

Centostazioni Retail S.p.A.

An investment opportunity in the Italian travel retail sector

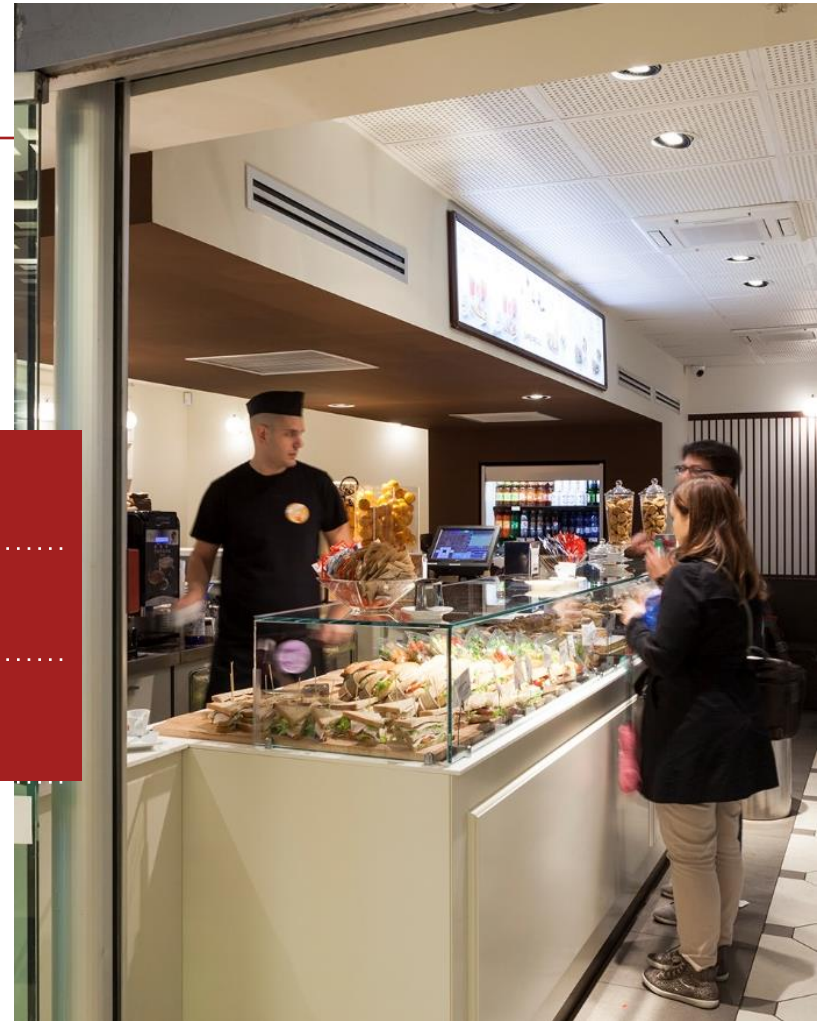


Contents

01 *Transaction background*

02 *Centostazioni Retail at a glance*

03 *Investment opportunity*



This document has been prepared by the Corporate Finance department of PricewaterhouseCoopers Advisory S.p.A. (“PwCCF”) to provide the intended recipient with some preliminary information about a potential investment opportunity.

The document is strictly confidential and must not be provided to or made available, by any mean, to any person other than the intended recipient. The document can not be copied, reproduced, distributed or disclosed to any third party, in whole or in part, without the prior written consent of PwCCF. In no event, regardless of whether consent has been provided, shall PwCCF assume any responsibility to any third party to which the Document is disclosed or otherwise made available.

The document does not constitute the giving of investment advice, nor a part of any advice on investment decisions.

The information used in preparing the Document has been obtained from a variety of third party sources. PwCCF has not sought to establish the reliability of those sources nor has PwCCF verified such information. Accordingly, no representation or warranty of any kind (whether express or implied) is given by PwCCF as to the accuracy of the information herein reported, and to the completeness or fitness for any purpose of this document. In no event PwCCF shall assume any responsibility to any third party on this regard.



