2014 Annual Financial Report

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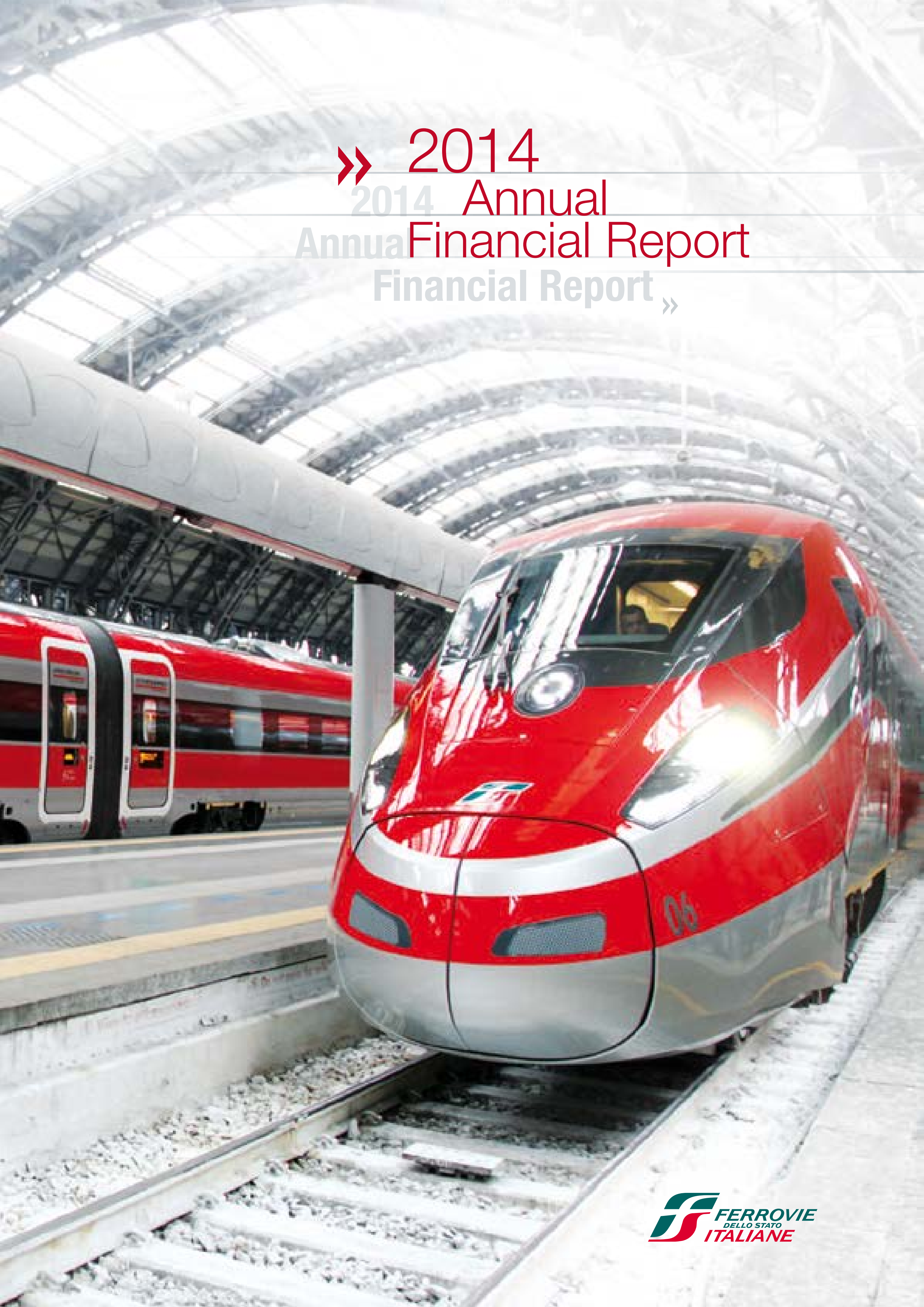

FERROVIE DELLO STATO ITALIANE

Translation from the Italian original which remains the definitive version

Registered office: Piazza della Croce Rossa, 1 - 00161 Rome (Italy)
Share capital: 38.790.425.485 fully paid-up
Rea (Administrative Economic Register) of Rome no. 962805
Registered with the Chamber of Commerce of Rome under no. 06359501001
Tax Code and VAT no. 06359501001
Contact number: +39 06 44101
Webpage www.fsitaliane.it

Ferrovie dello Stato Italiane SpA's officers and independent auditors

Board of Directors

	In office until 29 May 2014	Appointed on 29 May 2014*
CHAIRMAN	Lamberto Cardia	Marcello Messori
CEO	Mauro Moretti	Michele Mario Elia[1]
DIRECTORS	Antimo Prosperi Mauro Coletta Maria Teresa Di Matteo	Daniela Carosio Vittorio Belingardi Clusoni Giuliano Frosini Gioia Maria Ghezzi Simonetta Giordani Federico Lovadina Wanda Ternau

Statutory Auditors

CHAIRMAN	Alessandra dal Verme
STANDING STATUTORY AUDITORS	Tiziano Onesti Claudia Cattani
ALTERNATE STATUTORY AUDITORS	Paolo Castaldi Cinzia Simeone

Court of Auditors' Magistrate appointed to audit Ferrovie dello Stato Italiane SpA

Ernesto Basile

Manager in charge of the company's accounting documents preparation

Roberto Mannozzi

Independent auditors

KPMG SpA (2014-2022)

* Following the Shareholder's resolution on the same date
1. Appointed during the Board of Directors' Meeting of 30 May 2014

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Content

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Chairman's letter

Chairman's letter

Dear Shareholder,

Last year, 2014, was far from negative for the world economy, especially thanks to good US growth and fair results in several emerging areas. For much of the year the European contribution to this scenario was very limited, chiefly due to difficulties persisting in the Euro area, which achieved very modest economic growth rates. What is more, the rapid fluctuations in the current account deficits of the more fragile Member States from 2013 onwards led to serious imbalances in terms of internal competitiveness. This meant that most of the so-called "periphery" countries achieved lower-than-average economic performances and, in Italy's case, its economic performance was negative.
Starting from the end of autumn 2014, the macroeconomic fundamentals of the Euro area underwent a very positive trend inversion. The fall of energy prices and of other raw materials, the launch or announcement of unconventional monetary policies of a highly expansionary nature, the connected fall of nominal interest rates and the depreciation of the Euro against the world's main currencies (especially the US Dollar) all created favourable conditions for economic recovery in the area. At the beginning of 2015 these conditions were strengthened thanks to the launch, by the European Central Bank, of Quantitative easing 2 (that is, QE based on the purchase of Government bonds in secondary markets) and thanks to the Communication, on the part of the European Commission, of greater "flexibility" in applying some crucial European rules and regulations. This opened up, especially for Italy, possibilities of economic growth which seem confirmed by early results in 2015.
Clearly, to exploit such growth opportunities, the European Economic and Monetary Union, and especially Italy, will have to relaunch aggregate demand in the short term, and implement reforms in the medium-long term to bolster their competitiveness, especially in the Single Market. It is also clear that, in economic terms, the ideal bridge linking short- and medium-term horizons consists in relaunching public and private investment. For some time now, Italy has reduced the weight of both types of investment in relation to GDP. The recent, lengthy recession which hit our economy – with brief interruptions – from 2008 to 2014 led to a real collapse of this component of aggregate demand. The Ferrovie dello Stato Italiane (FS) Group may play a decisive role in the recovery of investment growth in Italy.
In the financial year 2014 the FS Group achieved positive and growing **earnings before interest, taxes, depreciation and amortization (EBITDA)**; and it recorded a good *performance* in its **gross profit**, up 80 million euros (+3.9%) in line with the objectives expressed in its 2014-2017 Business Plan. **Net profits**, about 303 million euros, decreased both against the previous year (-34.1%) and with respect to the Business Plan. One of the reasons for this result may be attributed to the adverse impact on the balance sheet of normative and regulatory measures which were concentrated at the end of the year and resulted in changes to the assumptions which underpinned the 2014-2017 Business Plan and the relevant budget forecasts for 2014.

Operating results and the above normative changes are extensively described in the 2014 annual financial statement. As regards the latter changes, suffice it to recall the decision, taken by the State under the approval of Law no. 190 of 23 December 2014 (Law of Stability 2015), not to renew the Freight Service Contract despite the presence of a “market failure”. It was this decision which also affected the FS 2014 balance sheet, in that it became necessary to devalue the assets by over 185 million euros in the context of Trenitalia SpA’s “Cargo” Business Unit. What is more, the immediate coming into effect of regulatory measures concerning tolls for the use of rail infrastructure (the reduction of the High Speed toll), introduced by Resolution no. 70 (Art. 6.5.3) of 31 October 2014 of the Transport Regulatory Authority (ART), has weighed negatively on the infrastructure company (RFI SpA) even if it has reduced the costs of Trenitalia SpA.

We are aware that such normative and regulatory developments are destined to have consequences on the organisation and assets of FS also in the future. In drawing attention to the impact of such changes on the Group’s profits in 2014 it is worth stressing an aspect of crucial importance: FS is keen both to reach, in the shortest time possible, the definition of a stable regulatory and policy regime, and to meet rigorous objective criteria in determining public payments for various universal services and for the investments required. As regards the limits of competence for those who contribute – in cooperation with the other members of the Board – to running the Group, I would like to stress that a stable regulatory regime and transparent and rigorous criteria in determining public payments can only favour the growth and establishment of FS as a supporting structure for Italy’s productive apparatus. Further, this scenario and these criteria are essential components of competition “in the market” and “for the market” which, in turn, is a crucial condition for enhancing the Group’s value and allowing successful privatisation.

I refer to competition and the privatisation process in order to highlight the fact that 2015 is a fundamentally important year for the FS Group. The new market scenarios, which will take their cue from the innovations of European legislation (the so-called "Recast" Directive) and from the activity of the Italian ART, and the possible stock market listing and partial privatisation, which will concern the FS Group, represent a major challenge. This challenge lends impetus towards a re-organisation of the holding company and – above all – its subsidiaries, which will be based on setting up sound business models for the various spheres of activity of the Group's companies in the context of a detailed 2015-2018 Business Plan. The objective, which is appropriate to an ambitious company like ours, is to achieve at least three results:

- carry forward the efficiency and effectiveness of passenger services, using the excellence of the High Speed service as a benchmark for the quality of long-distance traditional services and that of local public transport;
- carry out the planned reorganisation of freight transport, with a view to providing more robust services and thereby contribute to strengthen the logistics of the national economic system and rationalise a sector which has substantial environmental impact;
- improve profitability through management of the various activities of the Group, so as to ensure returns on capital invested by the State and by future private owners, albeit in the presence of the above regulatory changes.

In conclusion, I would like to stress that the three objectives listed above are based on striking a balance between the Group's private interests and the national public interest which is part and parcel of FS activities and which must remain so, albeit in a market fully open to competition and with partly privatised companies. The FS Group represents one of the fundamental infrastructures for society and the economy in Italy. From its activity it has to achieve a level of profitability such that the Group itself may be assured of a pre-eminent position among the country's largest firms, creating – at the same time – development opportunities for the company and for its employees, and positive "externalities" for other national and European firms, and for all those working and living in Italy.

The Chairman

Group highlights

Disclaimer

This document and, in particular, the part titled *Outlook for the Group and FS SpA* contains forward-looking statements based on current expectations and projections of future events. By their very nature, these statements present inherent risks and uncertainties. They refer to events and depend on circumstances that might, or might not, occur or arise in the future and, as such, cannot be considered reliable. Actual results could materially differ from the data in these statements following myriad factors, including the volatility and decline of capital and financial markets, another European sovereign debt crisis, changes in raw material prices, changes in macroeconomic conditions and economic growth and other changes in business conditions, changes in legislation and the institutional context (both in Italy and abroad), difficulties in carrying out production and providing services, including restrictions to the use of the infrastructural railway network, the use of plants and supplies and many other risks and uncertainties, most of which are beyond the Group's control.

Key and glossary

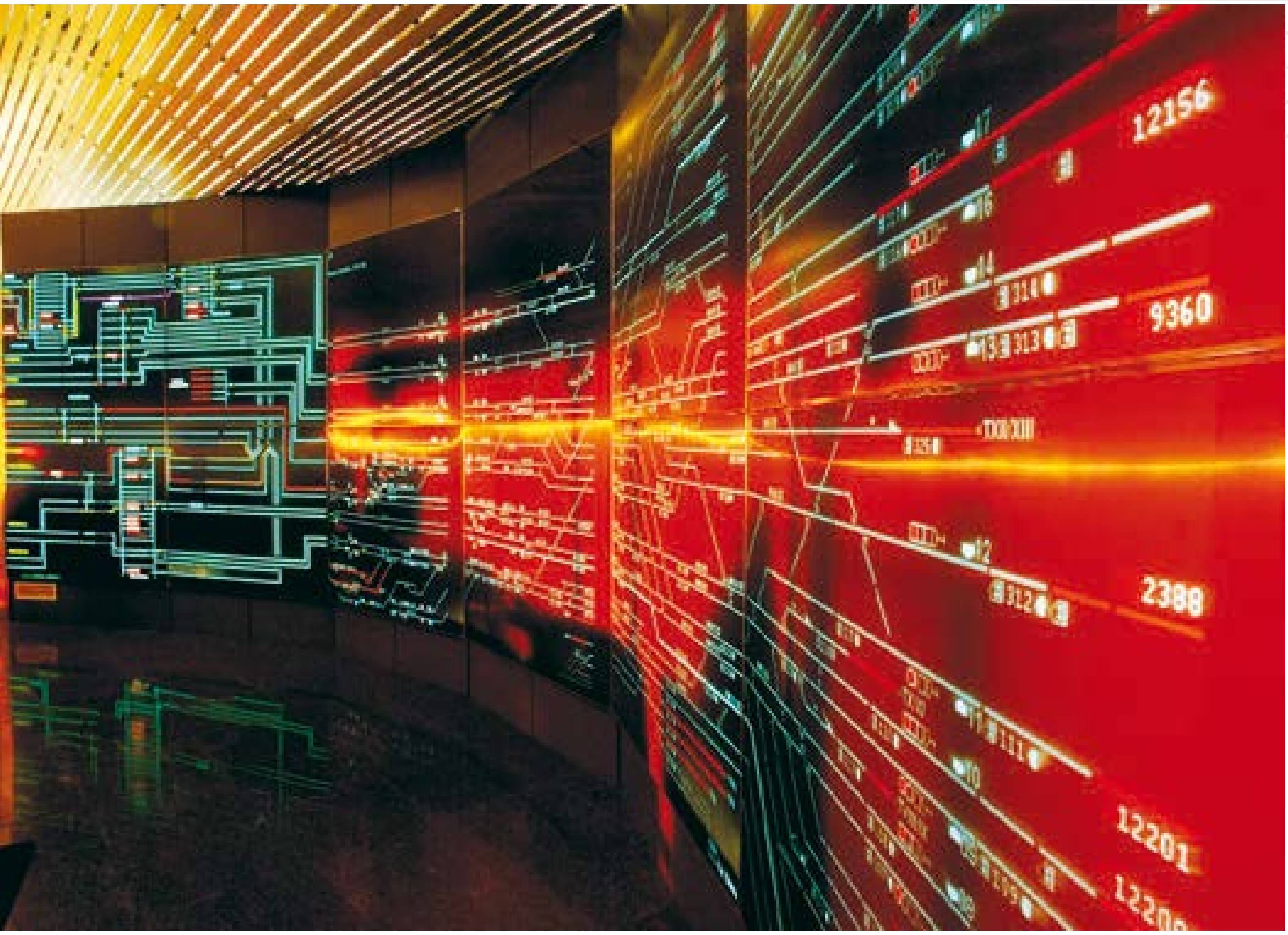
Key and glossary

The following performance indicators are frequently used in this report:

Gross operating profit	This is an indicator of the performance of operations and reflects the Group's core business only. It is calculated as the difference between revenue and operating costs.
Operating profit	This is an indicator of the performance of operations and is calculated as the algebraic sum of gross operating profit and amortisation and depreciation, impairment losses (reversals of impairment losses) and provisions.
Net operating working capital	This is the sum of inventories, construction contracts, current and non-current trade receivables and current and non-current trade payables.
Other assets, net	These consist of receivables and advances from the Ministry of the Economy and Finance for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities.
Working capital	this is the algebraic sum of net operating working capital and other assets, net.
Net non-current assets	These consist of property, plant and equipment, investment property, intangible assets and equity investments.
Other provisions	These comprise post-employment benefits and other employee benefits, the tax provision, the bilateral fund for income assistance, the provision for litigation with employees and third parties, the provision for other sundry risks and deferred tax liabilities.
Net assets held for sale	These consist of assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use.
Net invested capital (NIC)	This is the algebraic sum of working capital, net non-current assets, other provisions and net assets held for sale.
Net financial debt (NFD)	This financial indicator consists of bonds, current and non-current bank loans and borrowings, the current portion of non-current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, cash and cash equivalents and current and non-current financial assets.
Equity	This is a financial statements indicator calculated as the algebraic sum of share capital, reserves, retained earnings (losses carried forward), current and non-current derivative liabilities and the profit/(loss) for the year.

