*

### NEW ELECTRIC MULTIPLE UNIT (EMU) TRAINS FOR REGIONAL PASSENGER TRANSPORT: POP and ROCK

The renewal of the regional fleet continues with these **new highly energy efficient trains both medium capacity ("Pop") and high-capacity ("Rock")**

- **An estimated reduction of 30% in energy consumption** with respect to comparable trains operating in Italy
- **Innovative technologies for energy efficiency** (engines with natural ventilation, use of light alloys, LED lighting, CO<sub>2</sub> sensors for optimal climatization, smart parking mode, etc)
- **Recyclability** rate over **92%**
- More **bikes racks**, with charging points for electric bikes
- **Access to "White Certificate"** mechanism (national incentives scheme for high energy efficiency investments) obtained on February 15th, 2017
- **Awarded** in the top ten Italian initiatives for **sustainable mobility 2017**

### NEW HIGH SPEED TRAINS "ETR 1000"

The **ETR 1000**, named "**Frecciarossa 1000**" is the new high-speed train of Trenitalia, comfortable, safe and environmentally friendly, designed to meet the most advanced technology (ERTMS/ECTS traction control system)

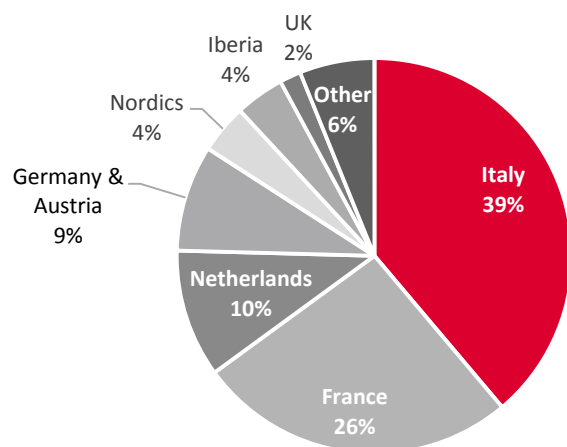
- **An average reduction of 18% in energy consumption** with respect to comparable Frecciarossa ETR 500
- Extremely accurate **aerodynamic design** to minimize motion resistance
- High **efficiency of traction system**
- **LED** lighting
- **Recyclability** rate over **94%**
- First HS train provided with **Environmental Product Declaration (EPD)\***
- **Access to "White Certificate"** mechanism (national incentives scheme for high energy efficiency investments) obtained on December 1st, 2015

# FS Inaugural Green Bond

- On 30 November 2017 FS successfully placed its **Eur 600 million 0.875% due 12/2023** inaugural **green bond** off its Eur 4.5bn EMTN Programme
- Demand exceeded 1.3 billion euro **from 115 investors, more than 60% outside Italy** and around **50% of final orders were from institutional investors with sustainability commitment.**

97% proceeds allocated at the date of issue

Geografic distribution *green bond* investors



39 new investors compared to previous public issues, mainly "green"

PROCEEDS MANAGEMENT AND ALLOCATION (€ mn)		
ELIGIBLE GREEN PROJECT	Allocated net proceeds as of 7 December 2017	Allocated net proceeds as of 4 April 2018
New High Speed Trains "ETR 1000"	535.49	549.64
New Electric Multiple Unit (EMU) Trains For Regional Passenger Transport: Pop And Rock	49.78	49.78
<b>TOTAL</b>	<b>585.27</b>	<b>599.42</b>

TRAIN MODEL	UNIT OF TRAIN FUNDED
	FRECCIAROSSA 1000 17
	"POP" 3
	"ROCK" 4

# Eligible Green Projects KPI reporting

## Environmental performance of the rolling stocks funded via the Green Bond

### ENVIRONMENTAL IMPACTS "ETR1000"

	KPI	UNIT	TOTAL	IMPACT
	UNIT OF TRAIN FUNDED	N.	17	
	TOTAL ENERGY SAVING*	MWh	-33,108	↓ -20.5%
	TOTAL GHG EMISSIONS	tCO <sub>2</sub>	47,960	
	TOTAL GHG EMISSIONS AVOIDED*	tCO <sub>2</sub>	-12,349	↓ -20.5%

\* the proxy for the calculation of energy saving and avoided GHG emissions is the "ETR 500" with 9 coaches

Data of the ETR1000 are actual as these 17 trains are already in operation.

### ENVIRONMENTAL IMPACTS "POP" and "ROCK"

	KPI	UNIT	POP	ROCK	TOTAL	IMPACT
	UNIT OF TRAIN FUNDED	N.	4	3	7	
	TOTAL ENERGY SAVING*	MWh	-2,565	-497	-3,061	↓ -20.5%
	TOTAL GHG EMISSIONS	tCO <sub>2</sub>	3,388	1,193	4,581	
	TOTAL GHG EMISSIONS AVOIDED*	tCO <sub>2</sub>	-957	-185	-1,142	↓ -20.5%

\* the proxy for the calculation of energy saving and avoided GHG emissions is the market average of comparable trains

Data for the POP and ROCK EMU are estimates based on the values stated by the suppliers in the tender process according to the European technical specification TS 50591 (ex UIC/UNIFE TECREC 100\_001) "Specification and verification of energy consumption for railway rolling stock".

The first POP and ROCK will be deployed in 2019 in Emilia Romagna region, where the Group has signed a Public Service Contract for 22 years.