Transaction background

Pre-Demerger structure

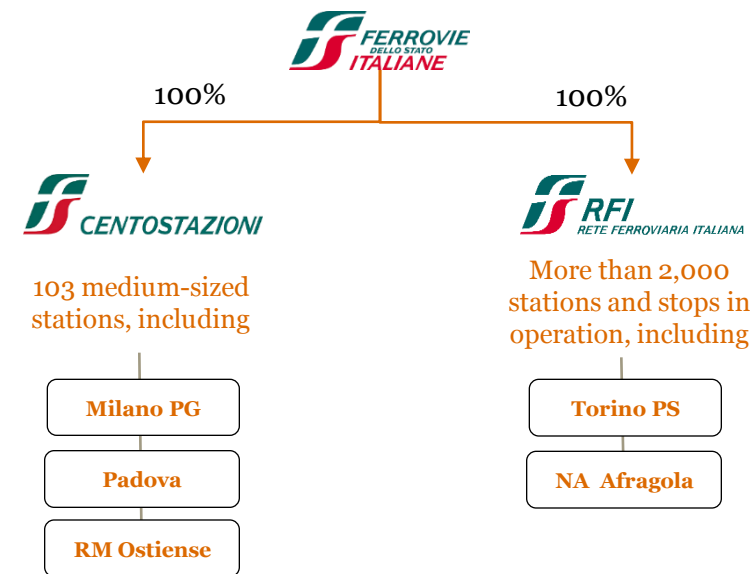
- Ferrovie dello Stato Italiane S.p.A. (hereafter, also “FS”), as shareholder of Centostazioni S.p.A. (“CS”) and Rete Ferroviaria Italiana S.p.A. (“RFI”), has started a corporate reorganization process (the “Demerger”) aimed at separating and maximizing the value of the retail activities at the following railway stations:
 - Milano Porta Garibaldi
 - Torino Porta Susa
 - Padova
 - Roma Ostiense
 - Napoli Afragola

- The Milano Porta Garibaldi, Padova, and Roma Ostiense stations are currently managed by CS (“CS Stations”), while the Torino Porta Susa and Napoli Afragola stations are currently managed by RFI (“RFI Stations” and, together with CS Stations, “Retail Stations”)*.
- The Demerger will be carried out through the newly formed company Centostazioni Retail S.p.A. (“CS Retail”), which will have the right, for more than 20 years, of the economic exploitation in exclusivity of the commercial and media & advertising spaces in the above-mentioned stations.

* Assets (Retail Stations real estate) are owned by RFI

Centostazioni Retail S.p.A
PwC

PRE-DEMERGER STRUCTURE



103 medium-sized stations, including

Milano PG

Padova

RM Ostiense

More than 2,000 stations and stops in operation, including

Torino PS

NA Afragola

For these stations, CS and RFI currently carry out a variety of activities, which include:

- Retail lease management
- Media & Advertising
- Services to customers

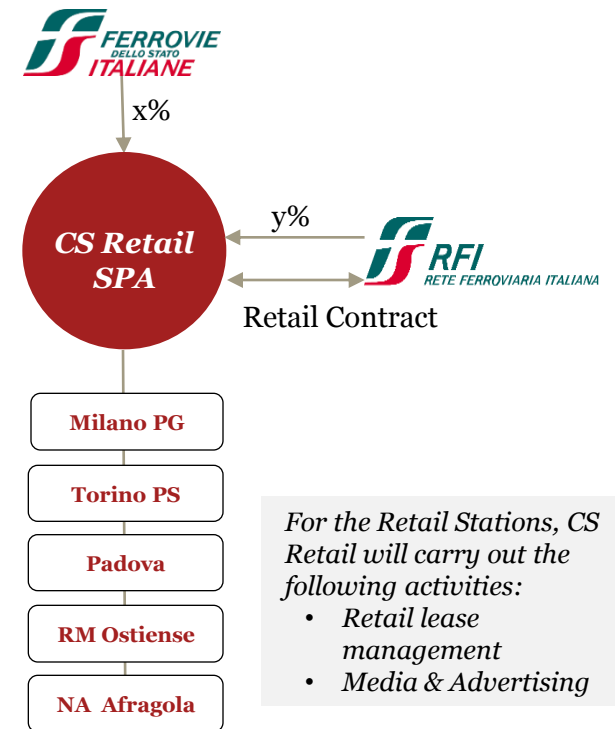


Transaction background

Post-Demerger structure

- The Demerger will be carried out through the following steps:
 - a) the CS demerger, which will attribute to CS Retail all activities and contractual arrangements related to the economic exploitation of the commercial and advertising spaces in CS Stations and the granting of the right of the economic exploitation in exclusivity of the commercial and advertising spaces in CS Stations through a specific agreement to be concluded between CS and CS Retail (the “**Retail CS Contract**”);
 - b) the merge of the demerged CS into RFI, which will consequently result in RFI being a direct counterpart of CS Retail in the Retail CS Contract;
 - c) the RFI contribution to CS Retail of all activities and contractual rights related to the economic exploitation of the commercial and advertising spaces in RFI Stations, with the granting of the right of the economic exploitation in exclusivity of the commercial and advertising spaces also in RFI Stations through a specific agreement between RFI and CS Retail, which will constitute an extension of the Retail CS Contract (“**Retail Contract**”). Following the RFI contribution, the entire CS Retail share capital will be owned by FS and RFI, with each entity having its own stake.
- FS and RFI intend to sell 100% of CS Retail share capital through a competitive bidding process.