The following terms are frequently used in relation to the Group's operations:

Computer-based interlocking system	Management system for control and signalling and station safety.
ARIS	**All-relay interlocking system.** This centralised device has one single button to control routes and routing and automatically shunts each individual body affected by the route.
ATC	**Automatic train control.** This system automatically controls the train's speed. It is the technological and functional development of the automatic train protection (ATP).
HS/HC	**High speed/High capacity.** This is the system of lines and means specifically developed for high speed transport and the consequent high capacity transport.
Average load	**(pkm/tkm).** This ratio expresses the number of passenger-km per train-km, i.e., how many people a train can transport on average.
Government programme contract	This is a long-term contract between the Ministry of Infrastructure and Transport and Rete Ferroviaria Italiana SpA ("RFI") defining investment projects and other terms and conditions, such as network maintenance, to encourage the development of the railway system.
Public service contracts	These are contracts between the Ministry of Infrastructure and Transport/Ministry of the Economy and Finance and Trenitalia SpA whereby the former reimburses the latter for the cost of public passenger transport services that could not otherwise sufficiently self-fund.
Main line	This is a railway line that is particularly important in terms of traffic volumes and the transport role it plays, as it joins major network centres or hubs.
ERA	**European Railway Agency.** This is the EU agency establishing the mandatory requirements for European railways and builders in the form of technical interoperability specifications applicable to the European railway system. The ERA sets common safety targets, along with the related methods and common safety indicators, in compliance with Directive 2004/49/EC, as amended.
ERTMS	**European Rail Traffic Management System**. This is the system that integrates the various railway networks in the EU from a functional and operational standpoint and provides for the European Train Control System.
ETCS	**European Train Control System**. This is the overall network of the various national automatic train control (ATC) systems. ATC systems consist traditional and innovative signalling systems and can be based on continuous signal repetition (CSR) or continuous digital signal repetition (CDSR).
GSM-R	***Global System for Mobile Communication***. This is the European standard for public digital mobile telephony system with a transmission speed of 9.6 Kbps.
Plant	this is a railway company's production unit with a fixed location and identifiable area of jurisdiction on the railway network. It may belong to either the infrastructure operator or the transport companies.
Load factor	**(pkm/seat-km).** This indicator measures capacity, i.e., the level of saturation of the commercial offer: how much one seat is occupied, e.g., on a Rome-Milan train with intermediate stops (a passenger getting off at Florence only occupies the seat 50% of the distance compared to a passenger travelling to the terminal stop in Milan).
Hub	This is a conventional term to define a railway area that generally coincides with major metropolitan destinations presenting highly dense and relatively complex medium-size to large stations and other railway plants that are interconnected by various lines, creating a continuation of the main routes into the same hub and other lines, built to manage various traffic flows and alternative routes, or service loops.
Doubling	The transformation of a single track to a double track.



Terminal — This is intermodal transport infrastructure for the transfer of large load units between carriers, with or without warehouses of modest size.

CCS/large network CTC — **Command and control system/Large network CTC system.** This system regulates traffic on the main lines and hubs, outperforming traditional centralised traffic control systems. The CCS has a processing system in a central location where the functions, organisation and related technology for the centralisation of command and control activities.

TSCS — **Train speed control system.** This is the first functional stage of the ATC system for constant control over train speed, making it possible to activate the emergency brakes if the train exceeds the maximum speed allowed on the line or if it proceeds past stop signals.

Combined transport — Intermodal transport mainly carried out by rail, river or sea, whereas the initial and terminal journeys are by road. Combined transport uses specific carriages and coded lines for the sections by rail.

Intermodal transport — This is transport using two or more modes of transport (road, rail, sea or river) with the transfer of load units from one mode to another without breaking up the load, i.e., using a roadway vehicle or intermodal transport unit (containers, mobile boxes and semitrailers).

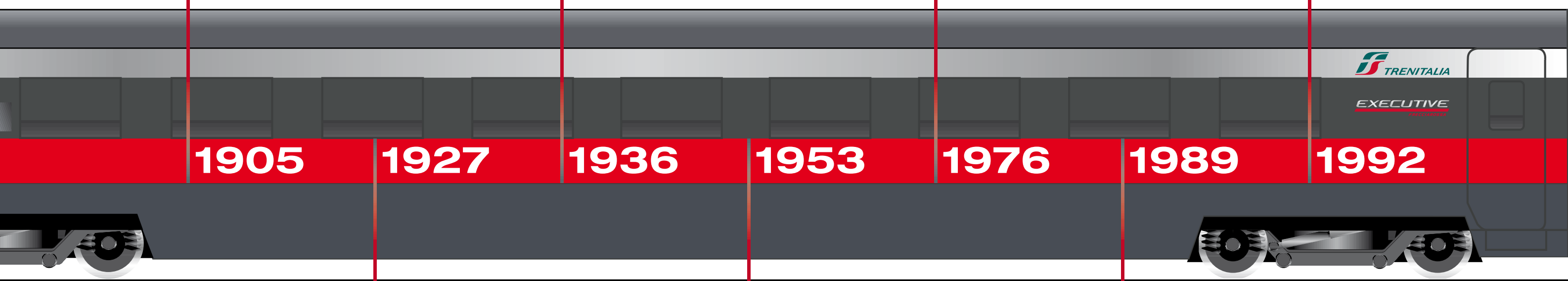
Train-km — Number of train events per kilometre travelled (tkm)

Passenger-km — Number of passengers multiplied by km (pkm)

The future relies on a great history

The future relies on a great history

The Azienda Unitaria delle Ferrovie dello Stato is established on 1 July 1905, based on the unification of stations and a consistent style of carriages. The railway system is designed and built in accordance with one, unified national criterion.



1905

1927

Together with the Napoli Mergellina station, the direct Rome-Naples line is inaugurated, the first designed to reach high speeds.

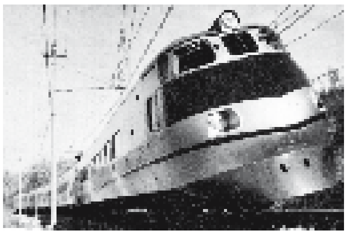
1936

The first Italian electric train is built: the ETR 200, paving the way for high speed transport.

1953

The ETR 300 arrives on the Rome-Milan line, and is immediately renamed the Settebello, after its seven carriages. Its innovative shape is emblematic of the Reconstruction period and Italian design.

1976



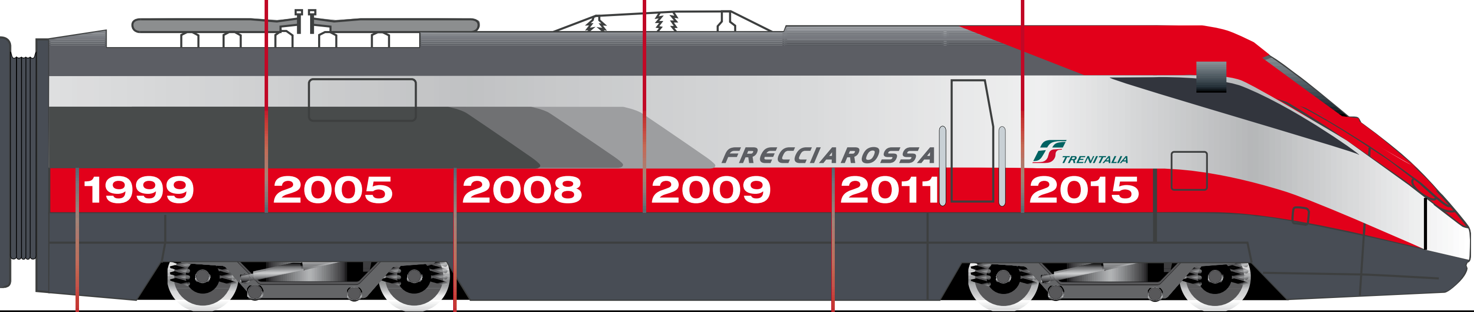
The first electric tilting train is built: the ETR 401, more commonly known as the Pendolino. Designed by Ferrovie dello Stato and Fiat Ferroviaria to reach speeds of up to 250km/h, the Pendolino is a milestone in the path towards Italy's HS rails.

1989

On the direct Rome-Florence line, the ETR X 500 reaches speeds of 317km/h, setting Ferrovie dello Stato's official record. The ETR Y 400 breaks the record soon after when it hits 321km/h.

1992

Ferrovie dello Stato becomes a company limited by shares.



1999

The Company is divided into business segments, which will lead to the creation of the Ferrovie dello Stato Group in the new millennium.

2005

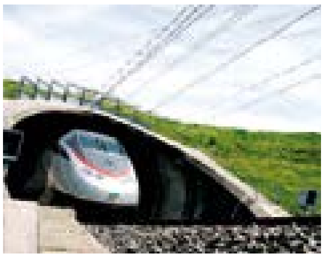
The new HS Rome-Naples line is completed, and is the first to adopt the innovative ERTMS/ETCS. Engineers arrive from around the world, including Japan, the US, Russia and China, to study the Italian system, which boasts safe, quiet railway transport at 300km/h.

2008

The Ferrovie dello Stato Group opens the HS line connecting Milan and Bologna. The works include an extraordinary suspension bridge over the Po River. Trains running on the new line set a new record for Italian speed: 362km/h.

2009

The Bologna-Florence line, almost entirely in tunnels, and the Novara-Milan lines are opened. The HS line from Turin to Salerno is completed. These lines add 1,000 km of HS rail to the country, changing Italians' way of life and how they get around.



2011

FS SpA acquires the Group, which then expands to include Deutschland, now known as Netinera, Germany's third largest operator in the passenger transport service sector.

2015

Frecciarossa 1000, the ultra high speed train of the future, is rolled out.

Consolidated highlights

Consolidated highlights

MAIN RESULTS AND FINANCIAL DATA

	2014	2013	Change	%
Revenue	8,390	8,329	61	0.7
Operating costs	(6,276)	(6,296)	20	0.3
Gross operating profit	2,113	2,033	80	3.9
Operating profit	659	822	(163)	(19.8)
Profit for the year	303	460	(157)	(34.1)

millions of Euros

	31.12.2014	31.12.2013	Change	%
Net invested capital (NIC)	43,715	43,077	638	1.5
Equity (E)	37,497	37,342	155	0.4
Net financial debt (NFD)	6,218	5,735	483	8.4
NFD/E	0.17	0.15	0.01	8.0
Investments of the year	4,261	3,895	366	9.4
Cash flows generated by (used in) operations	(315)	353	(668)	(189.2)

millions of Euros

MAIN PERFORMANCE INDICATORS

	2014	2013
Gross operating profit/Revenue	25.18%	24.41%
ROS (operating profit/Revenue)	7.85%	9.87%
Personnel expense/Revenue	(46.69)%	(46.94)%

Directors' report

Corporate governance

Corporate governance

Introduction

This section of the Directors' report provides a description of the corporate governance policies that Ferrovie dello Stato Italiane Group ("FS Italiane Group") follows and which the Parent, Ferrovie dello Stato Italiane SpA ("FS SpA"), has defined. Furthermore, this section meets the specific disclosure requirements of article 123 bis of Legislative decree no. 58/1998 - Consolidated finance act (Report on corporate governance and ownership structure) with respect to the information required by paragraph 2.b[2].

In addition, this section includes the information required by the directive of the Ministry of the Economy and Finance of 24 June 2013 "*regarding the adoption of the criteria and methods for the appointment of members of the Board of Directors and the remuneration policies for senior managers of companies directly or indirectly controlled by the Ministry of the Economy and Finance*" with specific respect to the request addressed to issuers of financial instruments listed on regulated markets to illustrate and justify the remuneration policies in place for Directors with special powers in the *Report on corporate governance and in the financial statements*, based on the recommendations of the Treasury Department.

2. Ferrovie dello Stato Italiane SpA has not issued shares traded on regulated markets or multi-lateral trading systems. Accordingly, it exercises its right under article 123-bis.5 to not publish the information required by article 123.1/2, except that required by article 123.2.b.

The Group and its values

The Ferrovie dello Stato Italiane Group's structure is based on a corporate process that has led to the current multi-company Group with a Parent, FS SpA, whose business purpose is to:

- build and manage railway transport infrastructure;
- carry out cargo and passenger transport activities, mainly by rail, including the promotion, implementation and management of initiatives and services in the field of transport;
- directly or indirectly carry out any other activity that is instrumental, complementary or connected to the above, expressly including customer services and activities aimed at enhancing the value of its assets used in the performance of the activities covered by its by-laws.

The Parent heads operating companies in various sectors along the chain and other service companies and companies supporting Group functions. The companies have their own corporate characteristics and independently manage operations to achieve business targets. In particular, the FS Italiane Group is organised with the segregation of transport activities from railway transport network construction and management activities, in accordance with EU directives on market deregulation.

In this context, the Parent, FS SpA, which is wholly owned by the Government through the sole Shareholder, the Ministry of the Economy and Finance, steers and coordinates the operating companies' business policies and strategies. It also ensures corporate governance processes through various "Departments" (the Parent has set up central departments) to define strategic guidelines and encourage the sharing of decisions. FS SpA, with a structure that encompasses both corporate activities and industrial and financial activities, prepares, coordinates and controls the construction and consolidation process with its operating companies and the FS Italiane Group's business plan, governs and monitors infragroup transactions and manages relationships with all Government bodies (central Government, Ministries, Regions and the public authorities in general).

The corporate governance structure of FS SpA and its main subsidiaries is organised according to the traditional system in which the Shareholder appoints a Board of Directors (responsible for management) and a Board of Statutory Auditors (responsible for controls).

In accordance with the by-laws, the Board of Directors delegates some of its duties to the CEO, while retaining exclusive responsibility for decisions in other areas. The Board of Directors may also delegate certain responsibilities to the Chairman of the board with the Shareholder's prior approval, where such responsibilities can be delegated under law.

At 31 December 2014, FS SpA's share capital amounted to €38,790,425,485.00 and was fully paid up.

The Code of conduct

The Code of conduct is a "charter of fundamental rights and responsibilities" whereby the FS Italiane Group establishes and clarifies its ethical and social responsibilities and commitments to all internal and external stakeholders.