# FS Green Bond Framework

## Next steps

- As part of the **renewal of the regional transport fleet**, further *Rock* and *Pop* (**Eligible Green Projects**) are in the investment pipeline for a total expected amount of € 4.25 billion\* in 2019-2024
- **These investments are expected to be funded via green bond\***
- Furthermore, according to the Green Bond Framework, FS may decide **to include additional Project Categories for future issuances**

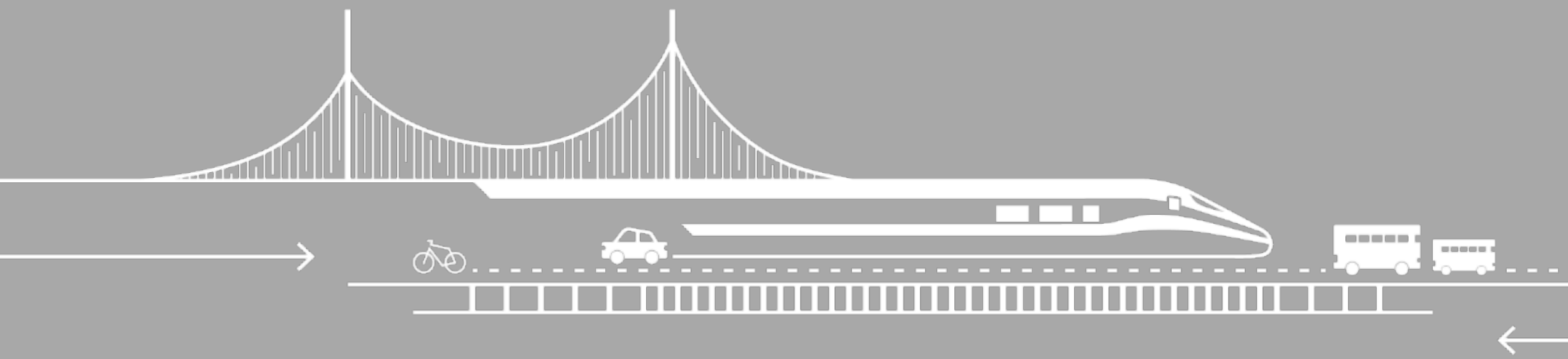
FS is working to increase the EMTN Programme size up to Eur 7 billion from the current Eur 4.5 billion

FS sustainable approach relates to the whole life cycle of the rail transport, including the funding process.

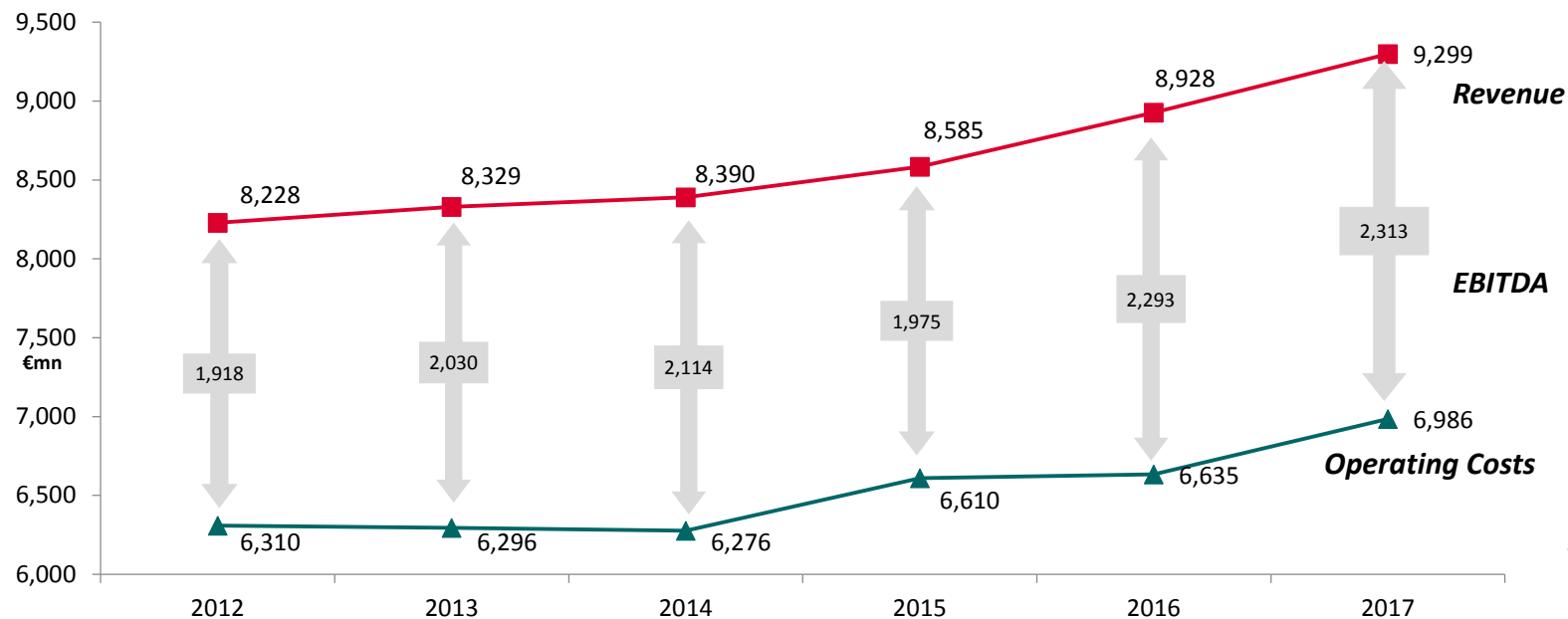
FS thinks that green bond is the best tool to fund the majority of investments in the coming years, to ensure and strengthen its ambition to develop a sustainable transport service