POST-DEMERGER STRUCTURE



For the Retail Stations, CS Retail will carry out the following activities:

- Retail lease management
- Media & Advertising



CS Retail at a glance

Business overview

	2017 Pro-forma	Full Potential*
Leased retail areas	~ 19k	~ 26k
Number of stores	~ 60	~ 170
Revenues	~ 7 mln	~ 20 mln
EBITDA	~ 3 mln	~ 10 mln

* Full Potential is 2023 for Milano PG, Torino PS, Padova and Roma Ostiense, 2026 for Napoli Afragola.

Leasing retail space

Managing the leasing activity of some 26,000 sqm commercial areas/ some 170 stores

Media & Advertising

Managing the advertising spaces of the Retail Stations

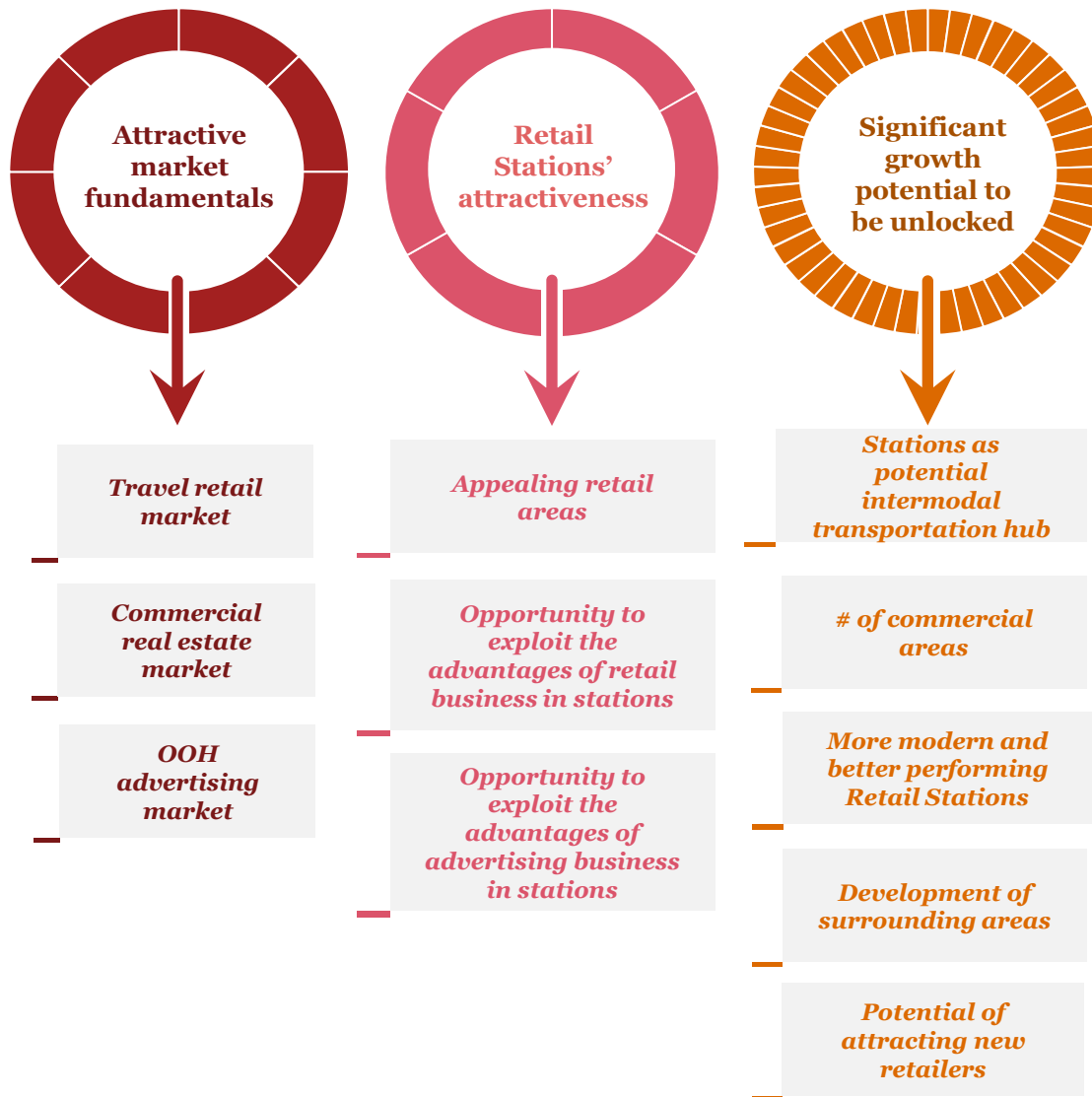
**Retail
Contract**

For the economic exploitation in exclusivity of the commercial spaces in Retail Stations, CS Retail will have to pay a retrocession fee to RFI.

In addition, CS Retail will have to repay certain costs (ordinary and extraordinary maintenance, including cleaning and security services) for the retail perimeter of Retail Stations, with a mechanism to pass on the operating costs to the tenants.

Investment opportunity

Key investment highlights



Attractive market fundamentals

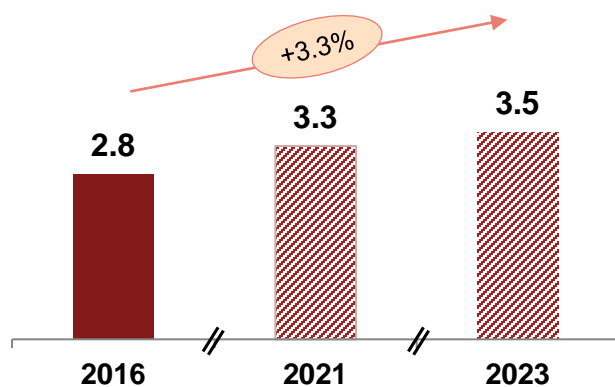
Travel retail market in Italy

The travel retail market is expected to grow, driven by:

- the development of the travel & tourism industry
- rapid growth in urbanization
- rising disposable income
- life-style changes

In particular, the railway station travel retail market has grown considerably over the last few years thanks to the development of a new concept of station, which have been redeveloped and redesigned with the aim of offering a more welcoming and pleasant environment and more services to passengers.