The Code of conduct is approved by the Group companies' Boards of Directors and applies to their corporate officers, managers, employees, freelancers, business partners, suppliers and all other parties involved in transactions with the FS Italiane Group.

The code defines general principles (e.g., the strategic value of human resources, product and service quality, minimum cost quality for the public, impartiality, etc.), in addition to specific rules and standards in terms of conduct.

The Code prohibits the Directors of each company (who are, in any case, subject to the requirements of article 2391 of the Italian Civil Code) and all FS Italiane Group personnel from making decisions or carrying out actions in the performance of their duties that contrast with the company's interests or are inconsistent with their responsibilities. Any situations in violation of this rule must be reported to supervisors or the Ethics Committee (see the section on *Other committees*).

The code of conduct has been widely published on the FS Italiane Group's intranet and internet sites and is referenced in all contracts signed by the Group companies.
FS SpA's corporate governance structure at the reporting date is illustrated below.

SHAREHOLDERS' MEETING

BOARD OF DIRECTORS

Chairman
Marcello Messori

CEO
Michele Mario Elia

Directors
Vittorio Belingardi Clusoni
Daniela Carosio
Giuliano Frosini
Maria Gioia Ghezzi
Simonetta Giordani
Federico Lovadina
Wanda Ternau

REMUNERATION AND APPOINTMENT COMMITTEE

Chairwoman
Simonetta Giordani

Daniela Carosio
Giuliano Frosini

Secretary of the BoD
Giuseppina Mariani

AUDIT, RISK CONTROL AND CORPORATE GOVERNANCE COMMITTEE

Chairwoman
Wanda Ternau

Vittorio Belingardi Clusoni
Maria Gioia Ghezzi
Federico Lovadina

BOARD OF STATUTORY AUDITORS

Chairwoman
Alessandra dal Verme

Standing Statutory Auditors
Tiziano Onesti
Claudia Cattani

Alternate Statutory Auditors
Paolo Castaldi
Cinzia Simeone

INDIPENDENT AUDITORS

KPMG SpA

Court of Auditors' Magistrate appointed to audit the financial reporting
Ernesto Basile

Alternate Court of Auditors' Magistrate
Mauro Oliviero

231 LAW SUPERVISORY BOARD

Chairman
Carlo Piergallini

Tiziano Onesti
Antonino Lanza

Manager in charge of the company's accounting documents preparation
Roberto Mannozzi

CENTRAL MANAGERS

International and Istitutional Affairs Giuseppina Baffi
Corporate Affairs Giuseppina Mariani
Administration, Financial Statements and Taxes Roberto Mannozzi
Internal Audit Stefano Crociata
External Communicationsand the Media Orazio Carabini
Finance,Controlling and Assets Luigi Lenci
Legal Affairs Elisabetta Scosceria
Safety Franco Fiumara
HR and Organization Stefano Savino
Strategies, Planning and Systems Barbara Morgante

FS SpA's Board of Directors

Composition and appointment

Pursuant to article 10 of the by-laws, as amended by FS SpA's Shareholder during the extraordinary meeting held on 29 May 2014, the Board of Directors (also referred to as the "BoD") consists of a minimum of three to a maximum of nine members appointed by the Shareholder.
In any event, the composition of the Board of Directors must be such that it ensures a balanced proportion of men and women, in accordance with the applicable regulations and the terms provided for thereby.
In accordance with a specific clause in the by-laws and regulations for state-owned companies, in order to accept directorship of FS SpA, candidates must meet specific professionalism and honourableness criteria. In 2013, these requirements were made more stringent, in line with the provisions of the directive of the Ministry of the Economy and Finance of 24 June 2013 "regarding the adoption of the criteria and methods for the appointment of members of the Board of Directors and the remuneration policies for senior managers of companies directly or indirectly controlled by the Ministry of the Economy and Finance". Furthermore, the by-laws, as amended in the light of such directive, set forth specific reasons for ineligibility and forfeiture of office.
FS SpA's by-laws establish that Directors assigned, on an ongoing basis, the BoD's operating duties, pursuant to article 2381.2 of the Italian Civil Code may not serve as Directors on the boards of more than two other companies limited by shares (their offices held in subsidiaries or associates are not considered); whereas Directors who have not been assigned such operating duties can serve as Directors on the boards of not more than five other companies limited by shares.
On 29 May 2014, as the board no longer consisted of the majority of the Directors appointed by the Shareholder on 9 August 2013 (and, accordingly, all BoD members were considered to have stepped down: Lamberto Cardia [Chairman], Mauro Moretti [CEO], Antimo Prosperi, Mauro Coletta and Maria Teresa Di Matteo), in line with the aforementioned directive of the Ministry of the Economy and Finance of 24 June 2013, the Shareholder appointed the following members of the BoD – with a three-year term of office and, in any case, until the approval of the Shareholder's meeting called to approve the financial statements as at and for the year ending 31 December 2016 – Marcello Messori (Chairman), Michele Mario Elia, Vittorio Belingardi Clusoni, Daniela Carosio, Giuliano Frosini, Gioia Maria Ghezzi, Simonetta Giordani, Federico Lovadina and Wanda Ternau.
During the meeting held on 30 May 2014, the new Board of Directors appointed Michele Mario Elia as CEO.

Duties and roles

As noted earlier, FS SpA's management body consists of nine Directors operating as a board in the form of the Board of Directors appointed – pursuant to article 12 of the by-laws and in line with the regulations under article 2380-bis of the Italian Civil Code – to carry out all operations necessary to achieve the business purpose.
The Chairman calls the meetings of FS SpA's BoD and presides over them. The BoD normally meets once a month and, in any case, whenever the Chairman or CEO believe a meeting is necessary or whenever the majority of its members or the Board of Statutory Auditors present a justified written request. The Board met 15 times in 2014.
With specific respect to the 2013/2015 mandate (which ended, as mentioned earlier, on 29 May 2014), during its meeting on 29 August 2013, FS SpA's BoD retained exclusive responsibility for economic and strategic decisions, including, inter alia: approval of the business plan, annual budget, non-recurring transactions, purchases/sales of companies and equity investments and financing agreements. Furthermore, the BoD retained exclusive power for the appointment, upon the CEO's justified and documented proposal, of the main subsidiaries' Boards of Directors and Boards of Statutory Auditors (RFI SpA, Trenitalia SpA, Italferr SpA and Ferservizi SpA) and the identification of general criteria on which basis the CEO chooses the members of the FS Italiane Group companies' corporate bodies (independence, pro-

fessionalism and managerial skill requirements). During the same meeting, FS SpA's BoD confirmed, within the limits of article 2381 of the Italian Civil Code (concerning those matters that the BoD cannot delegate), the CEO's powers. Considering the Shareholder's instructions, the BoD also assigned the Chairman specific responsibilities for the institutional reports and communications, the coordination of internal audit activities and statutory activities.
With respect to the 2014/2016 mandate, after the meetings held on 30 May, 24 July and 4 November 2014, and considering the Chairman's waiver of the responsibilities (except for those relating to internal control) and duties assigned by the Shareholder on 29 May 2014 (the Shareholder acknowledged his waiver on 29 October 2014, asking the BoD to assign such responsibilities and duties to the CEO), FS SpA's BoD:

- retained exclusive responsibility for economic and strategic decisions such as defining – upon the CEO's proposal – the company's and the Group's strategic guidelines; approving the company's and the Group's annual and long-term business plans, which the CEO prepares; resolutions, upon the CEO's proposal, regarding financing agreements, non-recurring transactions (including those performed by the direct investees) and the purchase/sale of companies and equity investments. Furthermore, the BoD has also confirmed its exclusive responsibility for the appointment, upon the CEO's justified and documented proposal, of the main subsidiaries' Boards of Directors and Boards of Statutory Auditors (RFI SpA, Trenitalia SpA, Italferr SpA and Ferservizi SpA); in accordance with the by-laws, FS SpA's BoD is also responsible for resolving on certain aspects otherwise reserved for the extraordinary Shareholder's meeting (such as mergers and partial demergers of companies that are at least 90% owned by FS SpA to the latter, the opening and closing of branches and updating the by-laws to reflect new legislation), without prejudice to the Shareholder's power to resolve on these matters (see article 2365 of the Italian Civil Code and article 12.2 of the by-laws); finally, in accordance with the provisions of article 2410 of the Italian Civil Code, FS SpA's BoD is also responsible for resolving on the issue of bonds;
- gave the Chairman, in accordance with the limits of article 2381 of the Italian Civil Code and pursuant to article 12.3 of the by-laws, specific responsibility for coordinating internal control activities;
- gave the CEO all Company administration powers – with the exception of those assigned to the Chairman as indicated above and the powers that the BoD has retained exclusively for itself (in addition to those that cannot be delegated under law) – and responsibility for steering and coordinating any and all initiatives for the Group's development, including privatisation initiatives; in accordance with the by-laws (art. 12), the CEO also ensures that the organisational and accounting system is consistent with the nature and size of the company and reports to the BoD and to the Board of Statutory Auditors at least once every three months on the general performance of operations and outlook and on Company's and its subsidiaries' most significant transactions in terms of size or characteristics.

The Chairman and CEO have separate powers of representation of FS SpA pursuant to article 13 of the by-laws.
On 17 July 2014, the Board of Directors – also for the purposes for establishing the committees, *see* – approved the independence assessment criteria for non-executive Directors and declared that the Directors Vittorio Belingardi Clusoni, Giuliano Frosini, Gioia Maria Ghezzi, Simonetta Giordani, Federico Lovadina and Wanda Ternau met independence requirements.

Committees

FS SpA limits the establishment of advisory and proposing committees within the BoD to those that are necessary. With specific respect to the 2013/2015 mandate which ended, as mentioned earlier, on 29 May 2014), during its meeting on 29 August 2013, FS SpA's BoD deviated from the widespread general practice among listed companies and set up a Remuneration Committee within the Board, consisting of two non-executive Directors and the Central Director of Human Resources and Organisation, with a structure that ensures the necessary preliminary and technical support. Following the renewal of the BoD by the Shareholder's resolution of 29 May 2014 (2014/2016 mandate), FS SpA's new BoD (during its meeting on 24 July 2014) resolved to establish the following committees:

- the Audit, Risk Control and Corporate Governance Committee (comprised of the following Directors: Wanda Ternau [Chairwoman], Vittorio Belingardi Clusoni, Maria Gioia Ghezzi and Federico Lovadina), responsible for supporting, by presenting proposals and providing advisory activities, the BoD's internal control and risk management assessments, the company's and the Group's corporate governance and social responsibility;

• the Remuneration Committee, later renamed the Remuneration and Appointment Committee (comprised of the following Directors: Simonetta Giordani [Chairwoman], Daniela Carosio and Giuliano Frosini), responsible for presenting proposals and providing advisory activities to the BoD with respect to, inter alia, the remuneration, pursuant to article 2389.3 of the Italian Civil Code, of the CEO and Chairman (should the latter be assigned operating duties), any "co-options" and periodic checks that the Directors of FS SpA meet independence and honourableness requirements and are still eligible to hold their office.

The members of these committees receive additional fees equal to 30% of the fees determined by the Shareholder for Directors, in accordance with article 10.5 of the by-laws.

Directors' fees

Upon the proposal of the Remuneration and Appointment Committee (originally named the Remuneration Committee when it was established in 2013) and having heard the opinion of the Board of Statutory Auditors, the BoD determines the amount of the fees pursuant to article 2389.3 of the Italian Civil Code that the Chairman and CEO will receive (including fees due for their position as director), in line with the fee and remuneration rules for state-owned companies and the results of analyses and comparisons with the practices of third party companies of a comparable size and complexity. The Chairman's and CEO's remuneration include a fixed fee and a variable fee linked to the achievement of annual objectives and specific targets defined by the BoD upon the Remuneration and Appointment Committee's proposal. The approved fees for FS SpA's Chairman and the CEO for their duties on the BoD of the FS Italiane Group companies are paid to FS SpA directly.

Finally, the by-laws prohibit the payment of amounts to the Directors and Statutory Auditors for their participation in meetings and limit the amount of fees that can be paid to members of the advisory and proposing committees that are set up within the Board, where necessary.

With respect to the 2013/2015 three-year mandate (which ended on 29 May 2014): *(i)* the Shareholder established the Directors' fees during the meeting of 9 August 2013; *(ii)* the Shareholder established the fees of the BoD's Chairman and CEO during the meetings of 25 September and 19 December 2013, respectively, applying the 25% reduction provided for by Decree law no. 69/2013, converted into Law no. 98 of 9 August 2013.

The approved fees for the Directors who are employees of the Ministry of the Economy and Finance and the Ministry of Infrastructure and Transport, in office until 29 May 2014, were transferred to the relevant public administration.

With respect to the 2014/2016 three-year mandate: *(i)* the Shareholder established the Directors' and BoD Chairman's fees during the meeting of 29 May 2014; at the same meeting, the Shareholder also established the maximum total fee (including the fee for the Shareholder's meeting) that can be paid to the Chairman, pursuant to article 2389.3 of the Italian Civil Code if he is assigned duties; *(ii)* upon the Remuneration and Appointment Committee's proposal, during the BoD meeting of 24 October 2014, the Board resolved that such maximum fee would be divided into an annual fixed fee and a variable fee linked to the achievement of annual objective and specific targets defined by the BoD upon the Remuneration and Appointment Committee's proposal; *(iii)* at the same meeting of 24 October 2014, the BoD also determined the amount of the CEO's fee (including the fee for the office of director) pursuant to article 2389.3 of the Italian Civil Code for duties both as director and manager, each of which providing for fixed remuneration and variable remuneration; as for the Chairman, the variable amounts linked to the achievement of annual objective and specific targets defined by the BoD upon the Remuneration and Appointment Committee's proposal; the total remuneration established for the CEO is lower than that received by the previous CEO, without prejudice to the responsibilities of the office, to contain costs.

Criteria and methods for the appointment of BoD members of FS SpA's direct and indirect subsidiaries

As described above, on 24 June 2013, the Ministry of the Economy and Finance issued a directive to the Treasury Department "*regarding the adoption of the criteria and methods for the appointment of members of the Board of Directors and the remuneration policies for senior managers of companies controlled by the Ministry of the Economy and Finance*".
In accordance with this directive, during the meeting of 12 September 2013, FS SpA's BoD drafted certain general criteria for the selection of candidates for the positions of director, chairman and CEO within its subsidiaries.
The Board also decided that criteria similar to those drafted for the selection of candidates for the subsidiaries' management bodies should be applied, insofar as possible, to the selection of candidates for the position of statutory auditor, naturally considering the different particular expertise required.

