



INTEGRATED MOBILITY PLAYER

FS GREEN BOND PROGRAMME
Investor Presentation
November 2017

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Contents

1	Ferrovie dello Stato Italiane Group Overview
2	Operations and Industry Overview – Focus on Trenitalia
3	Corporate Sustainability
4	Green Bond Programme
5	Financial Overview
6	Appendix

1

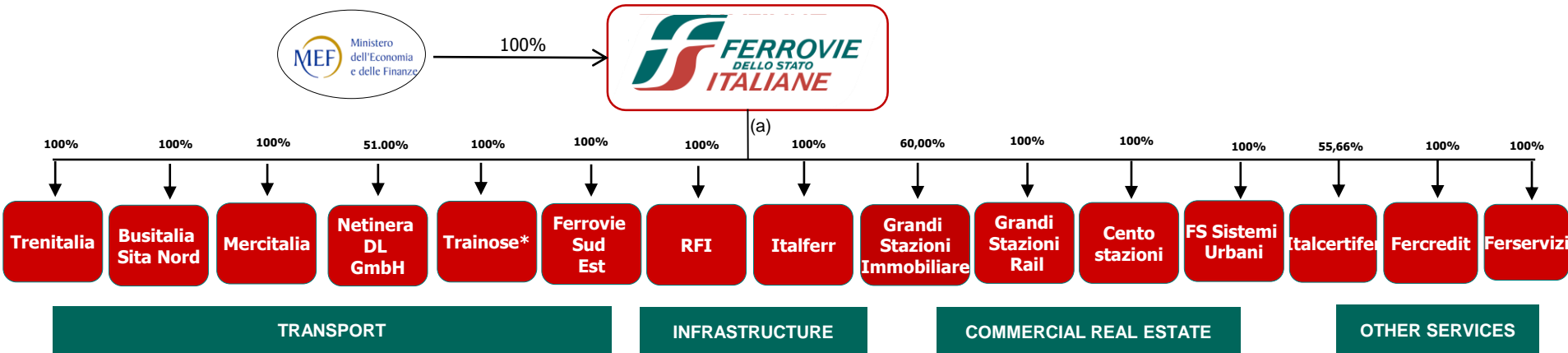
Ferrovie dello Stato Italiane Group Overview



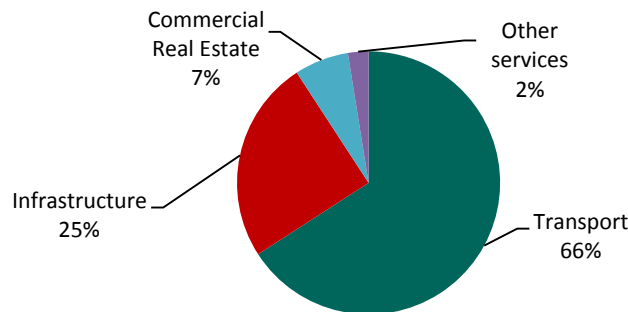
FS Group in a snapshot

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 (2016)**



2016 Consolidated Highlights (€mn)

Revenue	8,928**
EBITDA	2,293
<i>EBITDA Margin</i>	25.7%
EBIT	892
<i>EBIT Margin</i>	10%
Net Income	772
Net Invested Capital	45,257
Equity	38,497
Net Financial Debt	6,760

* Effective from September 2017

** Net of (1,604)m of cons.adj.

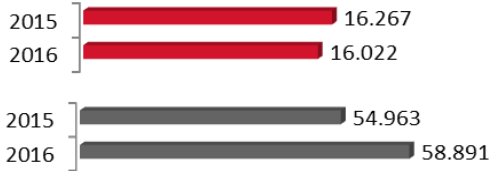
(a) FS Group main line and operating segments

Source: FS 2016 Annual Report



Key Operating Data

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



Long-haul transport PSC services



Railway network



Stations



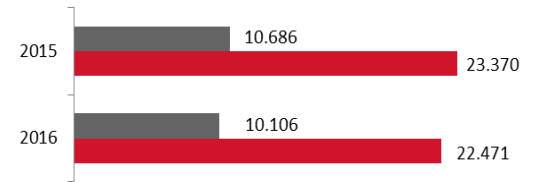
Regional transport



Road transport



Cargo transport



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

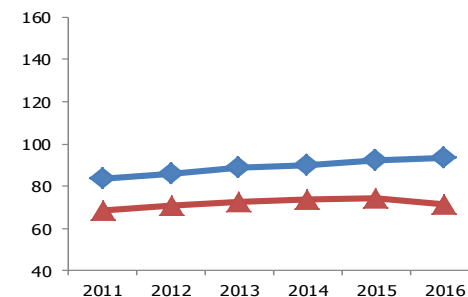
■ Tons Km abroad - million
■ Tons Km total - million

Benchmarking with European rail players

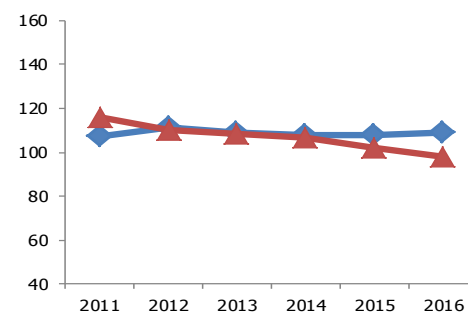


(€b)	2016	2015	2014	Issuer Rating	
Revenue	8.9	8.5	8.4	Fitch	BBB
EBITDA margin %	25.7%	23%	25.2%	S&P	BBB
EBIT margin %	10%	7.5%	7.9%		

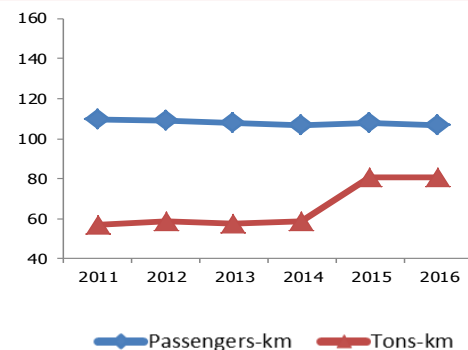
Trend in passenger and cargo traffic



(€b)	2016	2015	2014	Issuer Rating	
Revenue	43.3	43.2	39.7	S&P	AA-
EBITDA margin %	10.3%	10%	12.9%		
EBIT margin %	3.4%	-0.4%	5.3%	Moody's	Aa1



(€b)	2016	2015	2014	Issuer Rating	
Revenue	32.3	31.4	27.2	Fitch	AA
EBITDA margin %	12.8%	14%	8.7%	S&P	AA-
EBIT margin %	6.6%	-0.3%	2.5%	Moody's	Aa3



Rating Overview

S&P Global
Ratings

RATING

Corporate Rating	BBB	Outlook STABLE
Stand Alone Credit Profile	bbb	

1 notch upgrade on October 30th 2017

FitchRatings

Corporate Rating	BBB	Outlook STABLE
Stand Alone Rating	BBB	

Rating confirmed on November 2nd 2017



COMMENTS

FS' rating reflects the:

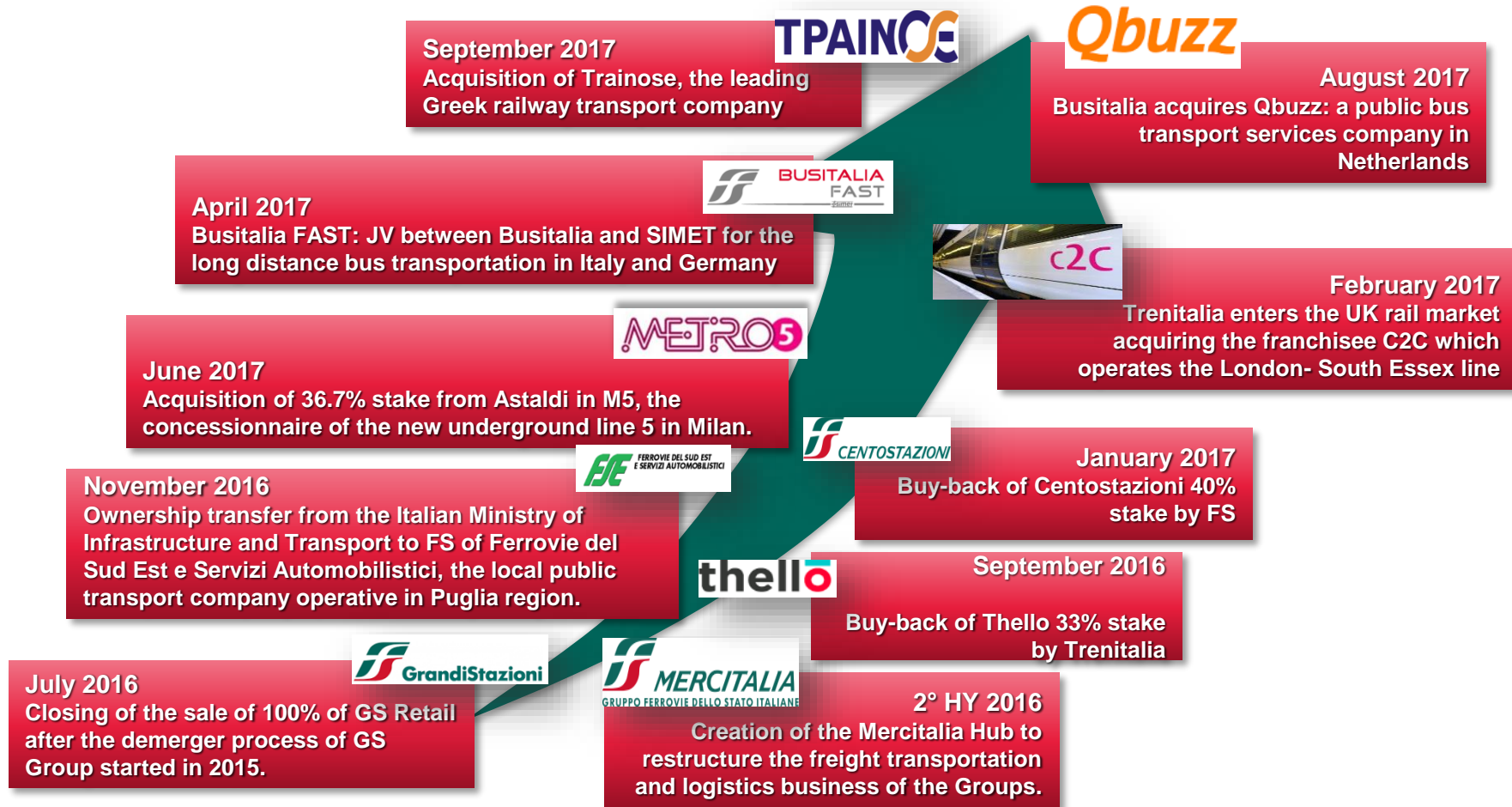
- **“very important” role** for the Italian government as holding group of the country’s national railway and the **“integral” link** with its sole owner (Italian Govt)
- **“Strong” business risk profile:** «...dominant market position in the Italian transport segment and network concessionaire...the 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»

An International Integrated Mobility Player: Moving Forward

The restructuring and asset enhancement activities completed in 2016 and first half of 2017 move towards the FS Group's new vision to become an INTEGRATED MOBILITY PLAYER in line with the 2017-2026 industrial plan



THE FS GROUP'S NEW VISION to grow in the new mobility context

2017 – 2026 Industrial Plan: 5 STRATEGIC PILLARS



Modal integration for passengers

Integrated mobility solutions

- Growth in the rail and road LPT sector
- **New market segments** (e.g. Long Distance road transport)
- Integration of rail and road **transport services** of the local railways



Integrated logistics

Development of integrated logistics services

- more efficient traction (cost optimisation/km) and service quality with the creation of the **MERCITALIA hub**
- **New segments** to offer an **end-to-end service**



Integrated infrastructure

An integrated infrastructure hub to ensure effective planning and management of transport infrastructures

- integration of railway and road infrastructures with the project of **ANAS*** becoming part of FS Group
- consolidation of **railway networks under concession**



International Development

International infrastructural projects as a General Contractor and/or O&M services

- Growth in **international rail transport services**
- Growth in **international LPT**



Digital & Customer Centricity

- Development of an **Extended Customer Experience** to integrate mobility and ancillary services
- FS Group's transformation into a **Data Driven Company and Digital disruptor**

2

Operations and Industry Overview

Focus on Trenitalia



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**

Financial highlights

€mn	2016 *	2015 (a)
Revenues	5,078.7	5,114.3
EBITDA	1,394.5	1,480.4
EBIT	332.5	511.9
Net Income	116*	230
<i>EBITDA Margin</i>	<i>27.5%</i>	<i>28.9%</i>
<i>EBIT Margin</i>	<i>6.5%</i>	<i>10%</i>



Medium Long distance

revenues* (€mn)

	2016	2015	Change
▪ High Speed services			
▪ International and domestic services	2,295	2,398	-4,3%



Regional

revenues* (€mn)

	2016	2015	Change
▪ Commuter passenger services			
▪ Regional/Inter-regional services	2,751	2,685	2,47%

* Note:

- Trenitalia demerged its Cargo division allocating the related assets to Mercitalia Rail with effect as of 1 January 2017. This transaction is part of FS Group's 2017-2026 business plan to relaunch the Cargo business via a specific dedicated company structure.
- In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the revenue and costs of such division are recognised in the separate item "Loss from discontinued operations" in the income statement, after the profit from continuing operations.
- Therefore Trenitalia's 2016 Revenues, EBITDA and EBIT items hereby shown does not include freight division results, which however contributed to the Net Income.

Focus: High Speed Transport

Frecce



High Speed services Torino-Milano-Brescia-Bologna-Firenze-Roma-Napoli-Salerno



Fast services connecting Roma to Venezia, Verona, Bari and Reggio Calabria



Fast services connecting: Milano to Lecce, Genova to Roma and Milano to Venezia

- 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



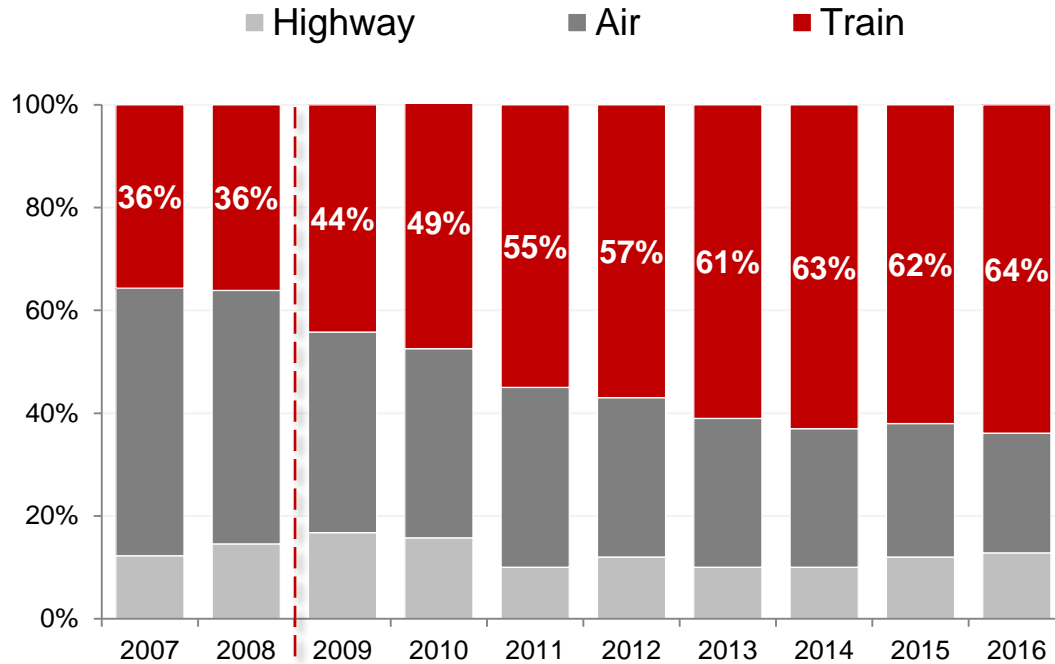
Eligible Green Project



Modal Shift: Milan - Rome case study

- Railway service is eroding modal share from the domestic air traffic on the Milan – Rome route, especially since the launch of the high speed services

Milan – Rome Trenitalia modal share

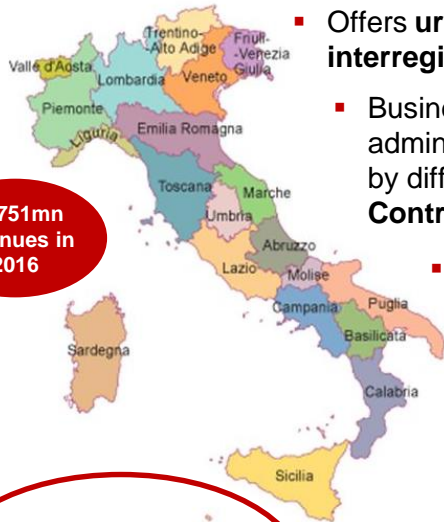


Launch of the 'Freccie' network

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**



€2,751mn revenues in 2016

Trenitalia operates in all 20 Italian Regions and is negotiating for new 15 years PSCs