Travel retail market revenues in Italy (Bn €) *



* Source: Allied Market Research, Travel Retail Market

Centostazioni Retail S.p.A
PwC

Commercial real estate market in Italy

While confirming the positive trend registered in the last three years, in 2017 the Italian real estate market recorded a normalization that led to a little more than a 5% increase in transactions from 2015 as a result of the dynamics that influenced the residential (+ 5.5%), office and retail (+ 2.2%) segment.

Annual average rents decreased last year, although at a lower rate than in the past years. This effect is mainly attributable to the economic weakness of a large part of the demand compared to the supply's need for profitability, although rents are recovering since the crisis (please refer to average time for rentals).

"Shops" section in the 13 large Italian cities*

Change in average rental rates:	1°sem17-	2016-
	2°sem17	2017
- Offices	-0.7%	-1.4%
- Stores	-0.5%	-0.9%

Milan recorded positive changes

Average rentals-times (in months):	2016	2017
- Offices	6.6	6.2
- Stores	6.0	5.6

Average sales and rentals times are liquidity indicators that show a recovery trend compared to years during the crisis

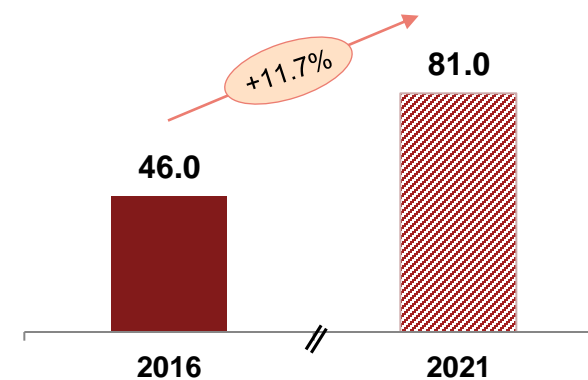
* Source: Centostazioni S.p.A.

Out of home advertising market

Italy's total OOH revenue will grow at a CAGR of 1.2% over the forecast period (2016-2021) and will reach a value of some €187mn by 2021.