Other committees

In terms of its internal organisational profile, FS SpA's CEO has set up other committees to steer and support his activities. Their members are appointed on a *pro tempore* basis from the Company departments.
The Ethics Committee, which carries out advisory activities and sets guidelines within the framework of the principles and rules of the FS Italiane Group's code of conduct, was set up by Group measure no. 50/AD of 30 January 2006 and is responsible for facilitating the integration of the ethical criteria implemented in relationships with the various stakeholders in decision-making processes, monitoring that the Directors and employees act in compliance with the established rules of conduct, audit the company procedures in the light of the code of conduct and update it on an ongoing basis.
The Investment Committee, which was set up with Group measure no. 89/AD on 8 February 2007 and subsequently changed with Group measures no. 120/AD of 10 November 2008 and no. 186/AD of 24 December 2014 for the strategic oversight of the investment/divestment process, advises the CEO, offering guidance on investments and divestments and directly the FS Italiane Group's planning process, providing fairness opinions (strategic and financial) on initiatives (except for those included in the GPC - Investments) and is responsible for validating material investments and divestments. In addition, it monitors the plan's development and proposes any corrective action to be taken in the implementation of the plan. With specific reference to FS SpA, the committee approves the list of programmes and investment/divestment projects that affect the Group and tracks the development of the investment and divestment plan.
The Group's Information and IT System Security Committee, established with Group measure no. 168/AD of 25 November 2013, is an infragroup advisory body that monitors information and IT system initiatives, in accordance with Group measure no. 167/AD of 25 November 2013. In particular, the committee steers the FS Italiane Group's information security strategies, formulates proposals to Group companies for the mapping of critical business processes in terms of emerging risks inherent to the use and management of information resources, monitors IT projects and assesses and approves proposals concerning the regulation of information and IT system security evaluations and certification.
The SoD (Segregation of Duties) Committee, which was established with Group measure no. 184/AD of 22 December 2014 and was updated with Group measure no. 188/AD of 23 January 2015, carries out advisory activities and provides guidance on the segregation of duties. FS SpA's SoD Committee is responsible for defining, validating and overseeing the Group's SoD risk matrix. In addition, this committee is responsible for analysing and monitoring the implementation of the appropriate remediation actions to take in the management/resolution of SoD risks that are detected throughout many Group companies' staff processes.
FS Italiane Group's Equal Opportunities Committee is a bilateral, joint body established pursuant to article 1.3.C) of the national labour agreement for redundancy in the railway sector and article 3 of the FS Group's employment contract of 20 July 2012. The purpose of this committee is to promote initiatives and positive ways in which to offer women workers organisational conditions and a distribution of duties that are more favourable, with a view to facilitating the achievement of a work/family balance. It consists of a national committee and 15 local committees.

The internal control and risk management system

Internal audit

The main Group companies have internal audit functions reporting to the Chairman of their BoD[3]. For companies that do not have (or do not yet have) their own internal audit departments, the Parent's Central Audit Department provides this service.
If an Audit Committee has been set up, the internal audit department reports to it as well, as defined by the relevant company's internal procedures.
Internal Group auditing at Group level is independent and objective, provides assurance and serves an advisory purpose, helping the organisation to pursue its targets legally, morally and sustainably.
The professional and systematic audit approach generates added value as it is aimed at assessing and improving control, risk management and corporate governance processes.
The Group's internal audit departments assess the adequacy of internal control systems (ICS) in relation to company objectives pursued on the basis of three pillars:

- effective, efficient operations;
- protecting company assets;
- compliance with laws, regulations (both inside and outside the company) and contracts.

The Central Internal Audit Department provides the subsidiaries' internal audit departments with planning guidelines, defines the Group's internal audit guidelines, policies and methodologies and promotes the consistency of ICS assessments, the infragroup reach of expertise and professional updates.
This department carries out activities throughout all Group companies, including those with their own internal audit departments. It reports to the holding company's management on internal audit plans and results throughout the Group and is exclusively and centrally responsible for investigations into suspected fraud.
It also provides FS SpA's supervisory body and the subsidiaries without their own internal audit department with operational technical support in the performance of the duties and functions assigned to them (e.g., checks that the organisational models are adequate and compliant, drafting of meeting minutes, document filing, examination of information flows from management, examination of reports from any source and reporting to the company officers).
The subsidiaries' internal audit departments provide a similar operational service to their supervisory bodies.

Risk management

The "Group's risk management model" was first formalised with Group measure no. 169/AD of 21 January 2014 and defines the steps, method and roles in the assessment and management of risks.
The risk management process provides for the mapping of processes and related targets, the identification and assessment of risks and related controls and the proposal of any improvement action to contain risks. The Group adopts the Control Risk Self Assessment (CRSA) risk management method, which actively involves the process owners and their close colleagues who carry out activities.
The process owners are the risk owners: they identify the events related to the risk areas and classify them in the categories defined in the risk glossary, check that procedures, provisions and all other internal organisational aspects adequately mitigate the risks and limit their impact. They also propose or prepare, if these measures are inadequate, effective correction and improvement action to contain risks.
The department contact and Risk Officer support the process owners in their activities. With Group measure no. 178/AD of 6 October 2014, the model provided for the appointment of a Risk Officer for the main Group companies, reporting directly to the CEO.

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3. Fercredit's internal audit department reports to the company's Board of Directors.

In line with this measure, with the related organisational communications, FS Italiane, RFI SpA, Trenitalia SpA, Ferservizi SpA and Italferr SpA created the position of Risk Officer responsible for, in particular, managing and coordinating, on a periodic basis, the risk management process, collaborating with process owners in the identification of mitigation plans and monitoring their implementation.
With organisational measure no. 116/AD FS of 22 January 2015, the Group model was strengthened with the creation of the risk management structure, reporting directly to the CEO of FS SpA. The structure's mission is to ensure the implementation of an integrated enterprise risk management model to support the optimisation of controls to improve company and Group performance.

Supervisory bodies and organisational, management and control models pursuant to Legislative decree no. 231/2001

All FS Italiane Group companies (except for a few small and newly established companies) have adopted crime prevention systems in accordance with Legislative decree no. 231/2001, referred to as organisational, management and control models, and they have appointed supervisory bodies to evaluate – over time – that these models are adequate and compliant.
The supervisory bodies are set up as boards[4].
These bodies are chaired by professionals who are not part of the Group and who have demonstrated experience and expertise in this field, while at least one of the other two members of the supervisory bodies is a manager in the company's internal audit department, or in the Parent's.
The third member of the supervisory bodies whose members were appointed after July 2014 is either from outside the Group with legal expertise or is a member of the Board of Statutory Auditors.
In order to maximise the independence of these bodies, their members may neither hold similar positions in subsidiaries or parents nor, in any case, carry out transactions with them. Furthermore, the term of office of members of the bodies does not coincide with that of the same company's Board of Directors.
The supervisory bodies provide classroom and online training on the content of Legislative decree no. 231/2001 and the companies' organisational models.
The Central Internal Audit Department organises annual training sessions for all of the Group's internal auditors, which covers the key aspects of legislation concerning administrative liability arising from crimes. The purpose of this training is to develop the internal auditors' awareness in operating activities so they can detect specific crime risks.

4. Bodies consisting of one person from outside the Group have been appointed in the "small" companies (in accordance with Confindustria guidelines for the creation of organisational, management and control models).

Independent Auditors

The engagement for the legally-required audit of the financial statements of the Parent and its subsidiaries has been assigned to KPMG SpA from 2014. In accordance with the special applicable provisions of Legislative decree no. 39/10 (article 16 and subsequent articles), after FS SpA's took on the status of a public interest entity following the 2013 issue of the listed bond, the term of the engagement for the legally-required audit is nine years (2014-2022).

The Manager in charge of the company's accounting documents preparation of FS SpA

Since 2007, upon the specific request of the Ministry of the Economy and Finance and in order to adopt corporate governance systems that are increasingly in line with those of listed companies, the Parent created the position of Manager in charge of the company's accounting documents preparation pursuant to Law no. 262 of 28 December 2005 "Provisions to protect asset management and regulate financial markets" for companies listed on financial markets.
Accordingly, on 27 April 2007, FS SpA's Shareholder amended the by-laws with the introduction of article 16 "Manager in charge of the company's accounting documents preparation".
Considering the FS Italiane Group's organisational and operational complexity, due to the number of operators and processes involved, and to strengthen and improve the efficiency of the application of this legislation, FS SpA's BoD has encouraged the appointment of managers in charge of financial reporting within its main subsidiaries as well (RFI SpA, Trenitalia SpA, Grandi Stazioni SpA, Centostazioni SpA, FS Logistica SpA and Busitalia - Sita Nord Srl).
Following the issue of the aforementioned bond (July 2013), FS SpA's status changed to an issuer of listed financial instruments, the position of Manager in charge of the company's accounting documents preparation is now legally required as the company now completely falls within the scope of application of article 154-bis of the Consolidated finance act.

- Appointment
  Pursuant to the aforementioned article 16 of the by-laws, with the prior mandatory approval of the Board of Statutory Auditors, the BoD appoints the Manager in charge of the company's accounting documents preparation for a period at least as long as the same BoD's term of office and no more than six years.
  The by-laws also require that the Manager in charge of the company's accounting documents preparation meet the honourableness requirements in place for Directors and that the person appointed be selected according to professionalism and expertise criteria from managers with at least three years of overall experience in the administration area of an industrial company or consultancy or professional firm.
- Duties, powers and means
  In accordance with the law, the Manager in charge of the company's accounting documents preparation contributes to the definition of the internal control system with respect to financial reporting. To this end, the manager prepares administrative and accounting procedures for the preparation of the periodic accounting documents, certifying, along with the CEO, in a specific report on the separate and consolidated financial statements, that they are adequate and were effectively applied during the reporting period.

In addition, the Manager in charge of the company's accounting documents preparation must also certify any disclosure to the market relating to the accounting data pursuant to article 154-bis.2. More specifically: "*documents and communications that the company shares with the market relating to the company's reports, including interim reports, must be accompanied by a written certification in which the Manager in charge of the company's accounting documents preparation certifies that they are consistent with the accounting records, ledgers and accounting records*".
Pursuant to article 154-*bis*, the BoD sees that Manager in charge of the company's accounting documents preparation has adequate powers and means to perform the assigned duties, and that these procedures are effectively complied with.
FS SpA's current Manager in charge of the company's accounting documents preparation is Roberto Mannozzi, Director of the Parent's Central Administration, Financial Statements and Tax Department, appointed by the BoD, upon the CEO's proposal and with the approval of the Board of Statutory Auditors, on 20 June 2014. He will remain in office until the approval of the financial statements as at and for the year ending 31 December 2016.

Main characteristics of the risk management and internal control systems in relation to the financial reporting process pursuant to article 123-bis.2.b of the Consolidated finance act (Report on corporate governance and the ownership structure)

The purpose of the internal control system over financial reporting is to provide reasonable certainty about the reliability, accuracy and timeliness of financial reports, while also ensuring that the processes used to produce such reports comply with International Financial Reporting Standards (IFRS).
For the Group, FS SpA's Manager in charge of the company's accounting documents preparation has overseen the adoption of a financial reporting control model that meets the provisions of article 154-bis of the Consolidated finance act and is consistent with the relevant international standards (*CoSO Report "Internal Control – Integrated Framework"* published by the "Committee of Sponsoring Organizations of the Treadway Commission").
As described earlier, this model provides for a Manager in charge of the company's accounting documents preparation within the Parent and managers in charge of financial reporting in the main subsidiaries as well.
FS SpA's Manager in charge of the company's accounting documents preparation defines and monitors the annual plan of activities for Group compliance with Law no. 262/2005 and submits the plan to the Parent's BoD for approval – and to the subsidiaries' BoD for their approval of the sections relating to them – issues guidelines for the preparation of control procedures and for monitoring that such procedures are adequate and operational and issues statements. The companies' managers in charge of financial reporting implement and maintain the financial reporting control system, constantly exchanging information with the Parent's Manager in charge of the company's accounting documents preparation.
The stages and roles in the financial reporting control process are described below.
The financial reporting control process consists of the following stages: identification of the scope of companies/processes using the "scope 262"; formalisation of procedures with the identification of risk management controls; evaluation of the structure and efficiency of controls; production of definitive reports with an assessment of the system of internal controls over financial reporting.
The aim of **defining the risk assessment scope** is to identify companies, processes and activities that could generate the risk of unintentional error and/or misstatements with a material impact on the financial statements.
The companies that fall within the scope of the financial reporting control system are identified:
- on the basis of the various companies' contribution to specific consolidated financial statements captions - Assets, Payables, Revenue from core business and Pre-tax profit (loss),
- in relation to qualitative considerations concerning the existence of processes that generate specific risks that could compromise the reliability of the financial reports.

Within the scope of relevant companies (known as "scope 262"), significant processes are then identified on the basis of an analysis of quantitative factors (processes that contribute to the financial statements captions with amounts exceeding a specific percentage of the pre-tax profit or aggregate equity) and qualitative factors.
A control system, described in the administrative/accounting procedures, is then defined for the processes that fall within this scope.
The **mapping of administrative/accounting procedures** is carried out by the office of the Manager in charge of the company's accounting documents preparation or, if one has not been appointed, by the company's administration managers and their staff, in collaboration with the relevant process owners.
The administrative/accounting procedures govern administrative/accounting information, data and records, describing the steps that must be followed in order to produce or register them in a logical and chronological order, the control system and the methodologies to be followed.
Furthermore, the procedures identify "key controls", which, if absent or inefficient, could create the risk of material error or misstatement in the financial statements.
The administrative/accounting procedures may be group-wide, and if this is the case, they are issued by FS SpA's Manager in charge of the company's accounting documents preparation for the Parent, and by the managers in charge of financial reporting or administration managers of the companies.
Before they are issued, corporate procedures are subject to quality assurance tests conducted by the staff of the Parent's Manager in charge of the company's accounting documents preparation to check that they are consistent and compliant with Group standards.

At the reporting date, the FS Italiane Group had issued over 320 administrative/accounting procedures. They are sent to the main company departments/subsidiaries, senior management and all control bodies, and are systematically published on the Group's web site.
The controls indicated in the administrative/accounting procedures are continuously evaluated/monitored to check, over time, that they are adequately designed and efficient. Checks that these controls are efficient, conducted periodically on the basis of audit standards and methodologies and with the coordination of the Parent's Manager in charge of the company's accounting documents preparation, consist of the following steps:

1. preparation of a periodic plan of checks for the Group, identifying a schedule and appointed teams;
2. definition of testing procedures (test scripts);
3. performance of tests and formalisation of system results;
4. analysis and evaluation of the critical results that arose. The staff of the Parent's Manager in charge of the company's accounting documents preparation also conduct quality assurance checks on the test scripts to check that they comply with Group standards.

Teams of specialists consisting of resources from the staff of the managers in charge of financial reporting, internal audit resources and Ferservizi SpA resources (with which the Parent has signed a specific service agreement) carry out testing activities. Furthermore, the outcome of tests that the independent auditors perform as part of the broader audit process is also considered. In addition, the adequacy and efficiency of the procedure can be checked using self-assessments in which the control owners directly perform the assessments (the control owners being those with direct responsibility for the procedure controls).
The necessary remediation steps - with the relevant structures - are taken to resolve weaknesses and/or areas requiring improvement detected during tests and/or the mapping of procedures.
Specifically, the process for compliance with Law no. 262/2005 is carried out with the support of the Group's "specific" IT system which records, inter alia, procedures, control matrices, the test scripts, the results of checks and the documentation supporting the controls conducted.
Once this process is completed, FS SpA's Manager in charge of the company's accounting documents preparation prepares a report on the activities performed and the adequacy and effective application of the internal control system over financial reporting for the period, sends the report to the Board of Directors when the draft financial statements are approved and issues, in joint certifications with the CEO, the separate and consolidated financial certifications pursuant to article 154-bis. The content of the report is in accordance with the format defined by Consob (the Italian commission for listed companies and the stock exchange).
Similarly, the managers in charge of financial reporting, with joint signature with each company's CEOs, certify the financial statements and prepare their reports for the respective BoDs.

The administration managers of the other companies that fall within “scope 262” (which have not appointed a Manager in charge of the company’s accounting documents preparation) in any case issue similar certifications on the financial statements with joint signature of their CEOs for internal purposes.
In addition to the certifications described above, the Group’s model also provides for internal certifications – of the adequacy and functioning of the internal control system over the Group’s and the company’s financial reporting control system – which are issued by the administration managers and CEOs of the subsidiaries that do not fall within “scope 262”, the managers of the Parent’s central departments and outsourcers of administrative and IT services and all other services that affect financial reporting.
The information flow between the managers in charge of financial reporting and other control bodies are described below.