Our mission: Service Enhancement

- Euro 455 million invested in 2016 for fleet upgrading → 23 Jazz, 6 Swing, 3 Flirt new trains and 133 Vivalto new carriages
- These regional trains daily let commuters, students, tourists and workers travel throughout the country.
- In June 2016 Trenitalia awarded the tender for the manufacturing of the new regional trains*

We are investing for the regional transport turnaround

First 86 deliveries of these new highly energy efficient Pop and Rock trains will enhance the fleet from 2019

Eligible Green Projects

Regional mobility will be upgraded by 150 new medium capacity ("Pop") and 300 high-capacity ("Rock") trains.*



Busitalia: road passenger transport in Italy and abroad

2016



Incorporation of Busitalia Campania and acquisition of CSTP the local public transport company of Salerno municipality

Qbuzz

2017

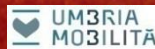
Busitalia acquires Qbuzz: a public bus transport services company in Netherlands

2017



Busitalia FAST: JV with SIMET for the long distance bus transportation in Italy and Germany

2014



Tender awarded for 100% Umbria Mobilità Esercizio (regional mobility)

2015



Incorporation of Venezia City Sightseeing

Key Financial figures

€mn	2016	2015
Revenues	354	330
EBITDA	36	30.2
EBITDA Margin	10%	9%
EBIT	13	10.5
EBIT Margin	4%	3%

2014



Incorporation of Busitalia Rail Service (road transport services to support the railway service)

2015



Incorporation of Busitalia Veneto with a 55% controlling interest (Padova and Rovigo urban and extra-urban LPT)

2012



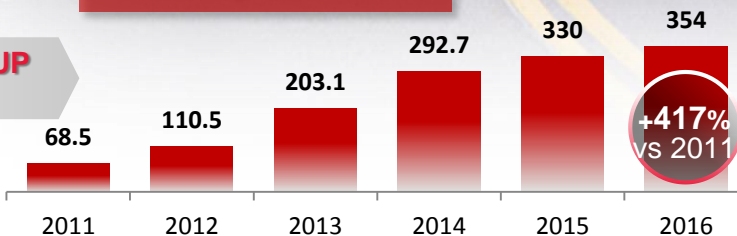
Partnership with

2012 - 2013



Acquisition of 70% of ATAF Gestioni (Firenze LPT road transport) in partnership with Autoguidovie

BUSITALIA GROUP REVENUE



2011



Busitalia was established from the division of SITA (1912) into two independent companies

Key figures

€mn	2016	2015
Revenues	2,575	2,486
Track access charges	1,058	1,006
CdP-Service	975.5	975.5
Sale of electrical energy for traction	200	159
Other income	341	345
EBITDA	357	279
EBITDA margin %	14%	11%
EBIT	215	160
EBIT margin %	8%	6%
Net Income	181	129

Network highlights (km)

Classification for:	2016
Type of track	
Double track lines	7,647
Single track lines	9,141
Electrification	
Double track electrified lines	7,570
Single track electrified lines	4,453
Not electrified lines	4,765
Total km of lines	16,788
Type of service	
Conventional network	23,085
HS lines	1,350
Total tracks Length	24,435

HS lines in Italy



Travel time on ETR trains

Linee	TO-MI	MI-BO	BO-FI	RM-NA	RM-MI
Before HS	1: 22'	1: 42'	60'	1: 27'	4: 30'
HS	1: 00'	1: 02'	35'	1: 08'	2:55' no stop 2:40' MI Rogoredo RM Tiburtina

3

Corporate Sustainability

2016

SUSTAINABLE
BUILT

The train: a sustainable journey

Moving by train is the greenest solution, emitting about $\frac{3}{4}$ less CO₂ than travelling by plane and about $\frac{2}{3}$ less CO₂ than travelling by car.



* This does not cover the whole global warming impact of the flight. To consider it totally, select "CO₂-emissions with climate factor" in the settings. The RFI Factor takes into account the additional climate effects of other GHG emissions, especially for emissions in high altitudes (nitrogen oxides, ozone, water, soot, sulphur).

** including feeder to the airport by public transport or by car

Source: <http://www.ecopassenger.org>, using the RM-MI route as calculation baseline

FS Sustainability approach

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

BE A BUSINESS THAT IS PART OF THE ECONOMIC COMMUNITY TO PROVIDE **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 Sustainability pillars

Environment



- **Energy efficiency of the rail infrastructure and passenger transport:** reduction of losses in electrical substations, efficient driving, measurement of consumption on board our trains, smart parking, bus and train renewal
- **Energy efficiency of stations and fixed installations:** LED lighting and energy requalification of maintenance processes
- **Reduction of environmental impact for energy supply:** implementation of photovoltaic and wind energy installations for self-consumption and for acquisition of certified green energy
- **Rationalization** of electricity, methane gas and water consumption

- ↓ energy
- ↓ CO₂
- ↓ NO_x
- ↓ water

Safety



- **Reduction in the absolute number of accidents at work**
- **Reduction of the accident frequency** (number of accidents per 1000 employees)

- ↓ accidents at work
- ↓ frequency of accidents

Community



- **Recovery of station properties that are no longer instrumental for railway operations** (e.g. passenger areas) for social purposes, by promoting their reuse and enhancement
- **Transformation of disused railway lines** in favour of soft mobility
- **Development of the social inclusion culture and acceptance** in railway areas

- ↑ social improvement
- ↑ reputation

Human Resources



- **Overseeing and developing key people** (graduates, management and potential executives)
- **Support for the professional development of people** from a perspective of equity, merit and transparency
- **Diversity management and a reduction in the gender gap**
- **Employer branding:** increase of the brand recognition and attraction of new skills and capabilities from the market
- **Support to the customer centric approach**

- ↑ attractiveness
- ↑ skills
- ↑ lever
- ↑ productivity
- ↓ gender gap

FS Sustainability governance

In 2016, FS established a Sustainability Committee, an advisory board made up of senior managers from the main Group companies, pursuing value creation for all stakeholders, with respect to sustainable development principles



Mission

- Guarantee **integration of social and environmental aspects into the strategies of the Group as well as the promotion of principles and values of sustainable development** with respect to the expectations and needs of all the stakeholders.



Responsibilities

- Draw up **the Group vision**, in compliance with the environmental and social dimensions along with the business, to be approved by the Board of Directors of FS;
- Define **long-term objectives and action plans**, as per the Group vision, to be approved by the Board of Directors of FS;
- Ensure the **transposition of long-term objectives in short / medium term objectives** to be integrated in the business plan;
- Evaluate the Group **sustainability performance** and resolve any critical issues, through inter-companies work tables;
- Ensure **stakeholder dialogues** through engagement processes;
- Ensure the dialogue with Ethic, Investment and Equal Opportunities Committees, **to manage potential risks and opportunities.**

Our commitment

The Group signed the “**UIC declaration on Sustainable Mobility and Transport**”, formalising its commitment to responsible practices in terms of human rights, labour conditions, the environment and anti-corruption, in line with the ten principles of the **UN Global Compact** subscribed in 2017.

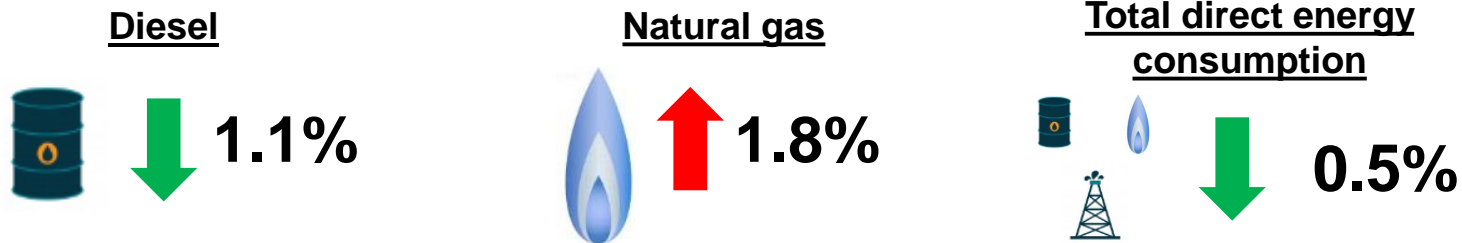
FS Group also supports the **17 Sustainable Development Goals** launched on September 2015 by the United Nations, so as to promote a common agenda on development until 2030. The effort of FS Group are in particular on SDGs 5,8,9,11,13,17.