# Financial Overview



# Robust financial performance continues to improve



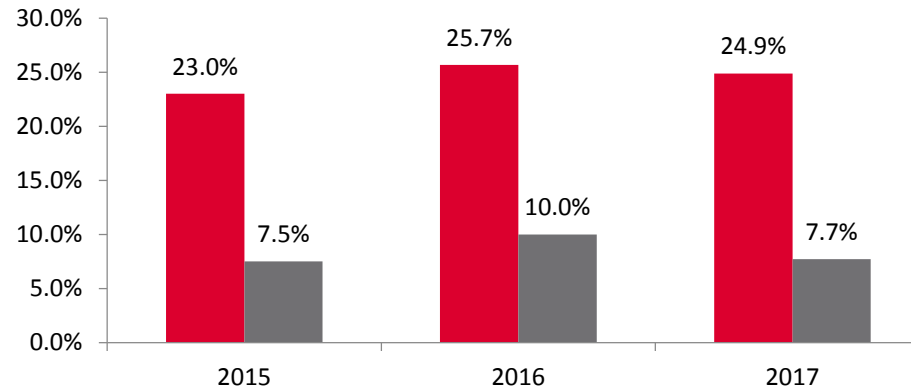
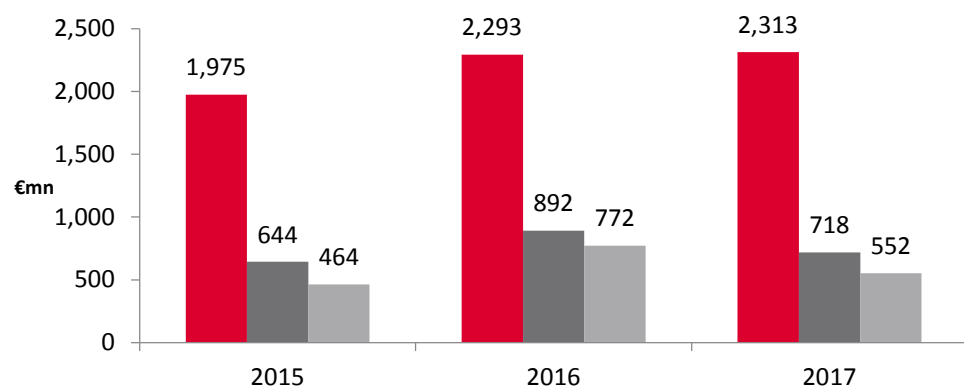
**CAGR**  
**+2.48%**

Solid increase in revenue over the period

**CAGR**  
**+2%**

...focus on expenses containment despite employees growth

## Consistent profitability and margins



■ EBITDA ■ EBIT ■ Net Income

■ EBITDA Margin ■ EBIT Margin

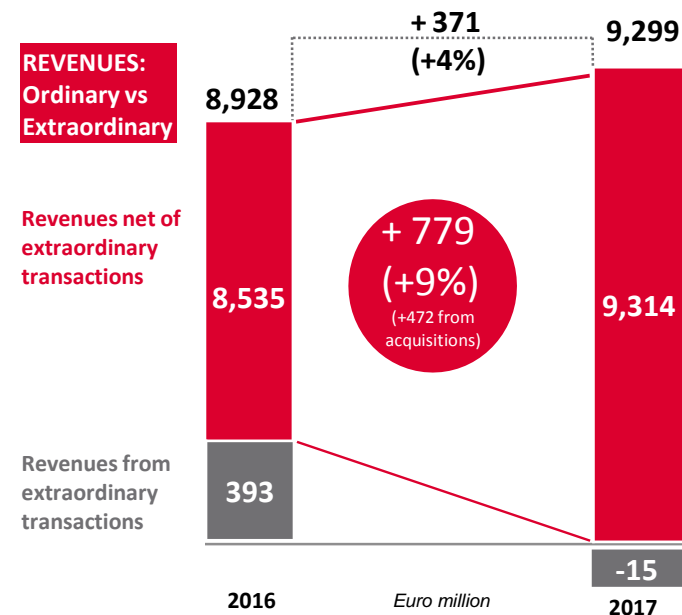
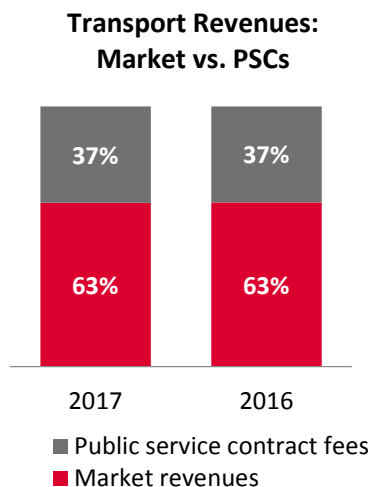
# Group revenues breakdown

- In 2017 Revenues increased by €371 million (+4% vs 2016, +9% net of non recurring items), as a result of the rise in revenue from transport services (+11%) and the growth in revenue from infrastructure services (+3%), offset mainly by the decrease of €353 million in other income.