- Supervisory body: each year, the Manager in charge of the company’s accounting documents preparation sends the supervisory body a report on the activities performed to issue certifications on the separate and consolidated financial statements and, in the course of their activities, reports on any violations of the administrative/accounting procedures of interest to the supervisory body.
- Board of Statutory Auditors: the Manager in charge of the company’s accounting documents preparation is in constant contact with the Board of Statutory Auditors and, in particular, reports on specific issues with the board’s explicit request.
- Independent Auditors: the Manager in charge of the company’s accounting documents preparation is in constant contact with the independent auditors and collaborates in synergy with them to the extent of their respective roles and responsibilities.
- Internal Audit Department: the Manager in charge of the company’s accounting documents preparation uses, inter alia, seconded resources from the Internal Audit Departments for the purposes of conducting sample checks on the efficiency of procedures. In addition, the Manager in charge of the company’s accounting documents preparation and the Central Audit Department discuss issues of common interest.

Finally, to complete the Law no. 262/2005 compliance model and, more in general, in order to strengthen the Group’s internal control system, the Group has implemented models for *“SoD – Segregation of Duties”* and *“ITGC - Information Technology General Controls*”.
The aim of the SoD model is to implement operational controls on processes with specific, priority focus on financial reporting processes, to ensure that responsibilities are well defined and assigned without functional overlapping or operational assignments that concentrate critical activities on one single operator. The SoD model is also aimed at gaining a consistent and coherent view of the entire authorisation system for the management of roles and users in the IT systems.
The aim of the ITGC model is to define internal controls over IT processes to ensure the continuous and correct functioning of the business application systems that process the data used in financial reporting. The ITGC model includes controls on the stages of development and maintenance of application systems, the purchase of software, logical access security, etc.
The FS Italiane Group’s controls over financial reporting are also extended through training activities, with the periodic involvement of resources operating within the 262 process. The Parent’s Manager in charge of the company’s accounting documents preparation organises these refresher courses on developments in the system of internal controls over financial reporting.

Planning and management control system

In line with the strategic guidelines and objectives that the Board of Directors has defined:

- the planning and management control system supports the Group’s long-term planning process, the operational implementation of strategies (budgeting process), the calculation of actual results and the analysis of such results;
- The Central Strategies, Planning and Systems Department (CSPSD) defines the Group’s business and market strategies and the related planning, monitoring and strategic control process.

More specifically, the CSPSD compiles the plan for the Parent and the FS Italiane Group – normally every five years – by coordinating the development and consolidation of proposals/plans submitted by the individual structures/Group companies, for subsequent definition by the CEO, who monitors plan implementation.
The Central Finance, Control and Assets Department (CFCAD) defines the guidelines for the preparation of the annual budget and management control process for the Group.

In particular, the CFCAD prepares FS SpA's budget, supports subsidiaries in the preparation of their budgets and consolidates the FS Italiane Group's budget, with the exception of investments, which fall under the CSPSD's scope of responsibility.
Management control activities cover nearly all aspects of FS SpA and Group operations, encompassing various types of controls:

- strategic control, to check whether the strategies are implemented on the basis of guidelines arising from the planning process and whether results reflect the expectations in the strategic plans;
- management control, to check whether short-term targets have been reached and, accordingly, monitor the achievement of budget targets;
- operational control, to monitor operations and the efficiency of processes.

Control activities – which are based on analysing differences between actual and budgeted figures at the end of each month – make it possible to check, with specific focus at the end of each quarter, on whether the actions that the structures/companies have taken are consistent with plans and to identify the causes of any changes to take the appropriate corrective action and evaluate the performance of those responsible as part of the management by objectives model.

Statutory Auditors

During the meeting of 9 August 2013 and in line with the directive of the Ministry of the Economy and Finance of 24 June 2013, FS SpA's Shareholder appointed the Parent's Board of Directors for three years and, in any case, until the Shareholder's meeting called to approve the financial statements as at and for the year ending 31 December 2015. The Board of Statutory Auditors is comprised of three standing Statutory Auditors: Alessandra dal Verme, Chairwoman; Tiziano Onesti and Claudia Cattani, standing Statutory Auditors; and two alternates. The members were appointed in accordance with regulations on maintaining a balance of genders.
Along with the Parent's other corporate officers, the Statutory Auditors systematically monitor that the corporate governance principles pursuant to the Italian Civil Code are applied, compliance with the law,

the by-laws and the principles of correct administration, particularly with respect to the adequacy of the organisational, administrative and accounting system adopted by FS SpA and that it functions.
When FS SpA was attributed the public interest entity status pursuant to article 16 of Legislative decree no. 39/2010, the Parent's Board of Statutory Auditors also became the "Internal Control and Audit Committee", with, under article 19 of the same decree, responsibility for monitoring financial reporting, the efficiency of the internal control, internal audit and risk management systems, the legally-required audit and the independence of the independent auditors, particularly with respect to the type of any non-audit services they provide to the audited company.
The Board of Statutory Auditors meets at least once every three months. In 2014, FS SpA's Board of Statutory Auditors met 25 times and the Statutory Auditors attended six Shareholder's meetings (29 April, 19 May, 27 May, 29 May [ordinary and extraordinary meetings], 29 October and 4 November 2014) and 15 BoD meetings.

The Court of Auditors' Magistrate appointed to audit FS SpA

The Court of Auditors' Magistrate appointed to audit FS SpA, pursuant to article 12 of Law no. 259/195 attends the meetings of the BoD and the Board of Statutory Auditors.
On 12 February 2013, the Court of Auditors appointed Section President Ernesto Basile to audit the Parent as Court of Auditors' Magistrate. On 30 July 2013, the Court admitted Director Ciaramella's request to terminate his appointment as Alternate Auditor as of 1 January 2014. Mauro Oliviero is currently acting as "Alternate Court of Auditors' Magistrate".

Related parties

FS SpA's Manager in charge of the company's accounting documents preparation has issued group-level administrative/accounting procedures to define the provisions concerning related party transactions which must be disclosed in the financial statements. These procedures, along with the other administrative/accounting procedures that were subsequently issued according to the Parent's guidelines, also clarify that all transactions with FS SpA's and its subsidiaries' related parties must be carried out in accordance with criteria of substantial correctness from a financial and procedural standpoint. Furthermore, all such transactions must always be regulated by regular contracts and such contracts must establish the transfer pricing methods and explicitly evaluate the fairness of transfer prices with respect to market prices for similar transactions, or, otherwise, they must explicitly state how the terms of the transaction differ from market conditions (with justification for such difference); infragroup transactions must be carried out on the basis of mutual cost effectiveness and the conditions applied must be defined considering the common objective of creating value for the entire FS Italiane Group.
Each FS Italiane Group company's key managers, Directors, standing Statutory Auditors and external members of the internal control bodies periodically state, through a representation system defined in formal procedures, whether they have carried out transactions with the company for which they work and/or its direct and indirect subsidiaries, and whether such transactions were performed on an arm's length basis.

The Shareholder's meeting

FS SpA's sole Shareholder is the Ministry of the Economy and Finance. In 2014, nine ordinary Shareholder's meetings were held (one was unattended [9 May 2014], four were postponed [15-19-20 and 27 May 2014] and four were held regularly [29 April, 29 May, 29 October and 4 November 2014]) and one extraordinary Shareholder's meeting was held (29 May 2014).

The Group's performance

The Group's performance

MAIN OPERATING DATA

		2014	2013	Change	%
Length of the railway network	*km*	16,723	16,752	(29)	(0.2)
Long-haul passengers train-km	*thousands*	78,782	79,255	(473)	(0.6)
Regional passengers train-km	*thousands*	189,574	192,214	(2,640)	(1.4)
Passenger-km by rail	*millions*	42,471	41,718	753	1.8
Passenger-km by road	*millions*	899	894	5	0.6
Tonne-km[1]	*millions*	23,188	22,854	334	1.5
Employees[2]		69,115	69,425	(310)	(0.4)

1. This figure includes traffic outsourced to other companies in the Group's Cargo Division

2. Year-end total

The Ferrovie dello Stato Italiane Group's consolidated income statement is presented and discussed below.

CONSOLIDATED INCOME STATEMENT

	2014	2013	Change	%
Revenue	**8,390**	**8,329**	**61**	**0.7**
Revenue from sales and services	7,734	7,597	137	1.8
Other income	656	732	(76)	(10.4)
Operating costs	**(6,276)**	**(6,296)**	**20**	**0.3**
Gross operating profit	**2,113**	**2,033**	**80**	**3.9**
Amortisation, depreciation, provisions and impairment losses	(1,455)	(1,212)	(243)	(20.0)
Operating profit	**659**	**822**	**(163)**	**(19.8)**
Net financial expense	(111)	(234)	123	52.6
Pre-tax profit	**548**	**587**	**(39)**	**(6.6)**
Income taxes	(245)	(127)	(118)	(92.9)
Profit from continuing operations	**303**	**460**	**(157)**	**(34.1)**
Profit (loss) from assets held for sale, net of taxes				
Profit for the year	**303**	**460**	**(157)**	**(34.1)**
Profit for the year attributable to the owners of the Parent	**292**	**459**	**(167)**	**(36.4)**
Profit for the year attributable to non-controlling interests	**11**	**1**	**10**	**>200**

millions of Euros

2014 was characterised by significant changes in legislation with a considerable negative impact on the Group's performance of operations. Accordingly, the profit for the year came to €303 million, down by €157 million (-34.1%) on the previous year.
Despite this decrease, the FS Italiane Group showed a strong performance in terms of operating profit, up by €80 million (+3.9%) and in line with the targets set in the 2014-2017 business plan, while the profit for the year reflects the negative economic effects due to factors completely unrelated to operations, as a result of the aforementioned changes in legislation that occurred, in particular, at year end.

Revenue total €8,390 million for the year, up by €61 million (+0.7%) on 2013 (€8,329 million).

Revenue from sales and services of €7,734 million shows an overall increase of €137 million (+1.8%). This growth was due to greater revenue from transport services (€194 million, +3.2%) and other services (€31 million, +13.4%), offset by lower revenue from infrastructure services (€88 million,-6.6%). The growth in revenue from transport services is due to the rise in revenue from passenger transport (+€130 million), revenue from freight transport (+€36 million) and revenue from the public service contract with the Regions and the Government, totalling €28 million. More specifically:

- passenger transport shows varying results for the different services offered. Medium and long-haul transport performed well, up by approximately 7% on 2013, mostly boosted by greater revenue from the "*Freccia*" trains (accounting for over €113 million), mainly in connection with the strengthening of the offer and the implementation of particularly effective marketing strategies; long-haul transport service revenue relating to the "universal service" agreement, i.e., revenue from transport services based on a specific public service contract with the Government, remained substantially in line with the previous year (+1.3%). The regional transport business grew by €5 million, €1 million of which domestically and €4 million of which on the German market thanks to the performance of the Netinera Deutschland group. Road transport was positively affected (€22 million) by the consolidation of Umbria Mobilità Esercizio Srl and its subsidiary Savit Srl while international transport saw a decrease in the revenue reported by Thello Sas (-€7 million, -19.4%);
- freight transport shows both a decrease in domestic revenue (which continues to be influenced by the difficult economic situation on the Italian market, although there are considerable differences between the various sectors), contrasting with the international scenario, given greater flows to and from Germany, Austria, Holland, Hungary and Poland. The following companies contributed to these increases: of TX Logistik AG (+€11 million), Trenitalia SpA (+€10 million), the Netinera Deutschland group (+€6 million), Trenitalia Logistics France Sas and FS Logistica SpA (roughly +€4 million each);
- revenue from the public service contract with the Regions and the Government saw a €53 million increase in revenue from the Regions, while revenue from the public service contract with the Government decreased by €25 million. The growth in revenue from the Regions is mainly due to the consolidation of Umbria Mobilità Esercizio Srl (+€49 million) and the Netinera Deutschland group companies (+€7 million). In this segment, Trenitalia SpA reported a decrease of roughly €3 million, due to reduced production, partially offset by the rise in considerations as a result of contractual indexing mechanisms. On the other hand, revenue from the Government shows a decrease of some €25 million with respect to services to special-status Regions (Sicily and Valle d'Aosta) and joint services in the Triveneto region.

Lower revenue from infrastructure services was mainly due to the €75 million reduction in Government grants, as a result of the lower funds earmarked in the Government Programme Contract for 2012-2014 services, which implements, over its term, the effects of an extensive revision of the maintenance models applied to the Italian railway network, and the €17 million decrease in toll revenue, as the toll charge for the most profitable lines, i.e., the HS (high speed) and HC (high capacity) lines, was reduced in accordance with the provisions of Ministerial decree no. 330/2013 (reducing the HS toll charge by 15%) and resolution no. 70/2014 of the Italian Transport Regulator's ("ART") (reducing the unit toll by 36%, from €12.81/km to €8.2/km as of 6 November 2014).

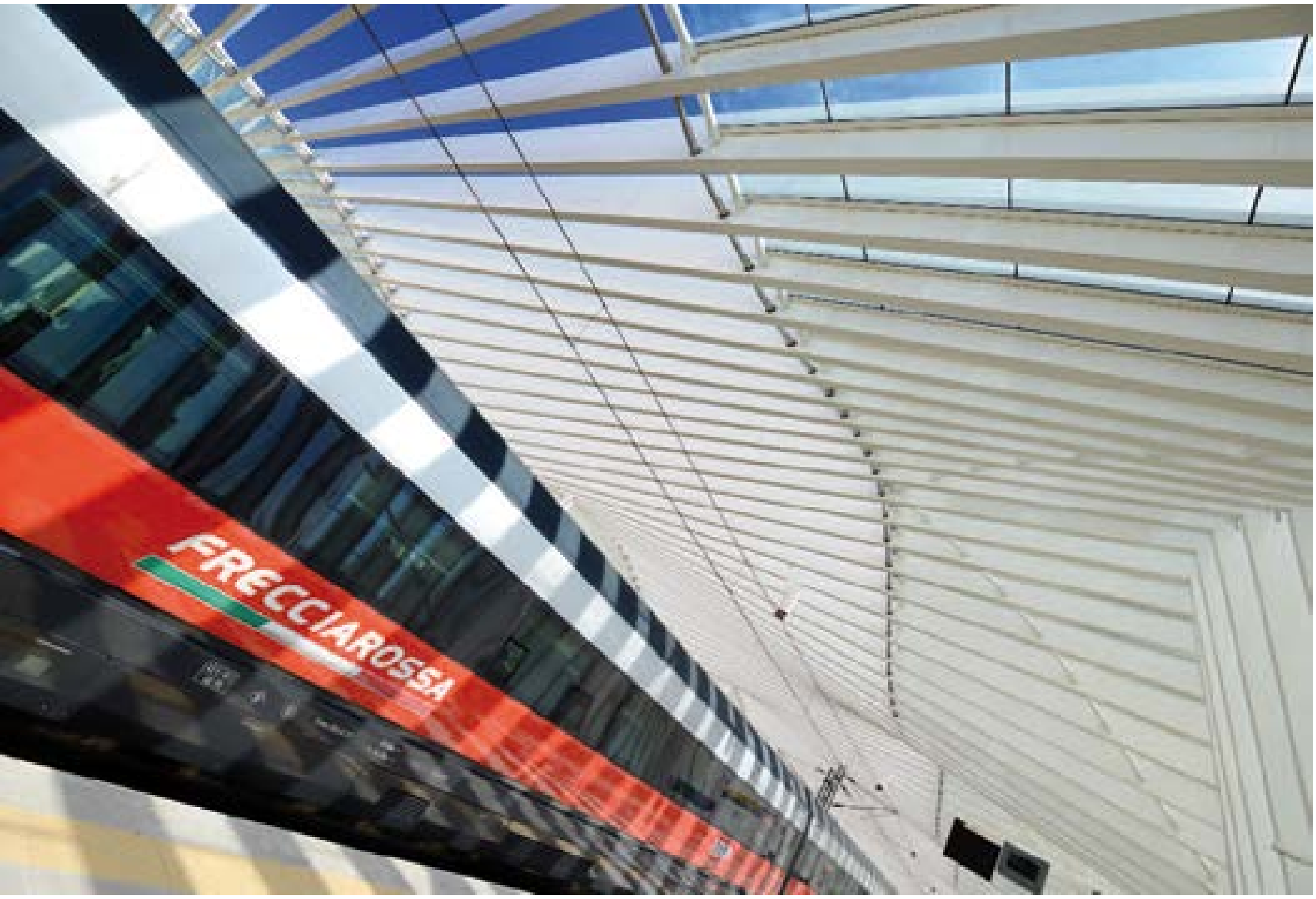
The increase in other service revenue was mainly due to the growth in services provided to railway companies and traffic-related services (€20 million), particularly in relation to the maintenance of rolling stock for Trenord Srl (+€26 million). Revenue from contract work in progress also grew considerably, by €14 million, mainly due to the many contracts that the Group's engineering company, Italferr SpA, acquired abroad.