Environmental Management System & Energy efficiency

- FS Italiane Group and the main Group companies are committed to implement and certify their **environmental management systems**. In 2016, the Group companies launched a transition process to adopt the new **UNI EN ISO 14001:2015** standard.*
- **FS Group companies follow environmental policies aimed at maximising environmental benefits and minimising the impacts of our activities.**

Consumption trends 2016 vs 2015:

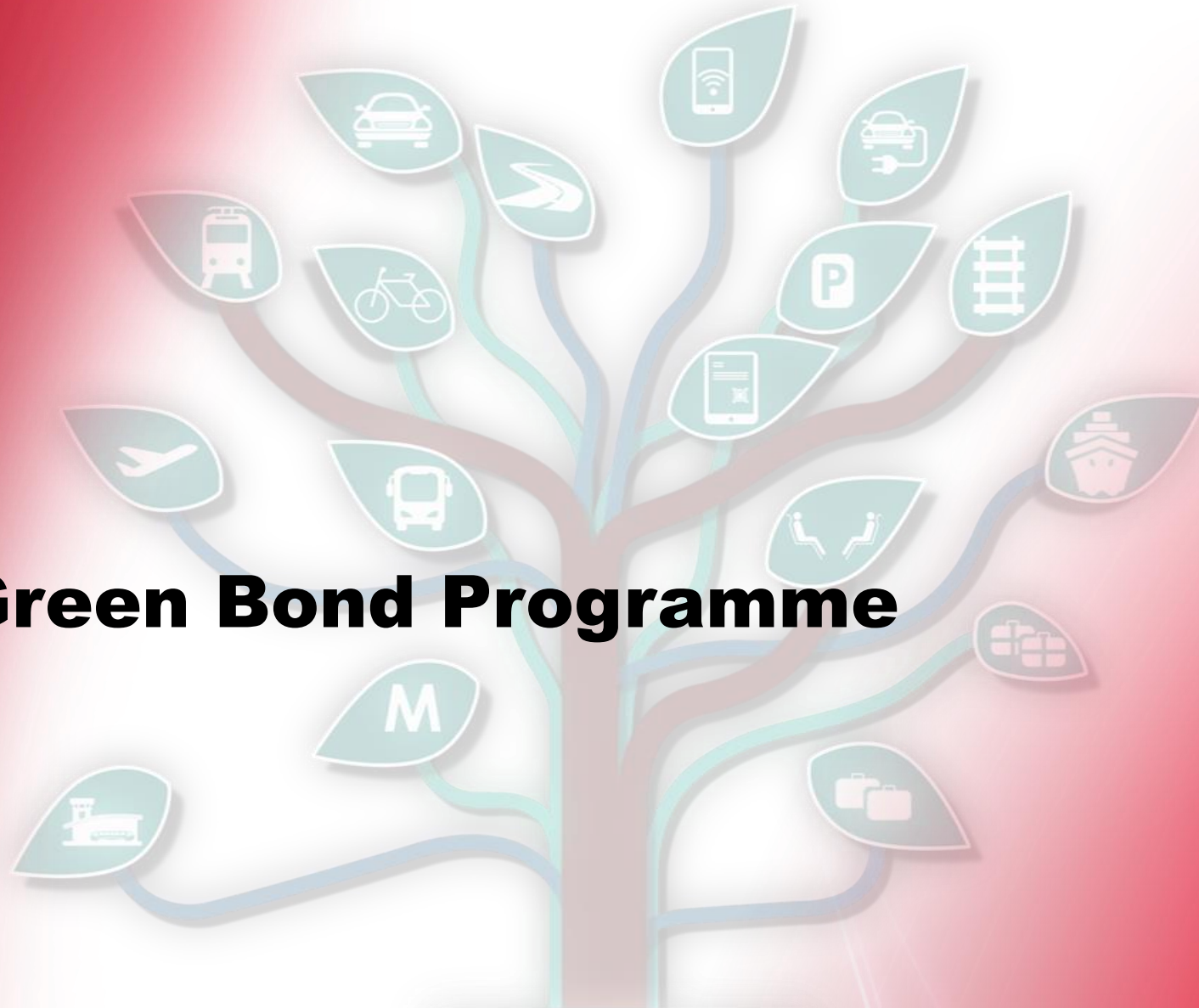


CO₂ emissions: high speed train vs car



* ISO 14001: 2015 is a standard related to environmental management that helps organizations to: (a) minimize how their operations (processes, etc.) negatively affect the environment (i.e. cause adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other environmentally oriented requirements; (c) continually improve in the above. For further information, also regarding the certification scope, please refer to 2016 Group Sustainability Report.

4



Green Bond Programme



Green Bond Framework and Use of Proceeds

- 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**

Eligible
Green
Projects

- Ferrovie Green Bond Framework will focus on Investments in **Public Transport Rolling Stock Renewal**, including:

1 New Electric Multiple Unit trains for regional passenger transport

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

2 New High speed Trains “ETR 1000”

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

- **Ferrovie may decide to include additional Project Categories for future issuances**
- An amount equal to the net proceeds of the Green Bond will be allocated for investments in one or more of the “Eligible Green Projects”, which include new and on-going projects which may have a disbursement within the past 2 years.

Total pool of
Eligible Green
Projects for the
years 2016-2018

~ € 950
million

66%
2016


34%
2017-2018*

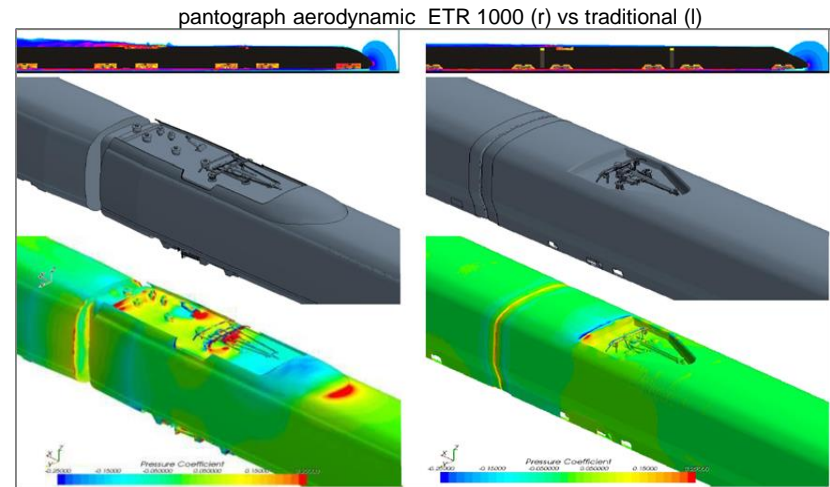
New Electric Multiple Unit trains for regional transport

- **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, CO₂ 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 Train "Frecciarossa ETR 1000"

- An average reduction of 18% in energy consumption with respect to comparable Frecciarossa ETR 500  Expected CO₂ avoided in 2018: about 25.000 tons
- 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



Process for Selection and Evaluation & Management of Proceeds

Process for Selection and Evaluation

- Ferrovie's internal **Green Bond Working Committee** will be established to review eligible projects, and monitor Ferrovie's Green Bond Framework, on a semi-annual basis.
- Committee consists of members of **Ferrovie's Finance, Sustainability teams** and Ferrovie's subsidiaries involved. It will be **chaired by Ferrovie's Head of Finance**.

Management of Proceeds

- Ferrovie's Treasury will allocate, via **intercompany loan**, the Green Bond proceeds from the Treasury to the approved projects recorded in the **Green Bond Register**.
- Whilst any bond proceeds remain unallocated, they will be invested in accordance with Ferrovie's liquidity management policies and guidelines in money market products.

Reporting

Reporting

- On an annual basis, at least until full allocation, Ferrovie will provide:
 - Allocation reporting: detailing the bond proceeds allocation by category of Eligible Projects
 - Performance reporting: for each category of Eligible Projects and where feasible, Ferrovie will report on relevant impact metrics
- Relevant metrics could include:

Project Category	Indicative Key Performance Indicators
Public Transport Rolling Stock Renewal	<ul style="list-style-type: none">• Energy savings (GWh saved)• Total GHG emissions avoided (tCO2 eq)• Other polluting emissions avoided (i.e. NOx, PM, etc)

- Ferrovie's annual Green Bond reporting will be made available on its website.
- After full allocation, reporting will only be issued in the event of any material changes

Second Party Opinion

- Ferrovie has appointed **Sustainalytics** to provide a Second Party Opinion on this Green Bond Framework.
- Second Party Opinion document is published on Ferrovie's website



Ferrovie Green Bond Framework

“Ferrovie’s Green Bond Framework is robust and transparent and in alignment to the four pillars of the Green Bond Principles 2017.”