Medium and long haul	Short haul Rail	Short haul Road	Public service contract fees	Infrastructure services
<ul style="list-style-type: none"> <li><b>+€114 million</b> essentially in Italy:               <ul style="list-style-type: none"> <li>recovery in demand for mobility</li> <li>increase in the commercial offer of "Freccia" products</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>+€74 million in Italy</b> <ul style="list-style-type: none"> <li>anti-evasion measures.</li> </ul> </li> <li><b>+€207 million</b> from the international market               <ul style="list-style-type: none"> <li>consolidation of the British Trenitalia c2c (€177 million) and the Greek TrainOSE (€19 million)</li> <li>greater volumes in German market with Netinera (€11 million).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>+€28 million in Italy</b> <ul style="list-style-type: none"> <li>Consolidation of companies in Busitalia Group and FSE.</li> </ul> </li> <li><b>+€24 million</b> from the international market               <ul style="list-style-type: none"> <li>Acquisition of the Dutch bus company Qbuzz</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>+€112 million</b> from Government               <ul style="list-style-type: none"> <li>Renewal of the 2017-2026 public service contract between Trenitalia and the MIT for the national long-haul transport.</li> <li>Consolidation of TrainOSE</li> </ul> </li> <li><b>+€145 million</b> from Regions               <ul style="list-style-type: none"> <li>Fees from Italian regions rose by €87 million</li> <li>Positive contribution from Dutch and German markets (€58 million), through the consolidation of Qbuzz and greater fees from Netinera.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>+€51 million:</b> <ul style="list-style-type: none"> <li>Increased government grants related to income</li> <li>Increased revenue from toll services by €14 million due to greater volumes</li> </ul> </li> </ul>

Transport – Market

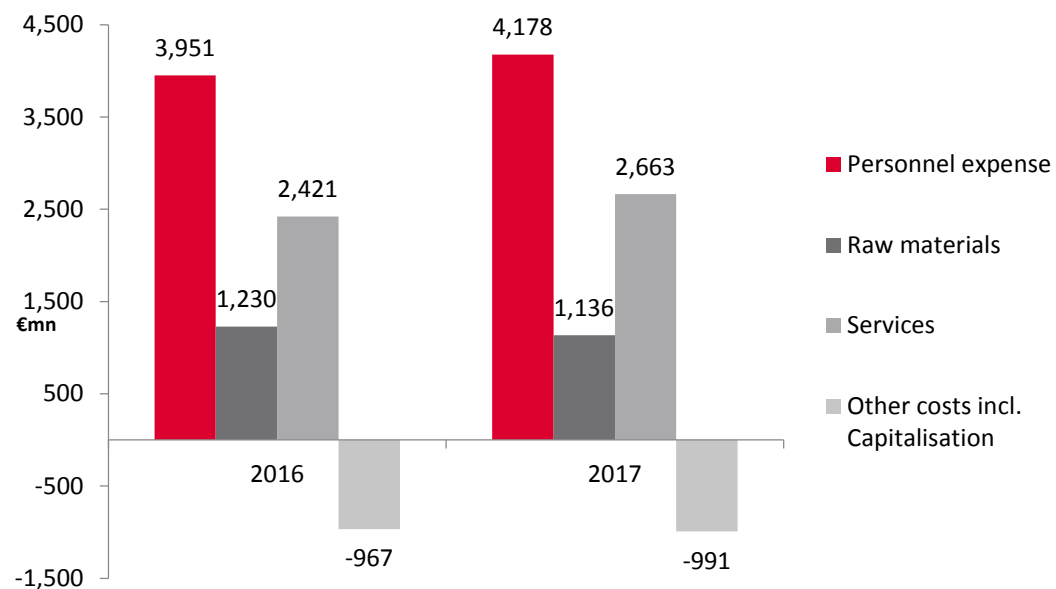
Revenues breakdown			
€mn	2016	2017	change %
<b>Transport services</b>	<b>6,385</b>	<b>7,067</b>	<b>11%</b>
<i>Passenger traffic products</i>	3,164	3,610	14%
<i>Cargo traffic products</i>	860	839	-2%
<b>Market revenues</b>	<b>4,024</b>	<b>4,449</b>	<b>11%</b>
<i>PSCs and other contracts</i>	248	360	45%
<i>Fees from the Regions</i>	2,113	2,258	7%
<b>Public service contract fees</b>	<b>2,361</b>	<b>2,618</b>	<b>11%</b>
<b>Infrastructure services</b>	<b>1,282</b>	<b>1,325</b>	<b>3%</b>
<b>Other services revenues</b>	<b>241</b>	<b>240</b>	
<b>Other income</b>	<b>1,020</b>	<b>667</b>	
<b>Total Group Revenues</b>	<b>8,928</b>	<b>9,299</b>	<b>4%</b>