Other income of €656 million decreased by a total of €76 million (-10.4%). This change was due to both a drop in revenue from real estate management (€31 million, -11.2%), as less land and fewer buildings held for trading were sold in the year than in the previous year, and a €45 million decrease in other income (-9.9%). In 2013, this caption included, in particular, the €49 million gain on the sale of an area at the Roma Tiburtina station.

Operating costs of the year amount to €6,276 million, down by €20 million (-0.3%) on 2013 (€6,296 million). This decrease was due to the €8 million increase in personnel expense (+0.2%), which more than offset the total drop of €28 million in other costs, net (-1.1%).
The most significant changes are described below:

- personnel expense incurred for hired employees remained substantially the same as in the previous year, mainly due to the constant reduction in the average number of employees (1,544 fewer employees than in 2013), which offset the growth in costs due to the aforementioned increase in the consolidation scope. On the other hand, increases were seen in personnel expense for temporary staff and interns (+€3 million), meal vouchers and canteen costs (+€3 million) and training (+€5 million);
- raw materials decreased considerably, down by €38 million (-4.1%). Within this caption, costs incurred for electrical energy used for traction rose by roughly €19 million due to the Electricity and Gas Regulator's resolution no. 641/2013, which substantially cuts the tariff subsidies previously reserved for railway companies, with a consequent rise in costs. In addition, the €54 million decrease in connection with the turnover in land and buildings held for trading was due to lower sales in the year, down by €19 million, and lower impairment losses, down by €35 million;
- finally, internal work capitalised increased by €15 million (+1.5%), due to the growth in in-house work to improve the network and maintenance that increased the value of rolling stock.

The improvement in the Group's overall business performance pushed the gross operating profit for 2014 up by €80 million (+3.9%) on 2013 to €2,113 million.



On the other hand, the operating profit decreased by €163 million (-19.8%) on the previous year to €659 million. This decrease was due to the €30 million increase in amortisation and depreciation and the €228 million growth in impairment losses, offset by the €15 million decrease in provisions. In particular, the €228 million increase in impairment losses includes the impairment of over €185 million recognised on Trenitalia SpA's cargo division CGU (following impairment testing), and the net impairment losses of €56 million recognised by FS Logistica SpA on five real estate complexes, in addition to the revaluation of another complex to adjust its carrying amount within the limits of the impairment losses recognised in previous years. The impairment test performed on the Cargo CGU was necessary after the Government, with the approval of Law no. 190/2014 (the "2015 Stability Act"), decided not to renew the Cargo Service Contract with Trenitalia SpA, a completely unexpected decision that was entirely out of keeping with the past.
Net financial expense amounts to €111 million, showing an improvement of €123 million on the previous year (+52.6%). The change is mainly due to the €20 million increase in financial income, the €84 million decrease in financial expense and the €19 million increase in the share of profits from equity-accounted investees.
Income taxes amount to €245 million, showing an increase of €118 million (+92.9%), mainly due to the release of the net balance of deferred tax assets and liabilities of €143 million as a result of the new legislation introduced in article 1.20 of Law no. 190/2014 (the "2015 Stability Act"), that allows the full deductibility of all personnel expense relating to employees hired under open-ended contracts for Irap purposes. This measure made it highly unlikely that the deferred tax assets previously recognised by the infrastructure operator will be recovered, as it completely eliminated the possibility of any future tax base for RFI SpA.
Further on in this report, the section providing an analysis of the performance of the FS Group's operating segments also describes the Group's performance in 2014 with specific reference to the segments that make up its business.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31.12.2014	31.12.2013	Change
Assets			
Net operating working capital	844	1,015	(171)
Other assets, net	(909)	(1,210)	301
Working capital	**(65)**	**(195)**	**130**
Net non-current assets	46,785	46,503	282
Other provisions	(3,008)	(3,232)	224
Net assets held for sale	3	1	2
Net invested capital	**43,715**	**43,077**	**638**
Coverage			
Current net financial debt	(181)	(688)	507
Non-current net financial debt	6,399	6,423	(24)
Net financial debt	**6,218**	**5,735**	**483**
Equity	**37,497**	**37,342**	**155**
Coverage	**43,715**	**43,077**	**638**

millions of Euros

Net invested capital of €43,715 million rose by €638 million in the year due to the increase in working capital (+€130 million), the increase in net non-current assets (+€282 million), the decrease in other provisions (+€ 224 million) and the decrease in net assets held for sale (+€2 million).
Net operating working capital amounts to €844 million, down by €171 million as a result of:

- greater receivables arising from public service contracts with the Ministry of the Economy and Finance (+€131 million) due to longer collection times for considerations;
- lower receivables relating to the public service contract with Regions (-€248 million) due to the settlement of considerations in the year and the reduction in production volumes;
- greater non-current receivables (+€65 million) mainly due from Government authorities and other public authorities for services previously provided to the Government commission handling the waste emergency in the Campania region to manage solid urban waste in the region, as discussed further on in this report;
- greater inventories (+€44 million) mainly due to the increase in raw materials, consumables and supplies (€18 million) following purchases of materials and production by the Officine Nazionali Armamento e Apparecchiature Elettriche (national armaments and electrical device workshops) in Pontassieve and Bologna, and greater receivables arising from construction contracts (€13 million for infrastructure and €8 million design and engineering);
- greater trade payables (-€133 million), particularly to ordinary supplies for investments of €114 million;
- lower other trade receivables (-€30 million).

Other assets, net increased by €301 million, mainly as a result of the combination of the following factors:

- greater receivables from the Ministry of the Economy and Finance, the Ministry of Infrastructures and Transport and other bodies, particularly for grants related to assets to be used for infrastructural investments (+€904 million);
- net decrease in other receivables and payables (-€156 million);
- increase in the net VAT balance (+€127 million), mainly due to the VAT asset for 2014, offset by the tax authorities' refund of 2011 VAT;
- increase in advances on grants related to assets received by RFI SpA (-€441 million);
- decrease in deferred tax assets (-€148 million).

Net non-current assets increased by €282 million mainly due to the €4,261 million increase in investments in the year, partly offset by grants related to assets of €2,484 million, amortisation and depreciation of €1,153 million, impairment losses of €276 million, sales of €49 million and, finally, the €28 million increase in equity investments, essentially following results for 2014, income from the penalties that Cisalpino SA applied to Alstom SpA and the quota capital increases of Terminal Alptransit Srl and BBT SE.

Other provisions decreased by €224 million, due, in particular, to the utilisation of provisions in the year. The utilisations mainly relate to the bilateral fund for income assistance, set up to cover the launch of the Group's production structure rationalisation projects (€165 million), the provision for litigation with personnel to cover expenses and contributions arising from disputes with personnel (€29 million) and the provision for litigation with third parties (€29 million).

The **Net financial debt** of €6,218 million increased by €483 million on 31 December 2013, mainly due to the following:

- reduction in the cash pooling balance (€125 million) that comprises the payments made by the Ministry of the Economy and Finance during the year in relation to the Government Programme Contract and the European Commission's payments for other contributions to meet the Group's operating requirements, essentially relating to RFI SpA;
- decrease in other loan assets (€30 million);
- decrease in the receivable from the Ministry of the Economy and Finance following the collection of the annual portion of the fifteen-year grants (€438 million), offset by lower liabilities (-€175 million) with the Cassa Depositi e Prestiti (Savings and Loans Bank);
- decrease in bank and postal accounts and other cash and cash equivalents (€189 million) due to the repayment of loans to the European Investment Bank and the Cassa Depositi e Prestiti and the increase in bank overdrafts (€50 million);
- decrease in loans and borrowings from banks and other financial backers (-€169 million);
- decrease in bonds (-€5 million).

Equity rose from €37,342 million to €37,497 million, mainly due to the increase in the profit for the year (€303 million), offset by the decrease in the reserve for unrealised gains and losses (-€136 million) and losses carried forward (-€12 million) following Busitalia - Sita Nord Srl's acquisition of another 30% interest in Umbria Mobilità Esercizio Srl.

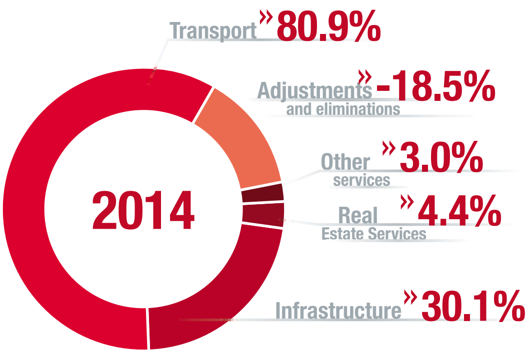
RECONCILIATION AT 31.12.2014 AND 31.12.2013 BETWEEN PROFIT FOR THE YEAR AND EQUITY IN THE SEPARATE FINANCIAL STATEMENTS OF FERROVIE DELLO STATO ITALIANE SPA AND THE CONSOLIDATED FINANCIAL STATEMENTS

	31.12.2014		31.12.2013	
	Equity	Profit for the year	Equity	Profit for the year
Separate financial statements of Ferrovie dello Stato Italiane SpA	36,340	89	36,252	77
Profits (losses) of consolidated investees since acquisition, net of dividends and impairment losses:				
Portion of current and previous profits (losses) attributable to the owners of the Parent	1,377	262	1,228	501
Elimination of impairment losses on equity investments	97	1	96	43
Reversal of dividends	(4)	(116)	(4)	(128)
Total	**1,470**	**147**	**1,320**	**416**
Other consolidation adjustments:				
Equity accounting of investments in unconsolidated subsidiaries and associates	53	23	31	4
Reversal of infragroup profits	(413)	(17)	(396)	(30)
Reversal of taxes arising on tax consolidation	282	49	233	(2)
Other	(4)	1	7	(4)
Total	**(82)**	**56**	**(125)**	**(32)**
Reserves for unrealised gains and losses	(686)		(557)	
Translation reserve	3		3	
Equity attributable to the owners of the Parent	**37,046**	**292**	**36,892**	**459**
Equity attributable to non-controlling interests (excluding profit for the year))	261		261	
Profit attributable to non-controlling interests	11	11	1	1
Equity attributable to non-controlling interests	**272**	**11**	**262**	**1**
Consolidated financial statements	**37,318**	**303**	**37,154**	**460**

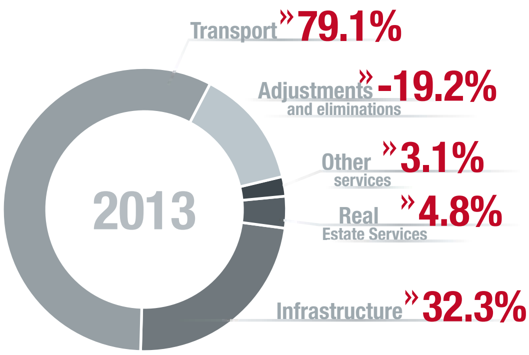
millions of Euros

The Group's performance is analysed below with reference to each of the operating segments that make up the FS Group business (Transport, Infrastructure, Real Estate Services and Other Services).