Ferrovie’s sustainability strategy

“Ferrovie has started the process to fully integrate environmental management into its business model through:

- *Reduction in its own consumption of natural capital*
- *promote a shift towards more efficient modes of transport”*

Impact of Use of Proceeds

“Given the declared energy improvements of the new electric trains compared to previous models, as well as recyclability of the trains, Sustainalytics is of the opinion that the use of proceeds contributes to increased sustainability and energy efficiency of Ferrovie Group’s operations and the mobility system in Italy.”

FS Inaugural Green Bond

Indicative Terms for New FS Italiane RegS Offering – First Green Bond Issuance

Issuer	Ferrovie dello Stato Italiane Spa
Issuer Rating	S&P: BBB stab / Fitch: BBB stab
Documentation	REG S Bearer Senior Notes off Euro 4.5 bn EMTN Programme
Size	Benchmark
Tenor	6-10 yr
Use of Proceeds	Eligible Green Projects
Denomination	Eur 100k+1k
Listing	Irish Stock Exchange

FERROV 1 1/2 06/27/25 € 101.041

At 17:27

5

FERR 1/2 06/25 C 99 Compare 90 Actions 97 Edit

06/23/2017 - 11/13/2017 Last Price HVBT EUR Nov Avgs Key Events

1D 3D 1M 6M YTD 1Y 5Y Max Daily Table Chart Content

Last Price	101.041
High on 11/06/17	101.814
Average	100.201
Low on 06/30/17	98.882



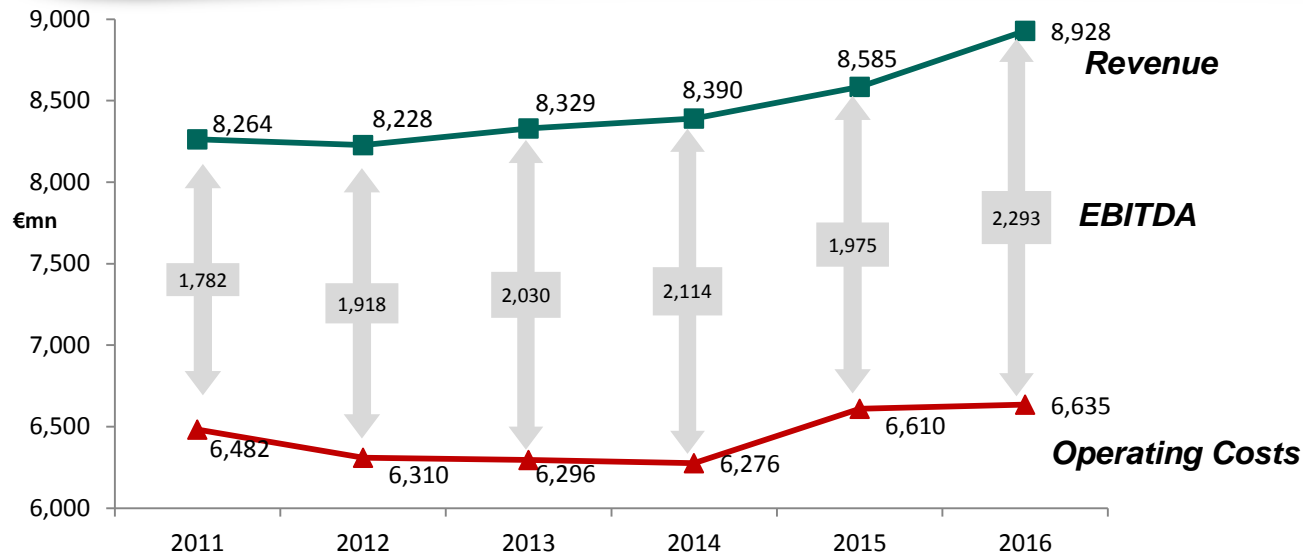
Financial Overview

Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000

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SN 562248 H266-4233-0 13-Nov-17 17:28:01 CET GMT+1:00

FS Group financial performance continues to improve



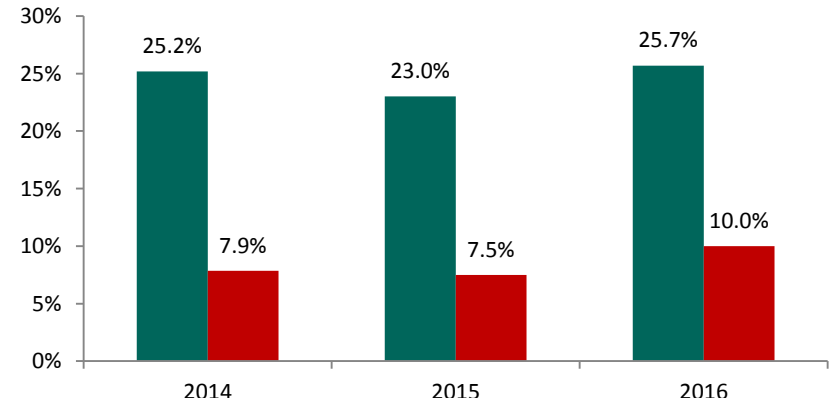
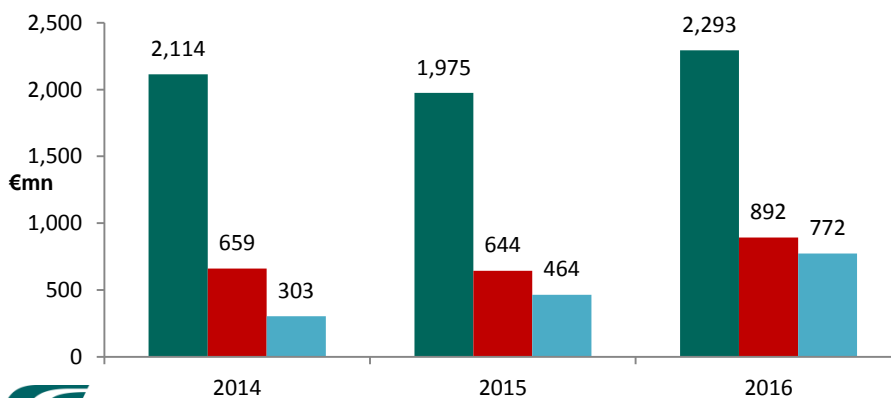
CAGR
+1.56%

Increase in revenue
over the period

CAGR
+0.47%

...focus on expenses containment

Consistent profitability and margins



■ EBITDA ■ EBIT ■ Net Income

■ EBITDA Margin ■ EBIT Margin

Group revenues breakdown

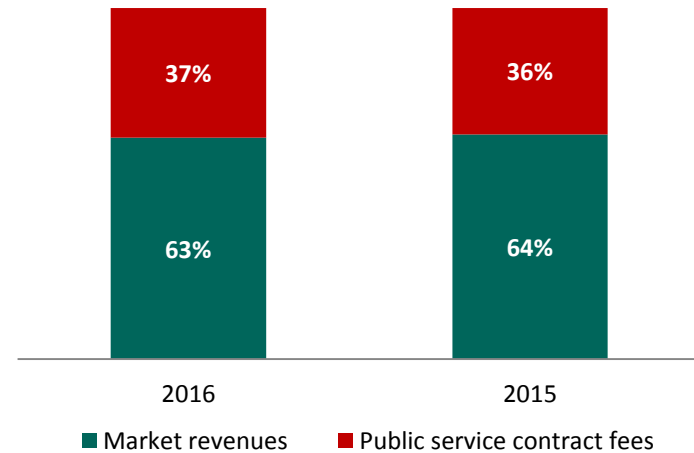
In 2016 Revenues increased by €343 million (+4% vs 2015), as a result of the rise in revenue from sales and services (+€27 million) and other income (+€316 million).