In particular, Italy is rapidly catching up in the digital OOH segment (DOOH), characterized by a greater marginality compared to the traditional one, which now accounts for over a quarter of the OOH market. By 2021, Italian DOOH revenue will grow to some €81mn, with a 2016-2021 CAGR of 11.7%.

Advertiser spending on all formats of digital OOH media in Italy (mln€)*



* Source: PwC, Entertainment & Media Outlook in Italy

With privileged locations situated in the heart of the major Italian cities, the station concept has undergone a great transformation in recent years

- the redesign of the spaces of the railway stations has made them multifunctional, ideal places for meeting, shopping and socializing
- structure upgrades to meet legislative requirements, the progressive removal of architectural barriers and technological modernization operations have made the

Retail Stations modern, functional and highly accessible and usable for customers

- the further expansion today is from the investments aimed at transforming the stations into **hubs for integrated mobility** («Smart station»)

Retail Stations’ attractiveness Appealing retail areas



- **Milano Porta Garibaldi:** in the heart of the modern district of Garibaldi-Repubblica, which was the subject of a major urban revitalization, this station is a focal point for short and long distance rail links and High Speed trains to Rome and Paris, and the connections with the Milan airport, as well as the areas of the Lombardy capital and in the Milanese hinterland thanks to the connections with the metropolitan lines and urban and extra-urban public road and rail transport.
- **Torino Porta Susa:** A modern structure recently constructed in the city center, this station is crossed by 3 pedestrian walkways that integrate the two parts of the city. The station is connected to urban, suburban and inter-regional public road and rail transport lines and it is served by a metro station, a private taxi lane and a free to ride parking.
- **Padova:** one of the most important railway stations in terms of size and volume of traffic, this station is served by High Speed trains and offers long and short connections. The entrance on Piazzale della Stazione - completely renovated after extensive redevelopment - interchanges with different urban and extra-urban lines of public transport by road, tram and taxi service.
- **Roma Ostiense:** in the heart of the Ostiense district, in a populated and articulated urban context, this station is a primary urban intermodal node thanks to the connections between the regional railways of Lazio connecting the Fiumicino Airport, the subway, the Rome-Lido Railway, buses and taxis.
- **Napoli Afragola:** important architectural work of recent inauguration, this station will be served by the AV trains that will connect the new airport with all the main cities of the Turin - Salerno motorway, as well as Venice and Reggio Calabria and will integrate the connections from Napoli Centrale, becoming a strategic hub for the intermodality of the regional and national transport system.



Retail Stations' attractiveness

Advantages of retail and advertising businesses in stations

Retail business strengths within Retail Stations

- central position in city environments and ease of access that guarantee a privileged relationship with the surrounding urban area
- highly attractive profile of visitors, representing a proactive and dynamic target, with high spending capacity, willingness to try new products, well educated and hi-tech oriented
- high and repeated attendance even on weekdays
- great visibility for commercial areas
- welcoming and safe environment
- retention of commuter customers
- high tourism vocation

Digital media & advertising strengths within Retail Stations

- small-sized but with a high passengers flow, Retail Stations guarantee the non-dispersion of the visitors flow and therefore a greater impact of the advertising messages
- growing audience and time spent by passengers in the stations
- high concentration of younger and elitist targets
- reiteration of the message on regular customers
- various types of media-mix
- purchase point proximity
- restyling initiatives designed to enhance the visibility and effectiveness of advertising
- less visual pollution than in larger stations

Significant growth potential to be unlocked

Retail Stations have significant growth potential, already in the next few years, supported by:

- the development of the intermodal potential of the Retail Stations, which will become hubs increasingly connected with urban mobility systems, thus attracting a higher number of visitors
- the expansion of rented commercial areas and the optimization of yield rates on existing spaces
- the investments planned with the aim of making Retail Stations more modern and functional, allowing better performances and a reduction in management costs
- the further developments planned for the areas adjacent to Retail Stations (such as, for example, the square located in front of Milano PG station, the new regional lines that will make Naples Afragola increasingly interconnected with the surrounding urban area, etc.)
- the opportunity to attract renowned top performing brands, in addition to brands already present (such as Lagardère Food Services, Tiger, Tally Weijl, Monte dei Paschi di Siena, Mondadori, Intesa San Paolo, Foot Locker, Calzedonia etc.)
- the possibility to capture the growth potential underlying the digital OOH advertising market, which allows an increase in profitability compared to traditional channels