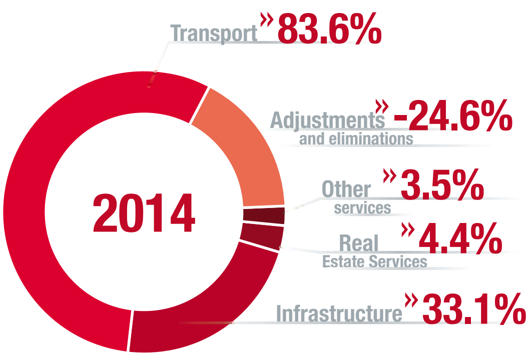
REVENUE 2014



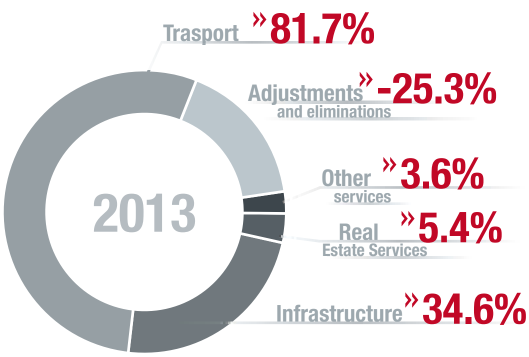
REVENUE 2013



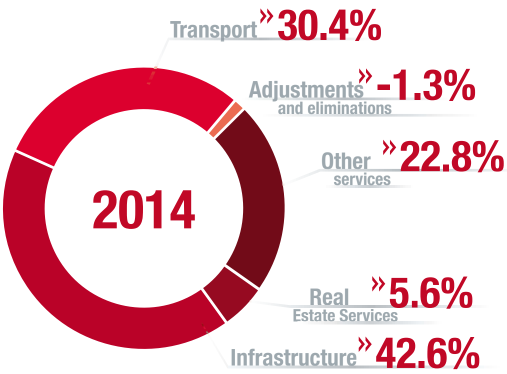
OPERATING COSTS 2014



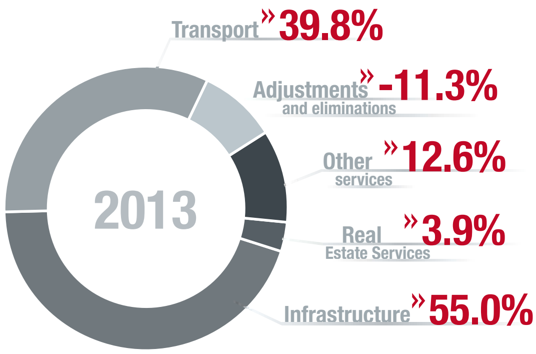
OPERATING COSTS 2013



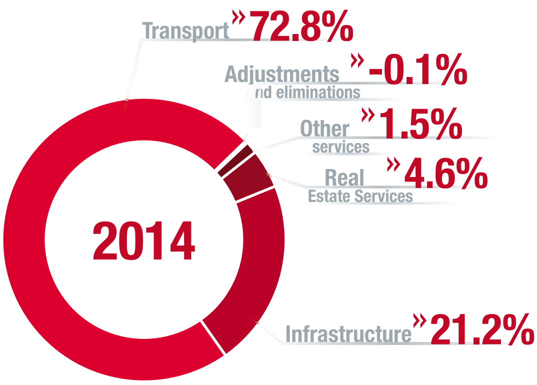
GROSS PROFIT FOR THE YEAR 2014



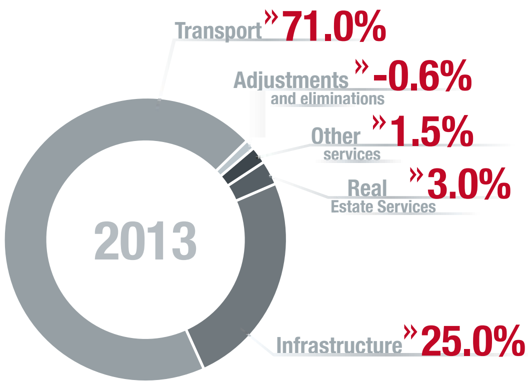
GROSS PROFIT FOR THE YEAR 2013



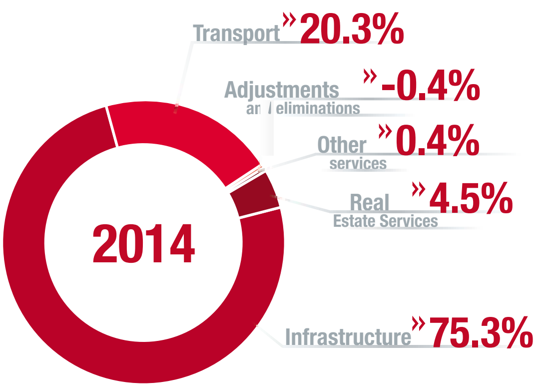
OPERATING PROFIT 2014



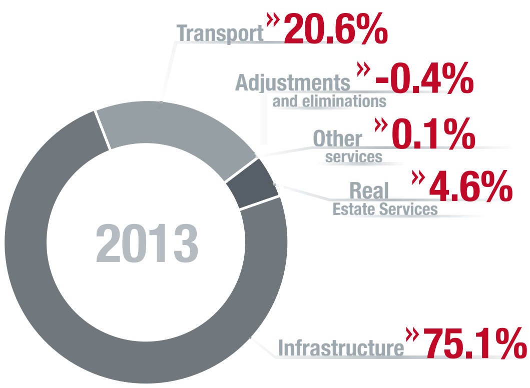
OPERATING PROFIT 2013



NET INVESTED CAPITAL



NET INVESTED CAPITAL



Transport

Transport

The FS Italiane Group companies operating in the transport of passengers and/or cargo by rail, road or sea are part of the **Transport** segment – the Group's core segment. Trenitalia SpA is, by far, the most important company in this segment, in which the Netinera Deutschland group, the TX Logistik group (both operating mainly in Germany), the FS Logistica group, the Busitalia group and other smaller companies also operate.
More specifically, Trenitalia SpA mainly operates by rail, handling services for passenger and cargo transport both domestically and internationally. The German group, Netinera Deutschland, also contributes to the results of this segment, as it carries out transport activities by rail and road on the local and metropolitan transport market in Germany, through approximately 40 investees. The companies that mainly handle rail cargo transport are FS Logistica SpA and its investees at domestic level and the TX Logistik group internationally (mainly operating in Germany, Austria, Switzerland and Denmark). The Transport segment also includes road passenger transport, which is mainly handled by Busitalia - Sita Nord Srl, Ataf Gestioni Srl and, since 2014, by Umbria Mobilità Esercizio Srl as well. Finally, the Transport segment also includes companies like Serfer Srl, which provides operating and engineering services to railway companies, Cemat SpA which handles combined, unaccompanied domestic and international transport, SGT SpA, operating in the intermodal transport sector, and Bluferries Srl which transports people, vehicles and goods by sea.

	2014	2013	Change	%
Revenue from sales and services	6,480	6,274	206	3.3
Other income	307	312	(5)	(1.6)
Revenue	6,787	6,586	201	3.1
Operating costs	(5,248)	(5,142)	(106)	2.1
Gross operating profit	**1,539**	**1,444**	**95**	**6.6**
Operating profit	**251**	**446**	**(195)**	**(43.7)**
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**92**	**184**	**(92)**	**(50.0)**
Net invested capital	**8,867**	**8,871**	**(4)**	**(0.0)**

millions of Euros

The Transport segment showed a **Profit for 2014** of €92 million, down by the same amount (€92 million), and therefore presenting a decrease of 50% on 2013.

»

	2014	2013	Change	%
Revenue from sales and services	**6,480**	**6,274**	**206**	**3.3**
Revenue from transport services	**6,256**	**6,063**	**193**	**3.2**
Market revenue	3,989	3,824	165	4.3
Revenue from public service contracts	2,267	2,239	28	1.3
Other service revenue	**224**	**211**	**13**	**6.2**
Other income	**307**	**312**	**(5)**	**(1.6)**
Revenue	**6,787**	**6,586**	**201**	**3.1**

millions of Euros

Revenue generated in the Transport segment in 2014 amount to €6,787 million, up by €201 million on 2013 (+3.1%), substantially due to revenue from sales and services (+€206 million), which includes revenue from transport services.

Indeed, **Revenue from transport services**, which includes both **Market revenue** (passengers and cargo) and **Revenue from public service contracts** (with the Regions and the Government), rose from €6,063 million to €6,256 million. This €193 million increase (+3.2%) applies inconsistently to the various operating segments of the Group companies active in this segment. The main factors that affected the changes are listed below:

- total revenue from long-haul passenger transport services increased by €104 million, with the "*Freccia*" trains clearly posting the highest revenue, showing growth of over €113 million. This performance, which is partly due to the strengthening of the HS offer on the Turin-Milan-Naples-Salerno route, is above all the result of Trenitalia SpA's savvy launch of successful marketing campaigns and the continuance of considerable investments to improve the "*Frecce*" fleet. Internationally, revenue generated by Thello Sas decreased by €7 million. Medium and long-haul transport revenue under the "universal service" agreement did not show a material change in 2014 with respect to 2013 (+1.3%); in line with the provisions of the long-haul public service contract, Trenitalia SpA has confirmed the service offer model defined with the customer, the Ministry of Infrastructure and Transport;
- regional transport revenue increased by €5 million, €4 million of which due to the sound performance of the German Netinera group companies, mainly following the new contracts signed with the German Regions, and €1 million due to Trenitalia SpA regional passenger division;
- cargo transport revenue grew by roughly €36 million (+4.1%), performing well in nearly all business areas. In particular, the German entities contributed significantly: TX Logistik AG (+€11 million) and the Netinera Deutschland group companies (+€6 million). Trenitalia SpA's cargo division showed growth of over €8 million in revenue, with international traffic volumes up as domestic traffic volumes fell. In terms of product areas, the most significant drops were concentrated in the transport of steel and chemical products, while the transport of raw materials, consumables, imports of timber and grain and the automotive sector fared the best. Finally, FS Jit Italia Srl contributed positively to this segment, generating €6 million;
- road transport improved by €22 million, mainly benefitting from the inclusion of Umbria Mobilità Esercizio Srl and Savit Srl in the consolidation scope;
- lastly, sea transport saw a €2 million decline in Bluferries Srl's revenue.

Revenue from the public service contract with the Regions and the Government saw a €53 million increase in revenue from the Regions, while revenue from the public service contract with the Government decreased by €25 million. The growth in revenue from the Regions is mainly due to the consolidation of Umbria Mobilità Esercizio Srl (+€49 million) and the Netinera Deutschland group companies (+€7 million). In this segment, Trenitalia SpA reported a decrease of roughly €3 million, due to reduced production, partially offset by the rise in considerations as a result of contractual indexing mechanisms. Most of the public service contracts in place with the Regions expired on 31 December 2014. Negotiations are underway and various understandings are being reached for the renewal of these agreements. In most cases, bridge agreements are being negotiated in view of upcoming tenders, through which the Regions have expressed their plans to sign new agreements. On the other hand, revenue from public service contracts with the Government decreased by approximately €25 million. The public service contract with the Ministry of Infrastructure and Transport for the special-statute Regions has not been renewed since 2009 and Trenitalia SpA is continuing to provide its services on the basis of instructions that the Ministry provides from one year to the next. At the same time, the progressive transfer of responsibility to the special-status Regions continues. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of Infrastructure and Transport to the Region was completed and negotiations began to directly award the services to Trenitalia SpA. A similar procedure is underway with Sicily.
Other service revenue amounted to €224 million, up by €13 million (+6.2%) on 2013, mainly due to the following:

- greater revenue from services to railway companies, particularly in connection with the maintenance of rolling stock, performed by Trenitalia SpA on Trenord Srl's behalf (+€27 million);
- lower revenue from other transport-related services (-€9 million);
- lower revenue from contract work in progress (-€8 million).

Other income of €307 million decreased by €5 million on 2013 (-1.6%), mainly due to greater amounts contributed by Umbria Mobilità Esercizio Srl (€6 million), greater income from sundry services (€6 million) and lower ordinary profits and lower profits on sales of non-current assets by FS Logistica SpA (€9 million).

	2014	2013	Change	%
Personnel expense	**2,248**	**2,216**	**32**	**1.4**
Other costs, net	**3,000**	**2,926**	**74**	**2.5**
Raw materials, consumables, supplies and goods	545	519	26	5.0
Services	2,604	2,555	49	1.9
Use of third party assets	223	211	12	5.7
Other operating costs	88	84	4	4.8
Internal work capitalised	(460)	(443)	(17)	3.8
Operating costs	**5,248**	**5,142**	**106**	**2.1**

millions of Euros

Operating costs in the Transport segment amounted to €5,248 million in 2014, up by €106 million on 2013 (+2.1%), due to the growth in both personnel expense and other costs, net.

Personnel expense of €2,248 million rose by €32 million (+1.4%), substantially due to the increase recorded by the Netinera Deutschland group (+€8 million), Serfer Srl (+€6 million) and Umbria Mobilità Esercizio Srl and Savit Srl (+€44 million and +€4 million, respectively), partly offset by the decrease recorded by Trenitalia SpA (€31 million), mainly due to the decrease in the average number of employees.

Other costs, net of €3,000 million increased by €74 million (+2.5%), mainly due to the increase in service costs and costs for raw materials, consumables, supplies and goods, partly offset by the increase in internal work capitalised. The main changes are analysed below:

- under service costs, which are closely related to the increase in revenue from sales and services, the most significant changes relate to maintenance, cleaning, services and contracted work (+€30 million), cargo transport services (+€19 million) and other (+€16 million); showing a dissimilar trend, toll costs fell by €21 million, mainly due to the reduction in costs to access infrastructure following the decrease in the unit toll applicable to HS railway sections implemented by ART resolution no. 70/2014, and due to the decrease in the regional transport offer;
- raw materials, consumables, supplies and goods saw a €20 million increase in the cost of electrical energy for train traction, mainly related to Trenitalia SpA (over €18 million), resulting from the Electricity and Gas Regulator's resolution no. 641/2013, which substantially cuts the tariff subsidies previously reserved for railway companies, with a consequent rise in costs;
- internal work capitalised mainly related to materials, personnel expense and transport costs capitalised for maintenance increasing the value of rolling stock.

The Gross operating profit in the Transport segment came to €1,539 million in 2014, up by €95 million (+6.6%) on 2013.

The Operating profit amounted to €251 million, down by €195 million (-43.7%) on the previous year. This decrease was due to the €36 million increase in amortisation and depreciation and the €243 million growth in impairment losses, along with the €11 million increase in provisions. In particular, impairment losses include the impairment of Trenitalia SpA's Cargo CGU (following impairment testing) of over €185 million and FS Logistica SpA's net impairment losses of €56 million on five real estate complexes, in addition to the revaluation of another complex to adjust its carrying amount to market value. With the approval of Law no. 190/2014 (the "2015 Stability Act"), the Government decided not to renew the Cargo Service Contract with Trenitalia SpA, which reduced considerations for the Group's main transport company by approximately €105 million, requiring a revision of the Cargo Division's business plan in order to check whether the amount of capital invested in this division is recoverable. In 2015, the elimination of costs to use infrastructure in Southern Italy and ferry costs, which are calculated in proportion to train-km generated by the railway companies, for transport services originating and/or terminating in Central and Southern Italy, will only partly offset the impact this development.

Net financial expense of €80 million improved by €97 million (+54.8%) on the previous year. The change is due to the €49 million increase in financial income, in addition to the €29 million decrease in financial expense and the €19 million increase in the share of profits from equity-accounted investees.
Income taxes for this segment amounted to €79 million, down by €6 million (-8.1%).

Loans

October 2014: Amendment to the loan granted to Trenitalia SpA in 2005, for an initial amount of €925 million and the related Parent guarantee from FS SpA

In August 2013, the European Investment Bank ("EIB") announced the need to revise the terms of the loan granted to Trenitalia SpA in 2005 for an initial amount of €925 million, secured by guarantees from five Italian banks, which no longer meet the minimum rating requirements provided for by the loan agreement. The EIB accepted the proposal that FS SpA submitted to replace only those guarantees issued by banks presenting the highest level of credit stress with a direct guarantee from the Parent FS SpA, in order to avoid the early settlement of the loan. This amendment was possible because of the investment grade rating that FS SpA received in 2013. On 14 October 2014, FS SpA signed a commitment with EIB to guarantee an initial maximum amount of €218,500,000.00 euro (the maximum amount at 31 December 2014 was €185,437,500.00 given the loan instalments that have been repaid in the meantime) over the same term as the loan, i.e., until Trenitalia SpA has met all its obligations under the loan agreement, which provides for settlement of the final balance on 30 April 2018. In line with the original provisions of the loan agreement, this replacement also includes an amendment to the loan agreement: *i)* adjusting the initially-agreed interest rate; *ii)* adjusting the minimum rating required by the guarantor banks and *iii)* including integrations to ensure that the EIB loan treatment is substantially in line with the terms and conditions of FS SpA's EMTN Programme.

Infrastructure

Infrastructure

The main Group company operating in the **Infrastructure** segment is Rete Ferroviaria Italiana SpA ("RFI") which, as the national railway network operator, maintains, develops and uses it and the related safety systems, in addition to managing research and development in the field of railway transport and ensuring connections to Italy's largest islands by sea. Moreover, RFI SpA manages assets that are not functional to railway operations as owner.

To a lesser extent, Italferr SpA, the Group's engineering company, also contributes to the results of this segment, along with other Group companies that handle infrastructure, such as Brenner BasisTunnel SE ("BBT"), Tunnel Ferroviario del Brennero SpA ("TFB") and Lyon Turin Ferroviaire SA ("LTF"), now known as Tunnel Euralpin Lyon Turin ("TELT"). The core business of all these companies is the construction of tunnels between Italy and Austria and Italy and France.

	2014	2013	Change	%
Revenue from sales and services	2,218	2,320	(102)	(4.4)
Other income	309	369	(60)	(16.3)
Revenue	**2,527**	**2,689**	**(162)**	**(6.0)**
Operating costs	**(2,079)**	**(2,180)**	**101**	**(4.6)**
Gross operating profit	**448**	**509**	**(61)**	**(12.0)**
Operating profit	**346**	**380**	**(34)**	**(8.9)**
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**129**	**253**	**(124)**	**(49.0)**
Net invested capital	**32,897**	**32,338**	**559**	**2.0**

millions of Euros

The **Infrastructure** segment showed a **Profit for 2014** of €129 million, down by €124 million (-49.0%) on the previous year.