- **Transport Services “Market”**: strong performance of the short-haul passenger segment - both domestic rail and road and international rail - offset by the decrease in the long-haul passenger segment, mainly due to the tightening in the average yield following the increased intermodal competitive pressure, in addition to the lack of the incremental traffic originated by Expo 2015.
- **Transport Services “PSCs”**: revenue from Public Service Contracts – Regions and Government - increase by €62 million
- **Infrastructure**: increase in toll revenues due to the greater production volumes requested by railway companies whereas revenues from CdP-Services keep stable
- **Other income rose by €316 million, mainly as a result of the €365 million gain from the sale of Grandi Stazioni Retail’s assets**

Revenues breakdown

€mn	2016	2015	change %
Transport services	6,385	6,383	0.0%
<i>Passenger traffic products</i>	3,164	3,207	-1.3%
<i>Cargo traffic products</i>	860	878	-2.1%
Market revenues	4,024	4,084	-1.5%
<i>PSCs and other contracts</i>	248	247	0.4%
<i>Fees from the Regions</i>	2,113	2,052	3.0%
Public service contract fees	2,361	2,299	2.7%
Infrastructure services	1,282	1,256	2.1%
Other services revenues	241	242	-0.4%
Other income	1,020	704	44.9%
Total Group Revenues	8,928	8,585	4%

Transport Revenues: Market vs. PSCs

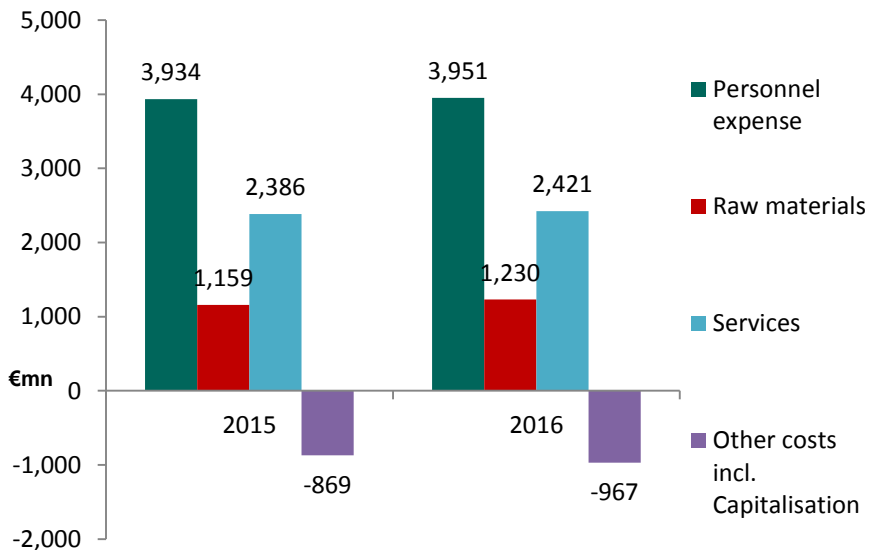


Focus on operating costs

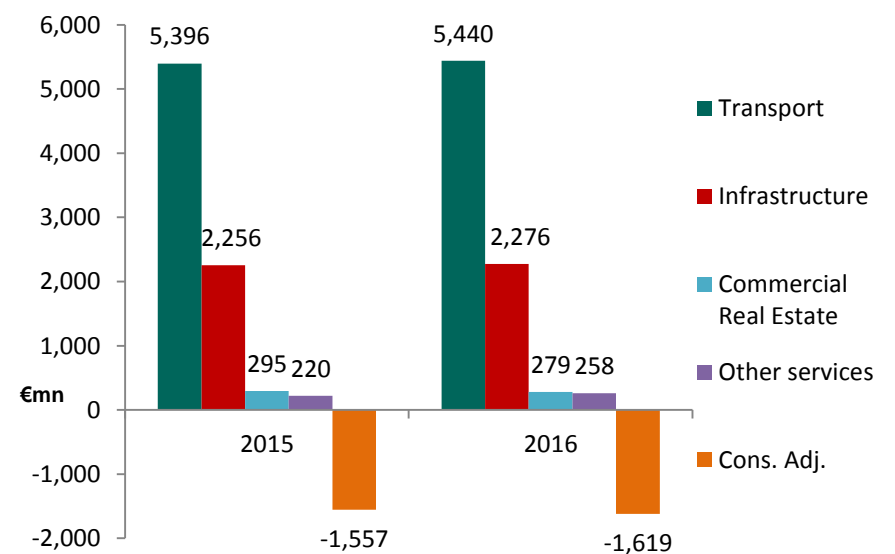
In 2016 **operating costs** amounted to **€6,635 million**, up by **0.4% only** on 2015 (€6,610 million)

- The rise in **personnel expense** mainly due to new national labour agreement for railway workers, was almost fully offset by the workforce organisation efficiency project and the reduction in the annual average employee numbers.
 - **Raw materials consumption** rose following greater investments in infrastructure, offset by smaller costs for rolling stock.
 - The increase in “Electrical energy and fuel for traction” was mainly the result of the net effect of higher electrical energy costs, due to the new regulatory provisions in the electricity market, and smaller fuel costs, caused by the generalised drop in fuel prices.
 - **Services** rose following the net effect of the increase in transport services, offset by savings in relation to maintenance services.
- 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

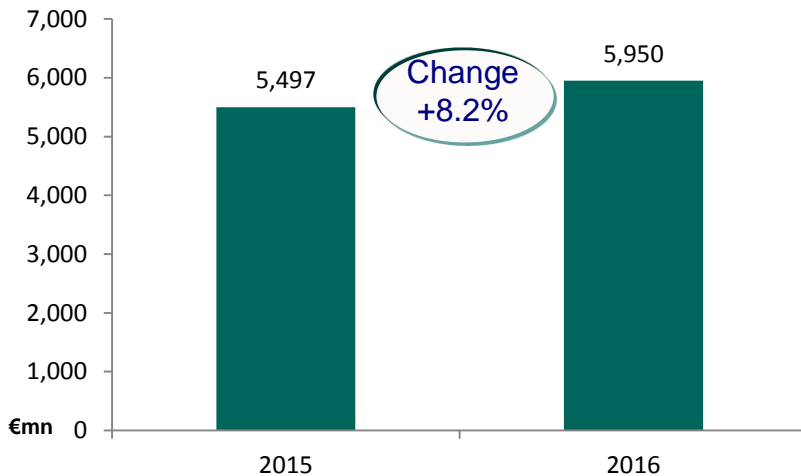


FS Group's CAPEX profile

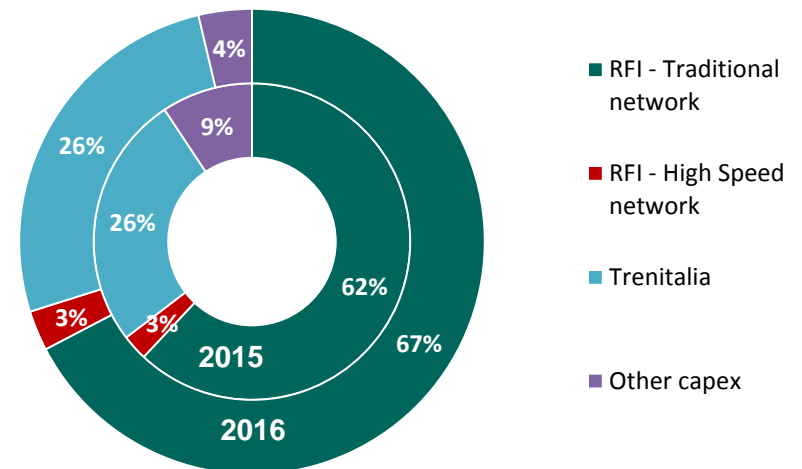
FS Italiane Group confirms its position as the leading investor in development of transport, infrastructure and logistics

- FS's investment expenditure in 2016 came to **€ 5,950 million** (of which €4,301 million through government grants mainly earmarked to infrastructure) up by 8.2% on the already sizeable amount invested in 2015.
- 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 26% (~ €1,5bn) up by 9% on the previous year and invested 63% of its capex to purchase new **rolling stock both** for long haul and regional passenger transport:
 - € 614 million was earmarked to additional "**Frecciarossa 1000**" (part of these will be refinanced via Green Bond)
 - € 455 million went to the **new regional fleet**

FS Capex in 2015 - 2016



2015 - 2016 capex breakdown

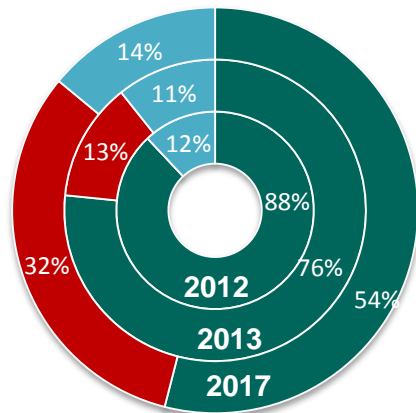


FS' debt profile

- FS Group's total gross financial debt (long term+short term) amounts to **€ 11,862mn*** at YE 2016 vs. €11,143mn at YE 2015
- The bulk of FS Group's debt is held by FS Holding (€ 7,770mn)
- Part of FS' debt is funded directly through **guaranteed State transfers** (€ 2.99 billion out of the total debt of € 11.86 billion at YE 2016). **This debt is earmarked to infrastructure investments.**
- With € 3.05 bn outstanding, FS has significantly increased the use of senior unsecured bonds for its funding needs since the establishment of the EUR 4.5bn EMTN Programme, which now account for 32% of financial sources.** Supranational entities such as EIB, Cdp, Eurofima, still act as important Group's lenders whereas bank lending accounts for 14%.
- Furthermore FS has a **€ 1.5bn committed revolving credit facility** underwritten by the a pool of 10 banks and **additional uncommitted credit lines** granted by many primary banks.
- Net Financial Debt** amounts to **€ 6,760mn at YE 2016 keeping stable** vs. € 6,742mn at YE 2015 and € 6,218mn at YE 2014.