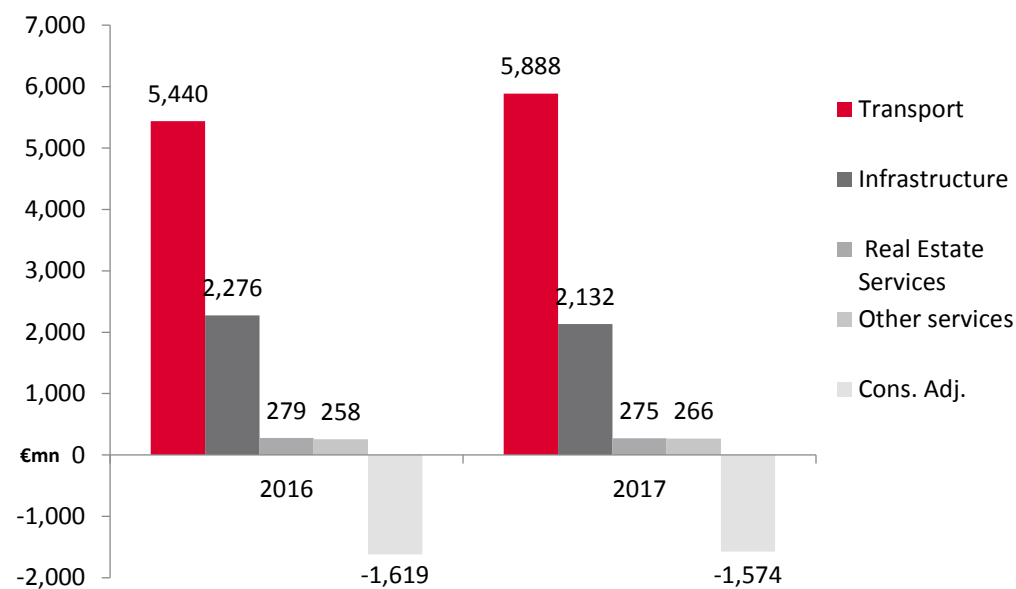
# Focus on operating costs

- In 2017 **operating costs** amounted to €6,986 million, up by **5.3%** on 2016 (€6,635 million)
  - **Personnel expense** increased by €227 million mostly **due to the expansion of the consolidation scope** (+€178 million) and the effects of the full application of the **new national labour agreement** for the railway mobility sector
  - The **decrease in raw materials, consumables, supplies and goods** (-€94 million) was significantly affected by the drop in energy costs almost entirely due to the price effect of the new rate regime
  - Greater capitalisations due to the increase in investments
  - **Transport services** account for the majority of operating expenses given the higher proportion of labour and service costs

**Breakdown of operating costs**



**Total operating costs by division**

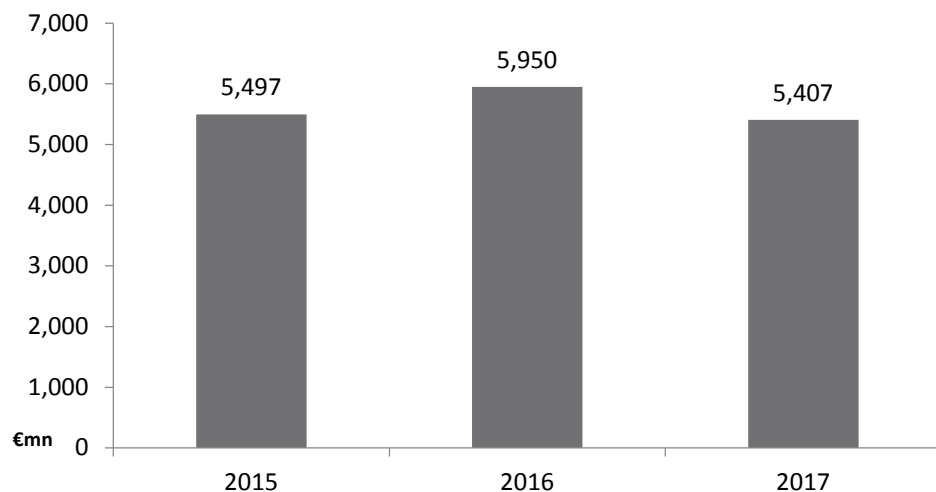


# FS Group's CAPEX profile

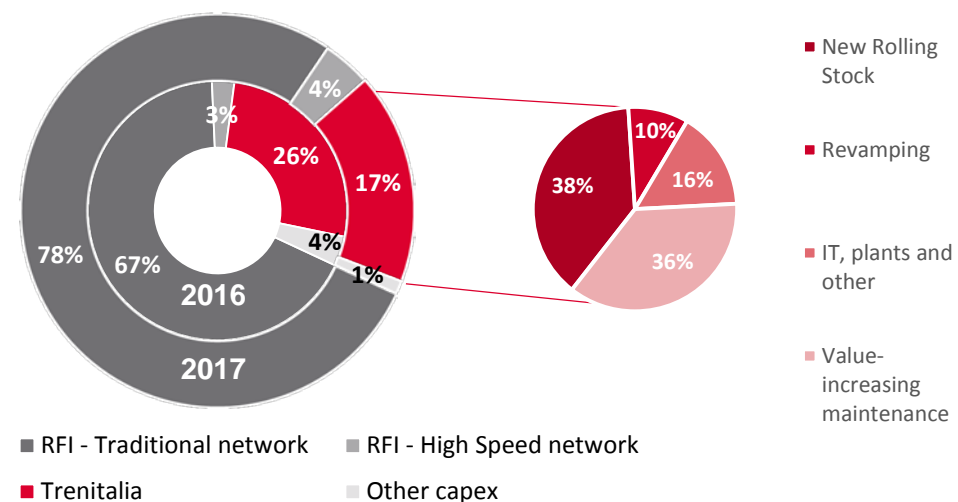
## Leading investor in development of transport, infrastructure and logistics

- For the third consecutive year, FS's capital expenditure exceeded €5 billion (€ 5,407 million in 2017, of which €4,301 million through government grants mainly earmarked to infrastructure).
- The majority of capex is related to the maintenance and development of the rail infrastructure network carried on by RFI, with a focus on Traditional network (~ €4bn). Infrastructure capex is almost totally funded by the Government according to provisions of "Contratto di Programma" between Ministry of Infrastructure and Transport and RFI.
- Trenitalia accounts for 17% - €940million, including €342 million for value-increasing maintenance.
  - € 192 million was earmarked to complete the "Frecciarossa 1000" fleet (financed via the Inaugural Green Bond)
  - € 218 million went to the regional fleet both for new trains and revamping (part of the new trains financed via the Inaugural Green Bond)

