

















































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

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

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

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

### **Green bond report**

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

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

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

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

## Income statement

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

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

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

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

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

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

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



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

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

## Reclassified statement of financial position

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

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

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

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

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

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

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

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

## Consolidated financial statements

**Statement of financial position**

millions of Euros

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

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

## Income statement

millions of Euros

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

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

## Statement of comprehensive income

millions of Euros

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

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

## Statement of changes in equity

millions of Euros

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

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

## Statement of cash flows

millions of Euros

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

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



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

## Statement of financial position

Euros

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

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

## Income statement

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

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

## Statement of comprehensive income

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

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

## Statement of changes in equity

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

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

## STATEMENT OF CASH FLOWS

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

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

## Reporting by operating segment

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

millions of Euros

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

millions of Euros

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

millions of Euros

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

millions of Euros

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

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