Breakdown Financial sources as of 30 June 2017 ^(a)

■ Supranational Entities ■ EMTN Bonds ■ Bank Loans



EMTN bonds in CSPP since July 2016 ^(b)



^(a) These percentages are calculated on the long term debt held by FSIRFI/ITI which amounts to around 9 billion

^(b) In PSCC from July 2015 to July 2016

Source: FS 2016 Annual Report and 2017 interim report highlights

Split of debt by company as of 31 Dec 2016

€mn	Gross financial debt
FS (Holding Company)	7,770
Rete Ferroviaria Italiana	1,951
Trenitalia	1,092
Other Group's Companies	1,049
Total Long Term Debt + Short Term Financing	11,862*

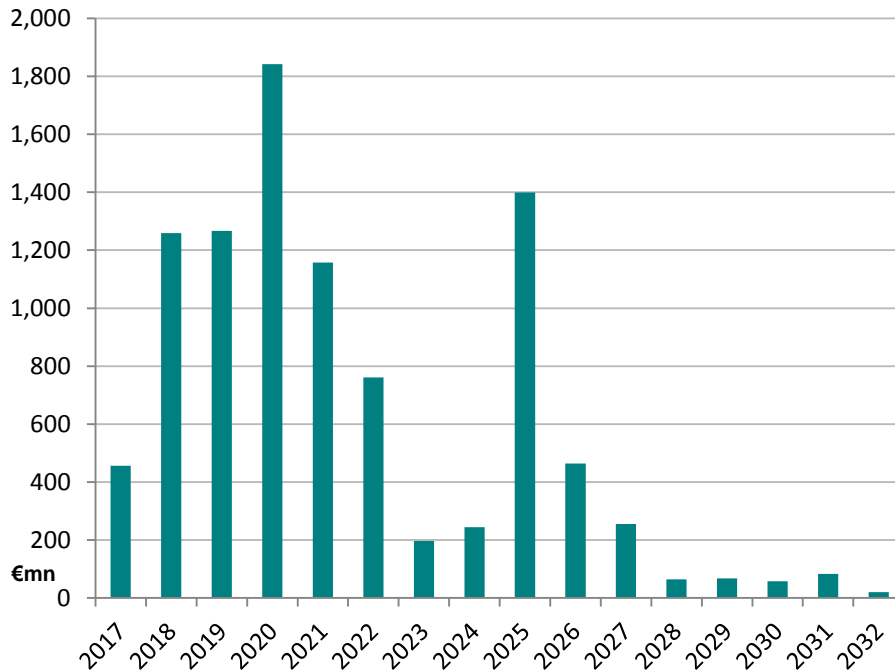
*Of which € 8,652mn long term debt and € 3,210mn short term debt and current portion of long term debt

Balanced debt maturity profile

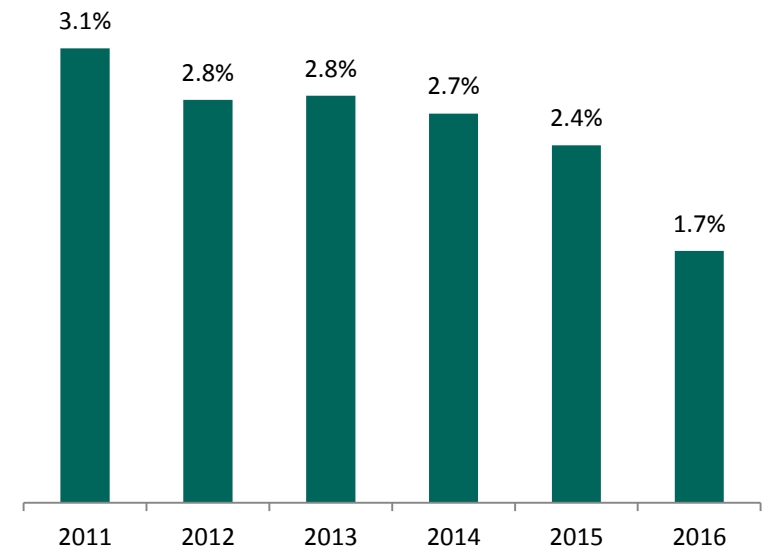
Effective management of financial expense

- 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.
- 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 2016 interest expense on debt was a **record low at 1.7%**.

Group long term debt maturity profile as of 30 June 2017*



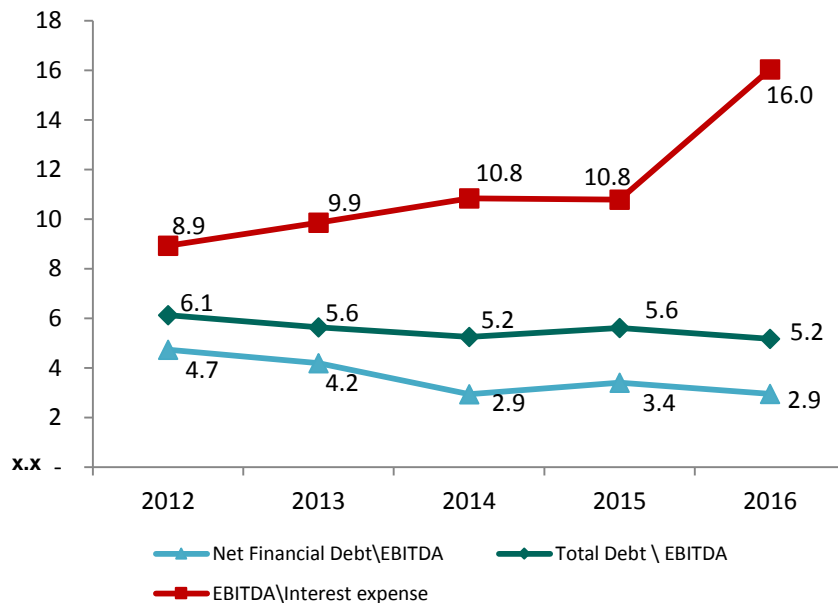
Interest on financial liabilities **



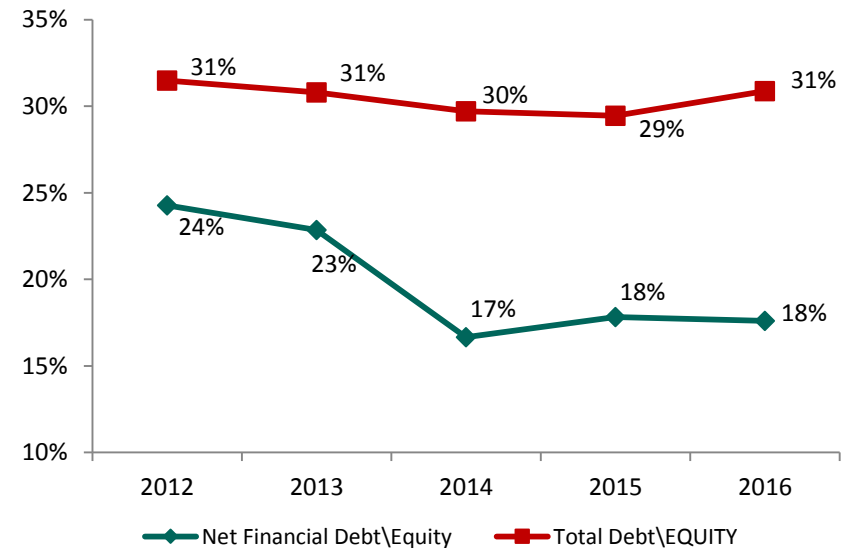
Debt service capacity

- Given improvement in profitability and conservative debt management, **Net Financial Debt / EBITDA has decreased to 2.9x** in 2016 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 16x in 2016.
- FS Italiane maintains a strong capitalisation.