FS Capex in 2016 - 2017



2016 - 2017 capex breakdown

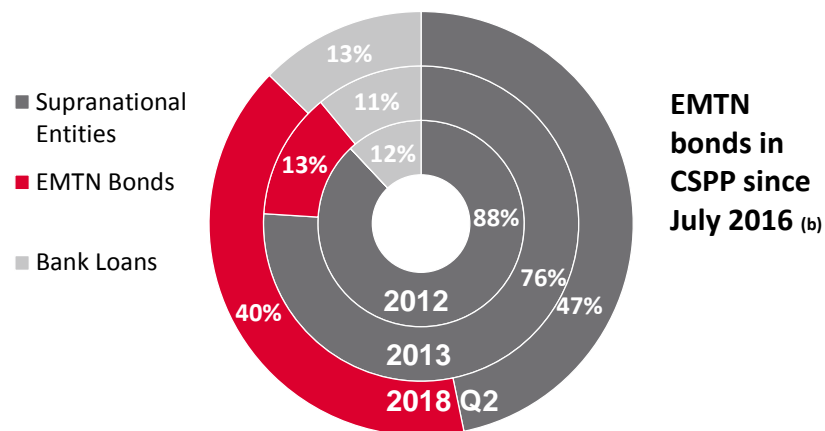


# FS' debt profile

## Funding diversification

- Total gross financial debt (long term+short term) amounts to **€ 11,514mn\*** at YE 2017 vs. €11,862mn at YE 2016. **The bulk of FS Group's debt is held by FS Holding (€ 8,097mn).**
- Part of FS' debt is funded directly through **guaranteed State transfers** (€ 2.57 billion out of the total debt of € 11.51 billion at YE 2016). **This debt is earmarked to infrastructure investments.**
- **With 9 issuances for € 3.95 bn outstanding**, FS has significantly increased the use of **senior unsecured bonds** for its funding needs since the establishment of the €4.5bn EMTN Programme, which **now account for 40% of financial sources.** Indeed, FS is working to **increase the EMTN Programme size up to €7 billion.**
- Supranational entities such as EIB, Cdp, Eurofima, still act as important Group's lenders whereas bank lending accounts for 13%.
- FS renewed in July a **€2 billion committed revolving credit facility** underwritten by a pool of 11 banks and increased from the previous €1.5 bn expired in May. Besides, FS has additional **uncommitted credit lines** granted by several primary banks.
- **Net Financial Debt** amounts to **€ 7,273mn** at YE 2017 increasing by 513 million on YE 2016, mainly due to a decrease in cash and cash equivalents following the equity investments made during the year.

**Breakdown Financial sources 2012 - 2018 (a)**



(a) These percentages are calculated on the long term debt held by FS RFI/NTI which amounts to around 9.7 billion  
 (b) In PSCC from July 2015 to July 2016  
 Source: FS 2017 Annual Report

**Split of external debt by company as of 31 Dec 2017**

€mn	Gross financial debt
<b>FS (Holding Company and bond Issuer)</b>	8,097
<b>Rete Ferroviaria Italiana</b>	1,739
<b>Trenitalia</b>	737
<b>Other Group's Companies</b>	941
<b>Total Long Term Debt + Short Term Financing</b>	<b>11,514*</b>

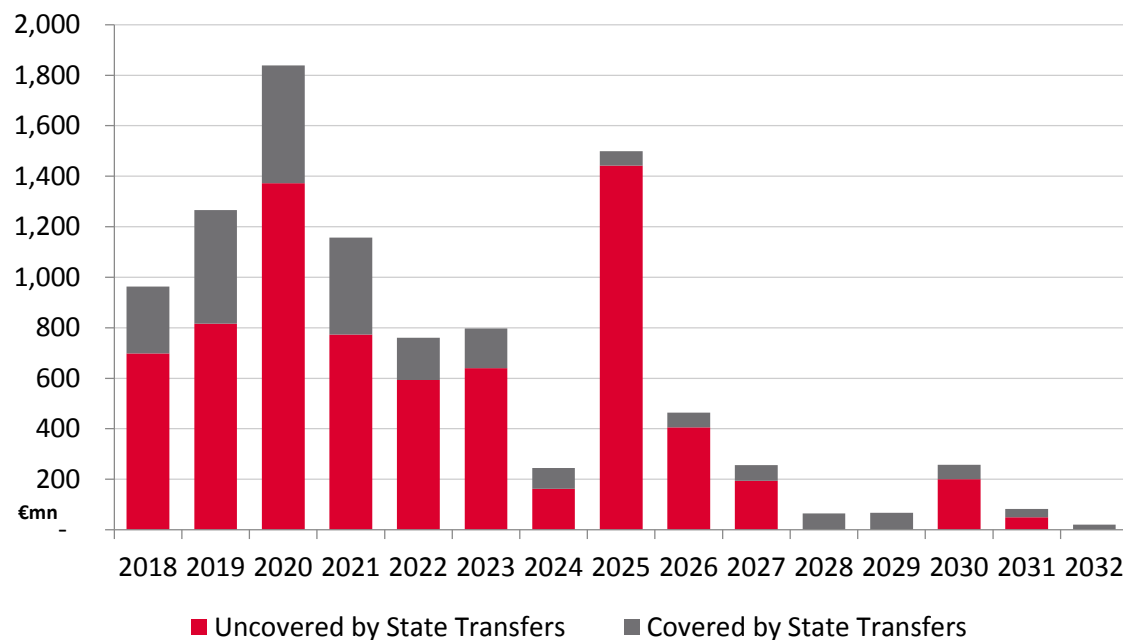
\*Of which € 9,125mn long term debt and € 2,389mn short term debt and current portion of long term debt

# Balanced debt maturity profile

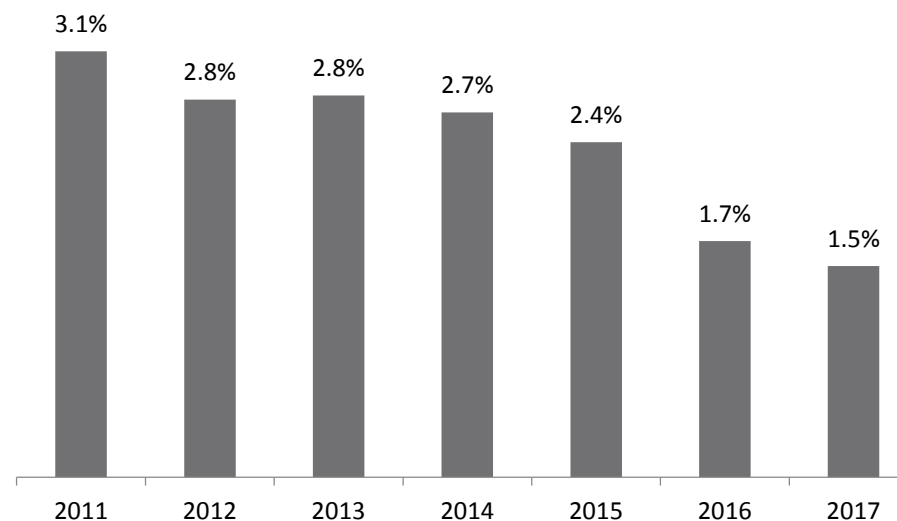
## Effective management of financial expense

- The Group has a **balanced debt maturity profile** extending over the next 15 years, with the majority of maturities falling due over the next 5 years.
- In Q1 2018 FS has reduced short term borrowing from banks that is nil as of 30 June 2018.
- Historically low borrowing costs and an **effective management of financial costs**, including interest rate risk management policies, has resulted in a containment of interest expense on debt generating value for the Group.
- In 2017 interest expense on debt was a **record low at 1.5%**.

Group long term debt maturity profile as of 30 June 2018\*



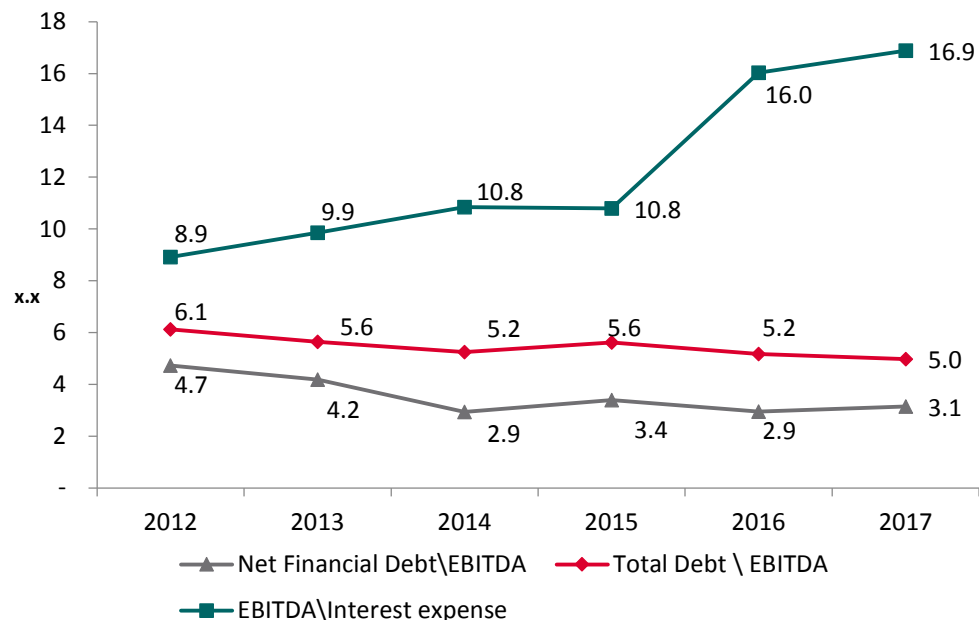
Interest expense on financial liabilities \*\*



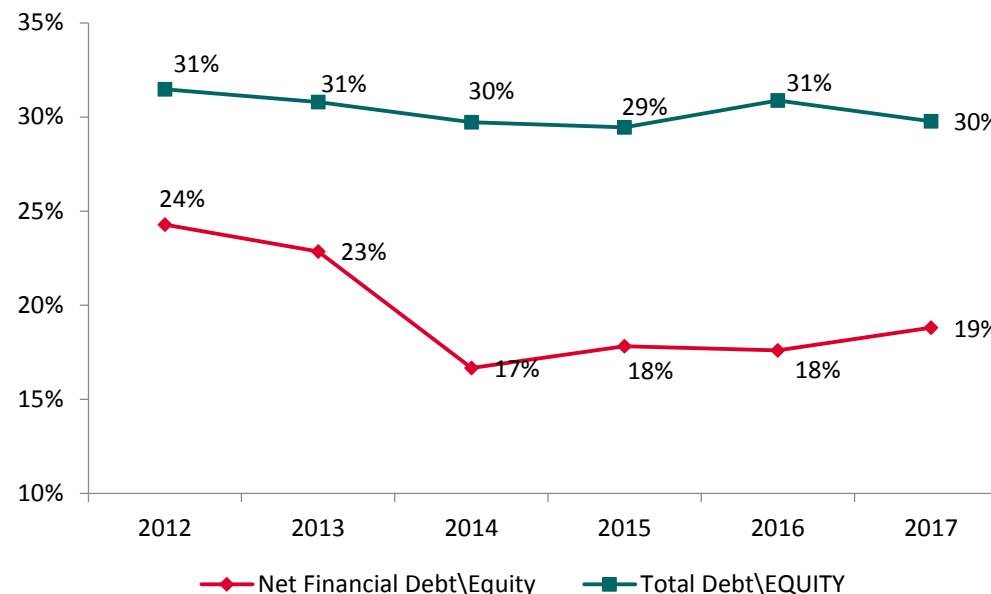
# Debt service capacity

- Given improvement in profitability and conservative debt management, **Net Financial Debt / EBITDA has decreased to 3.1x** in 2017 from 4.7 in 2012.
- Historically low borrowing costs and effective management of financial costs, including interest rate risk management policies, resulted in **EBITDA interest cover improved substantially** in the last five years reaching 17x in 2017.
- FS Italiane maintains a strong capitalisation.