Leverage evolution and EBITDA interest coverage



Capitalisation



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

6

Appendix



Reporting practices

General standard disclosures

The engagement of the Group is disclosed in the Sustainability Report



The 2016 Sustainability Report is compliant to GRI-G4 new reporting criteria, «Comprehensive»

- Group profile
- Corporate Governance
- Strategy and Analysis
- Stakeholder engagement

Specific standard disclosures

Economic

- Results
- Investments
- Funding



Social

- Human resources
- Safety
- Customer care
- Customer satisfaction
- Community
- Human rights



Environmental

- Energy
- Emissions
- Waste
- Noise
- Other impacts (i.e. water)



ROCK - High Capacity EMU

- Use of materials provided with environmental labels (Oeko – Tex standard and FSC)
- Minimum recyclability rate of 92%
- Rack for 18 bikes + charging station for electric bikes
- Maximization of usable space
- Reduced mass per seat (280 vs 370 kg/seat)
- CO₂ sensors for optimal regulation of heating and cooling ventilation based on vehicle actual occupation
- Materials for thermal insulation, with reduced dimensions and weights



POP - Medium Capacity EMU

- Minimum recyclability rate of 96%
- Rack for 8 bikes + charging station for electric bikes
- Reduced mass per seat (370 vs 410 kg/seat)
- Use of natural ventilation for cooling (engines, braking resistance, etc)
- Improved torque characteristics both in traction and in electric braking



Sustainability award

Trenitalia won the “Sustainable Development Award 2017” for its new Rock and Pop regional trains designed and built with strong energy and environmental performances.

The Sustainable Development Award is an important award for those companies that have been able to combine environmental quality and industrial competitiveness. The award is promoted by the Sustainable Development Foundation¹ and Ecomondo².


Trenitalia is resulted among the top 10 Italian companies in the "Sustainable Mobility" category.



Note 1: The purpose of the Foundation is the promotion of a green economy, one of the core principles of sustainable development

Note 2: Ecomondo is the leading Euro-Mediterranean area green and circular economy expo

ETR 1000 – Environmental Product Declaration

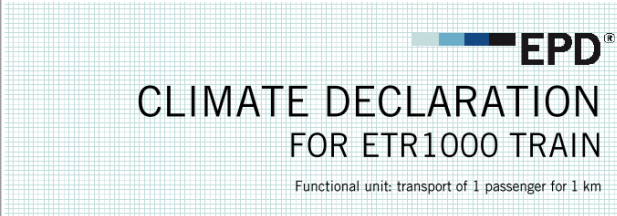


HITACHI
Inspire the Next

ETR1000

Environmental Product Declaration
Rev. 01 – Date: 2013/07/08
Approval date: 2013/07/08
Registration N.: S-P-00453
UN CPC Code: 495
PCR 2009:05 version 2.0
Validity: 2016/07

Hitachi Rail Italy



CLIMATE DECLARATION FOR ETR1000 TRAIN

Functional unit: transport of 1 passenger for 1 km

The climate declaration shows the emissions of greenhouse gases, expressed as CO₂-equivalents. It is based on verified results from a lifecycle assessment (LCA) performed as basis for an EPD® (Environmental Product Declaration), in accordance with ISO 14025.

Product
ETR 1000 is a "very high speed" train for passengers' transport. EMU (Electric Multiple Units) type, designed and produced in collaboration with Bombardier Transportation to improve the link between greater cities. The train consists of eight car bodies with seven articulations. The traction is supplied by sixteen electric engines, coupled on eight of the sixteen bogies; other trucks are only trailers.

Company
AnsaldoBreda S.p.A. is a Finmeccanica Group's company, specialized in the production of rail vehicles. AnsaldoBreda is organized in its four Italian plants: Naples, Pistoia, Reggio Calabria and Palermo and in some operating plants abroad, achieving an overall number of about 2,250 employees. The company has developed and certified an Environmental Management System in compliance with ISO 14001 standard.

Climate declaration
The environmental performance of the considered product has been quantified by Life Cycle Assessment (LCA) approach in accordance with ISO 14040 and ISO 14044. The life cycle is divided into three modules, Upstream Module (raw and basic materials, fuels etc) Core Module (manufacture of the vehicle) and downstream module (operation, materials etc). The graph shows the emissions of greenhouse gases for passenger transports per person and kilometre.

Other environmental information
More information about the products complete environmental performance is presented in the EPD at www.environdec.com.

Contact
Contact person: Davide Bonaffini, AnsaldoBreda S.p.A
Tel +39 0573 370773
bonaffini.davide@ansaldobreda.it

AnsaldoBreda
A Finmeccanica Company
www.ansaldobreda.it

kg CO₂-equivalents per 1 passenger transport for 1 km

Phase	kg CO ₂ -equivalents
Upstream	0,0007
Core	0,0002
Use phase	0,028
End of life	0
Downstream	0,029
Total	0,0579

LINK TO MORE INFORMATION: WWW.ENVIRONDEC.COM	EPD PROGRAMME: THE INTERNATIONAL EPD® SYSTEM
REGISTRATION NO. S-P-00453	PCR: 2009:05, V2.0
INDEPENDENT VERIFICATION OF THE DECLARATION AND DATA, ACCORDING TO ISO 14025:	ACCREDITED / APPROVED BY:
EXTERNAL VERIFIER: ARIANNA DEL BOSCHI	INTERNATIONAL EPD® SYSTEM
CLIMATE DECLARATIONS FROM DIFFERENT PROGRAMS MAY NOT BE COMPARABLE	
READ MORE ABOUT CLIMATE DECLARATIONS AT WWW.CLIMATEDEC.COM	VALIDITY: 2016-07-18

An EPD is an Environmental Product Declarations defined by ISO 14025 as a document that quantifies the environmental performance of a product through appropriate categories of parameters calculated with the Life Cycle Assessment (LCA) method according to the ISO 14040 standard.

Our role for the community

Involvement in community initiatives has always been fundamental for FS Italiane Group, which is tangibly committed to carrying out projects and initiatives to help disadvantaged people.

The **Help Centers** are the Group's answer to the growing phenomenon of social crisis and the considerable rise in migration to Europe and Italy in particular, as it is an access point.

The Help Centers are “low threshold” information points - i.e. without any filtering of users – created to welcome and shelter those who are most in need and help begin their rehabilitation with the city's social services and institutions.

The Help Center network currently spans 17 railway stations from Northern to Southern Italy.

These projects follow the CSV concept (Creating Shared Value). Our aim is to improve the conditions of railway areas (for our clients, passengers) and, at the same time, to help disadvantaged people in these areas.



17 Help centers



2 Shelters

(Rome and Milan)

FY 2016 Consolidated Financial Statements

Income Statement			
€mn	2016	2015	Change %
Total Revenues	8,928	8,585	4.0%
<i>Of which:</i>			
<i>Transport</i>	6,385	6,383	+1.6%
<i>Infrastructure</i>	1,282	1,256	2.1%
<i>Others</i>	1,261	946	33.3%
Operating Costs	(6,635)	(6,610)	0.4%
<i>Of which:</i>			
<i>Employee costs</i>	(3,951)	(3,934)	0.4%
<i>Raw materials</i>	(1,230)	(1,159)	6.1%
<i>Service costs</i>	(2,421)	(2,386)	1.5%
<i>Other net operating costs</i>	967	869	11.3%
EBITDA	2,293	1,975	+16.1%
EBIT	892	644	38.5%
Profit before Tax	798	537	48.6%
Income taxes	(26)	(73)	64.4%
Group Profit	772	464	66.4%

Reclassified Statement of Financial Position			
€mn	2016	2015	Change
Net operating Working Capital	404	929	(525)
Other Net Assets	591	(581)	1,172
Working Capital	995	348	647
Net non-current assets	47,330	47,357	(27)
Other provisions	(3,068)	(3,010)	(58)
Net assets held for sale			
NET INVESTED CAPITAL	45,257	44,695	562
Net current financial debt	353	884	(531)
Net non-current financial debt	6,407	5,858	549
Net financial debt	6,760	6,742	18
Equity	38,497	37,953	544
COVERAGE	45,257	44,695	562

Statements of Cash Flows		
€mn	2016	2015
Profit for the year	772	464
Net cash flows generated by operating activities	1,395	1,468
Net cash flows used in investing activities	(1,177)	(1,878)
Net cash flows generated by financing activities	815	407
Total cash flows	1,032	(3)
Opening cash and cash equivalents	1,305	1,308
Closing cash and cash equivalents	2,337	1,305

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<http://www.fsitaliane.it/>

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<https://www.fsitaliane.it/content/fsitaliane/en/Sustainability>