Leverage evolution and EBITDA interest coverage



Capitalisation





# FY 2017 Consolidated Financial Statements

Income Statement			
€mn	2016	2017	Change %
<b>REVENUE</b>	<b>8,928</b>	<b>9,299</b>	<b>4.2</b>
Revenue from sales and services	7,908	8,632	9.2
Other income	1,020	667	(34.6)
<b>OPERATING COSTS</b>	<b>(6,635)</b>	<b>(6,986)</b>	<b>(5.3)</b>
<b>EBITDA</b>	<b>2,293</b>	<b>2,313</b>	<b>0.9</b>
Amortisation, depreciation, provisions and impairment losses	(1,401)	(1,595)	(13.8)
<b>EBIT</b>	<b>892</b>	<b>718</b>	<b>(19.5)</b>
Net financial expense	(94)	(100)	(6.4)
<b>PRE-TAX PROFIT</b>	<b>798</b>	<b>618</b>	<b>(22.6)</b>
Income taxes	(26)	(64)	(146.2)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>772</b>	<b>554</b>	<b>(28.2)</b>
Loss from assets held for sale, net of taxes		(2)	
<b>PROFIT FOR THE YEAR</b>	<b>772</b>	<b>552</b>	<b>(28.5)</b>

Reclassified Statement of Financial Position			
€mn	2016	2017	Change
Net operating Working Capital	404	402	(2)
Other Net Assets	591	1,173	582
<b>Working Capital</b>	<b>995</b>	<b>1,575</b>	<b>580</b>
Net non-current assets	47,330	47,279	(51)
Other provisions	(3,068)	(2,902)	166
Net assets held for sale		2	2
<b>NET INVESTED CAPITAL</b>	<b>45,257</b>	<b>45,954</b>	<b>697</b>
Net current financial debt	353	(65)	(418)
Net non-current financial debt	6,407	7,338	931
<b>Net financial debt</b>	<b>6,760</b>	<b>7,273</b>	<b>513</b>
<b>Equity</b>	<b>38,497</b>	<b>38,681</b>	<b>184</b>
<b>COVERAGE</b>	<b>45,257</b>	<b>45,954</b>	<b>697</b>

# FY 2017 Consolidated Financial Statements

Statements of Cash Flows		
€ mn	2016	2017
<b>Profit for the year</b>	<b>772</b>	<b>552</b>
Amortisation and depreciation	1,306	1,378
Share of losses of equity-accounted investees	(14)	(14)
Accruals to provisions and impairment losses	116	263
Losses on sales	(36)	(74)
Change in inventories	(54)	(105)
Change in trade receivables	631	(149)
Change in trade payables	(175)	225
Change in current and deferred taxes	(4)	46
Change in other liabilities	(1,826)	377
Change in other assets	896	(1,082)
Utilisation of the provisions for risks and charges	(121)	(203)
Payment of employee benefits	(95)	(145)
<b>Net cash flows generated by operating activities</b>	<b>1,395</b>	<b>1,069</b>
Increases in property, plant and equipment	(5,599)	(5,306)
Investment property	(12)	(6)
Increases in intangible assets	(135)	(196)
Increases in equity investments	(154)	(131)
<b>Investments, before grants</b>	<b>(5,899)</b>	<b>(5,639)</b>
Grants for property, plant and equipment	4,280	4,300
Grants for investment property		
Grants for intangible assets	6	
Grants for equity investments	128	95
<b>Grants</b>	<b>4,414</b>	<b>4,395</b>
Decreases in property, plant and equipment	291	131
Decreases in investment property	11	17
Decreases in intangible assets	2	
Decreases in equity investments and profit-sharing arrangements	4	10
<b>Decreases</b>	<b>308</b>	<b>159</b>
<b>Net cash flows used in investing activities</b>	<b>(1,177)</b>	<b>(1,085)</b>
Disbursement and repayment of non-current loans	(596)	667
Disbursement and repayment of current loans	1,098	(1,091)
Change in financial assets	445	456
Change in financial liabilities	(107)	(72)
Dividends	(46)	(300)
Changes in equity	20	(146)
<b>Net cash flows generated by (used in) financing activities</b>	<b>815</b>	<b>(486)</b>
<b>Total cash flows</b>	<b>1,032</b>	<b>(503)</b>
<b>Opening cash and cash equivalents</b>	<b>1,305</b>	<b>2,337</b>
<b>Closing cash and cash equivalents</b>	<b>2,337</b>	<b>1,834</b>

# Key Strengths

## BUSINESS AND CREDIT

- **Integrated Mobility Operator**
- **Sole concessionaire of the rail network until 2060**
- **Regulated Infrastructure business**
- **Market leading positions in all passenger rail transport services in Italy**
- **Business diversification (product\geographical)**
- **Track record of resilient performance**
- **High technical barriers to entry and capital requirements**
- **Effective and disciplined financial management**

## SUSTAINABILITY

- **Strong commitment for a sustainable integrated mobility**
- **Promote modal shift to rail**
- **Strong sustainability governance**
- **Compliant with international standard**
- **Environmental Management System for the whole Group**
- **Sustainability KPIs improving over time**
- **Eligible Green Projects strongly contribute to increased sustainability and energy efficiency of FS operations**

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<https://www.fsitaliane.it/content/fsitaliane/it/investor-relations/debito-e-credit-rating.html>