	2014	2013	Change	%
Revenue from sales and services	**2,218**	**2,320**	**(102)**	**(4.4)**
Revenue from infrastructure services	2,138	2,248	(110)	(4.9)
Other service revenue	80	72	8	11.1
Other income	**309**	**369**	**(60)**	**(16.3)**
Revenue	**2,527**	**2,689**	**(162)**	**(6.0)**

millions of Euros

Revenue from sales and services consist of revenue from infrastructure services and traffic-related services provided by RFI SpA (€2,178 million) and revenue for engineering services provided by Italferr SpA (€40 million). In particular, Revenue from infrastructure services fell by €110 million from €2,248 million in 2013 to €2,138 million in 2014. Because RFI SpA is the railway network operator, its revenue trend is closely related to and influenced by the legislative measures that regulate the sector. Specifically, the following changes were seen in the year:

- a €75 million reduction in Government grants as a result of the lower funds earmarked in the Government Programme Contract for 2012-2014 services, which implements, over its term, the effects of an extensive revision of the maintenance models applied to the Italian railway network;
- a €52 million decrease in toll revenue, mainly due to the reduction in the toll charge for the HS network (-36% reduction in the unit toll from €12.81/km to €8.2/km as of 6 November 2014, approved by Ministerial decree no. 330 of 10 September 2013 and ART resolution no. 70 of 31 October 2014;
- a €17 million increase in revenue from the sale of electrical energy for traction due to the growth in the purchase cost of the same energy and the implementation of the Electricity, Gas and Water Regulator's resolution no. 641 of 27 December 2013.

Other service revenue of €80 million increased slightly (+€8 million), the net effect of the decrease in revenue from traffic-related services generated by RFI SpA (-€17 million) and the increase in Italferr SpA's revenue from engineering services (+€25 million).
Other income almost entirely relates to RFI SpA and fell from €369 million to €309 million (-€60 million), mainly due to lower gains (-42 million) than in 2013, when they were recognised primarily on the sale of Roma Tiburtina (€49 million) in the first half of the year, the 2013 reduction in income following the favourable outcome of ruling no. 4154/2012 (ordering Società Autostrade per l'Italia SpA to pay the costs incurred to reclaim polluted sites in the municipality of Casoria), partly offset by greater revenue for work on behalf of third parties (€6 million).

	2014	2013	Change	%
Personnel expense	**1,517**	**1,540**	**(23)**	**(1.5)**
Other costs, net	**562**	**640**	**(78)**	**(12.2)**
Raw materials, consumables, supplies and goods	419	416	3	0.7
Services	552	632	(80)	(12.7)
Use of third party assets	44	47	(3)	(6.4)
Other operating costs	118	110	8	7.3
Internal work capitalised	(571)	(565)	(6)	1.1
Operating costs	**2,079**	**2,180**	**(101)**	**(4,6)**

millions of Euros

Personnel expense showed a total decrease of €23 million on 2013, mainly due to the reduction in RFI SpA's workforce following the rationalisation of the company's organisational structure and its use of the extraordinary benefits under the bilateral fund for income assistance.

Other costs decreased by €78 million in the year, from €640 million in 2013 to €562 million in 2014; this decrease was due to the general reduction of €80 million in service costs, the net effect of RFI SpA's decrease (-€93 million) and Italferr SpA's increase (+€13 million). RFI SpA's decrease is mainly due to the €111 million release of the provision for maintenance costs, as the reasons for the accrual no longer apply. This decrease was partly offset by the increase in the provision due to accruals and releases (€36 million), following greater accruals of €26 million mainly for civil court litigation and reduced accruals of €10 million. Italferr SpA's increase is a result of the increased outsourcing of engineering services for contracts acquired abroad (roughly €10 million) and the increases in IT service costs and insurance premiums, amounting to €1 million each.

The Operating profit came to €346 million and was affected not only by the weaker profit from the core business (-€61 million), but by the €8 million decrease in amortisation and depreciation as well, due to the cut in the HS/HC network rate affecting RFI SpA, mainly in connection with the growth in forecast train/km volumes, and the increase in impairment losses (€5 million) due to higher impairment of property, plant and equipment.

Net financial expense improved by €38 million from €81 million to €43 million. This change relates to RFI SpA and is mainly the result of the €21 million decrease in financial income following lower interest income from the Cociv consortium in relation to the third Giovi pass HS/HC railway section, but is also due to lower accruals for the equity investment in Stretto di Messina SpA (€49 million) and the €27 million decrease in other expense due to two arbitration proceedings in 2013, partly offset by greater financial expense of €20 million on the loans agreed with the Parent for the issue of the Euro Medium Term Notes in 2013.

Income taxes increased by €129 million, mainly in relation to RFI SpA, partly due to the €143 million decrease in deferred tax assets and liabilities – as a result of the new legislation introduced in article 1.20 of Law no. 190/2014 (the "2015 Stability Act") – entailing the full deductibility of all personnel expense relating to employees hired under open-ended contracts for Irap purposes. This measure has made it highly unlikely that the deferred tax assets previously recognised by the infrastructure operator will be recovered. The increase in income taxes is also due to RFI SpA's €17.5 million decrease in the Irap tax charge, mainly due to the decrease in gross production revenue and the rise in the tax-deductible depreciation pursuant to article 1.86/87 of Law no. 266 of 23 December 2005.

Loans

November 2014: Exercise of the option to adjust the interest rate on the “EIB 4-4” loan

In November, with effect from 15 December 2014, the interest rate applied to the tranche of the “EIB 4-4” loan agreement that the European Investment Bank (“EIB”) and Treno Alta Velocità SpA (“TAV”), now known as Rete Ferroviaria Italiana SpA, signed on 14 July 2000, was adjusted. The tranche subject to the adjusted interest rate presented outstanding debt of €148 million and provided for repayment in increasing half yearly instalments, with the final instalment due in December 2030. RFI SpA and the Parent, as co-debtors, exercised the interest rate adjustment option in the original provisions of the loan agreement, thereby modifying the interest rate structure; specifically, the original fixed rate of 5.43% applied since disbursement was replaced, at the adjustment date, with a more favourable variable rate indexed to the 3-month Euribor plus a spread that is capped at 0.15%. Given the current market conditions, this adjustment should significantly reduce future interest on the “EIB 4-4” loan.

Real Estate Services

Real Estate Services

The main companies operating in the **Real Estate Services** segment are those that manage the main railway stations (Grandi Stazioni group and Centostazioni SpA). In addition, this segment also includes the FS Italiane Group companies that develop real estate assets that are not functional to railway operations and handle the sale of land and buildings held for trading.
In particular, the Grandi Stazioni group manages and redevelops the 13 main Italian railway stations (Roma Termini, Milano Centrale, Torino Porta Nuova, Firenze Santa Maria Novella, Bologna Centrale, Napoli Centrale, Venezia Mestre and Santa Lucia, Verona Porta Nuova, Genova Piazza Principe, Genova Brignole, Palermo Centrale and Bari Centrale), manages the Roma Tiburtina station and, through its subsidiary Grandi Stazioni Republica Ceskà Sro, manages the Central Prague and Mariànské Làzne stations in the Czech Republic.
On the other hand, Centostazioni SpA redevelops and oversees the optimal management of 103 station complexes throughout Italy, leveraging their use as commercial centres by developing various business opportunities within the stations.
The Real Estate Services segment also includes FS Sistemi Urbani Srl, which develops real estate assets not functional to railway operations through the integrated management, real estate service development and redevelopment of the areas that surround the stations and connect the adjacent cities with stations and transport hub infrastructures.
Furthermore, the Parent FS SpA's real estate activities also contribute to the results of this segment, as it provides support/consultancy services to the Group companies and handles the sale of the FS Group's land and buildings held for trading.
Finally, this segment includes companies like Self Srl, which manages the transport and dispatching of electrical energy, and Metropark SpA, which studies, designs and builds car parks and manages the car parks and depots for all types of private and public means of transport.

	2014	2013	Change	%
Revenue from sales and services	15	16	(1)	(6.3)
Other income	357	385	(28)	(7.3)
Revenue	**372**	**401**	**(29)**	**(7.2)**
Operating costs	**(274)**	**(339)**	**65**	**(19.2)**
Gross operating profit	**98**	**62**	**36**	**58.1**
Operating profit	**58**	**2**	**56**	**>200**
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**17**	**18**	**(1)**	**(5.6)**
Net invested capital	**1,977**	**1,996**	**(19)**	**(1.0)**

millions of Euros

The Real Estate Services segment showed a **Profit for 2014** of €17 million, down only slightly (-€1 million) on 2013, despite the worsening real estate market crisis.

	2014	2013	Change	%
Revenue from sales and services	**15**	**16**	**(1)**	**(6.3)**
Revenue from the sale of electrical energy for traction	7	8	(1)	(12.5)
Other service revenue	8	8		
Other income	**357**	**385**	**(28)**	**(7.3)**
Revenue	**372**	**401**	**(29)**	**(7.2)**

millions of Euros

Revenue amounted to €372 million, down by €29 million on 2013 (-7.2%), almost entirely as the result of the drop in **Other income** from €385 million in 2013 to €357 million (-7.3%) in 2014. This decrease (€28 million) is due to the decrease in revenue from leases reported by FS Sistemi Urbani Srl (€25.7 million) and Ferrovie dello Stato Italiane SpA (€9.5 million), partly offset by the rise in revenue of Metropark SpA (€1.2 million), the Grandi Stazioni group (€5.5 million), Centostazioni SpA (€0.4 million) and Self Srl (€0.1 million).

	2014	2013	Change	%
Personnel expense	**33**	**32**	**1**	**3.1**
Other costs, net	**241**	**307**	**(66)**	**(21.5)**
Raw materials, consumables, supplies and goods	8	59	(51)	(86.4)
Services	146	149	(3)	(2.0)
Use of third party assets	62	63	(1)	(1.6)
Other operating costs	28	40	(12)	(30.0)
Internal work capitalised	(3)	(4)	1	(25.0)
Operating costs	**274**	**339**	**(65)**	**(19.2)**

millions of Euros

Operating costs amount to €274 million, down by €65 million on 2013 (-19.2%), substantially due to the decrease in other costs, net.
Personnel expense of €33 million grew by €1 million (+3.1%), mainly following leaving incentives and performance-based bonuses granted by the Grandi Stazioni group.
Other costs, net of €241 million show a €66 million decrease (-21.5%), mainly due to the €51 million reduction in costs for raw materials, consumables, supplies and goods (-86.4%) and the €12 million drop in other operating costs (-30%).
Raw materials, consumables, supplies and goods decreased by €51 million; of this decrease, €37.9 million relates to the change in the balance of the Parent FS SpA's land and buildings held for trading, while another €13.1 million relates to FS Sistemi Urbani Srl, due to the lower cost of sales in 2014 compared to 2013.

Other operating costs decreased by €12 million and substantially relate to the Grandi Stazioni group. In particular, this decrease reflects the improvement in litigation and disputes (-€10.4 million), which in 2013 included Grandi Stazioni SpA's €7.7 million accrual for the litigation with former agents, which was settled in 2014, generating prior year income equal to the refund of €2.7 million of the amount paid. Furthermore, the Grandi Stazioni group shows a decrease of €1.3 million due to lower accruals for other pending litigation.

Gross operating profit for 2014 is €98 million, up by €36 million on 2013 (+58.1%) due to the decrease in operating costs (-19.2%), which was more than proportionate to the decrease in revenue (-7.2%).

In 2014, **amortisation and depreciation** in this segment grew by €2.5 million on 2013, while **Net impairment losses** decreased by €23.5 million, mainly due to the lower impairment losses (€19.8 million), which the Parent FS SpA recognised in 2014 on investment property.

The **operating profit** for this segment came to €58 million in 2014, showing a net improvement of €56 million on 2013.

Net financial income increased by €14.9 million on the previous year. The Parent FS SpA accounts for €14.5 million of this increase, due to higher interest income accrued on non-current loan assets with the subsidiaries.

Income taxes decreased by €43.2 million on the previous year. This difference is mainly due to the Parent FS SpA's deferred tax income of €34.6 million, after it more accurately calculated the temporary differences that generated this deferred tax income in 2013, the increase in the Grandi Stazioni group's pre-tax profit (generating greater income taxes of €3.6 million) and FS Sistemi Urbani Srl (€5.9 million).

Other Services

Ferrovie dello Stato Italiane SpA operates in the **Other Services** segment in its role as the Group's holding company, steering and coordinating the operating companies' business policies and strategies. Ferservizi SpA also operates in this segment, providing the Group's main companies with services for the integrated management of activities not directly related to railway operations. The other companies that operate in this segment are: Fercredit SpA, which mainly develops the credit factoring and lease business on the captive market and strives to expand the consumer credit business for Ferrovie dello Stato Italiane employees, and Italcertifer SpA which carries out certification, validation and testing activities on transport and infrastructure systems.

	2014	2013	Change	%
Revenue from sales and services	1	2	(1)	(50.0)
Other income	252	256	(4)	(1.6)
Revenue	**253**	**258**	**(5)**	**(1.9)**
Operating costs	**(222)**	**(227)**	**5**	**(2.2)**
Gross operating profit	**31**	**31**	**0**	**0.0**
Operating profit	**5**	**6**	**(1)**	**(16.7)**
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**68**	**58**	**10**	**17.2**
Net invested capital	**155**	**46**	**109**	**237.0**

millions of Euros

Other Services showed a **Profit for 2014** of €68 million, up by €10 million on the previous year (+17.2%).

	2014	2013	Change	%
Revenue from sales and services	**1**	**2**	**(1)**	**(50.0)**
Other income	**252**	**256**	**(4)**	**(1.6)**
Revenue	**253**	**258**	**(5)**	**(1.9)**

millions of Euros

Revenue of €253 million decreased by €5 million (-1.9%) and almost exclusively consists of other income of €252 million, which includes revenue from the non-core business.
In particular, other income consists of the following:

- revenue from real estate management generated by Ferservizi SpA in connection with the management of spaces and offices for the Group, totalling €31.3 million and showing no material changes in the year;
- revenue generated by Ferservizi SpA from facility management and administrative services to Group companies, amounting to €135.4 million, down by €2.1 million;
- revenue generated by the Parent from recharging Group companies for services and consultancy provided under the service and consultancy agreement and for fee income from the use of trademarks, totalling €69.5 million, down by €3.8 million;
- revenue generated by Italcertifer SpA from the completion of several contracts, amounting to €11.9 million, up by €4 million;
- revenue generated by Fercredit SpA from the sale of its lease, factoring and consumer credit products, amounting to €3.7 million, down by €0.5 million.

Revenue from sales and services of €1 million includes only the change in work in progress relating to Italcertifer SpA. This company, which carries out certification, valuation and testing activities on transport and infrastructure systems in all industrial sectors, acquired a substantial amount of contracts in 2014 (900, compared to 400 in 2013), although these contracts were individually worth less, leading to a smaller increase in work in progress than the increase seen in 2013.

	2014	2013	Change	%
Personnel expense	**144**	**146**	**(2)**	**(1.4)**
Other costs, net	**78**	**81**	**(3)**	**(3.7)**
Raw materials, consumables, supplies and goods		1	(1)	(100.0)
Services	59	63	(4)	(6.3)
Use of third party assets	6	6		0.0
Other operating costs	13	11	2	18.2
Operating costs	**222**	**227**	**(5)**	**(2.2)**

millions of Euros

Personnel expense of €144 million shows an overall decrease of €2 million (-1.4%) compared to the previous year. This change is the result of the reduction in the average number of employees following the gradual, ongoing reorganisation of production and labour at Group companies.
Other costs of €78 million decreased by €3 million (-3.7%) in the year. This change was due to a general reduction in costs.
The **Operating** profit of €5 million was affected by a decrease in amortisation and depreciation (-€1 million), mainly due to the effect of the Parent's 2013 impairment losses, the increase in impairment losses (+€3 million), mainly relating to the Parent and Fercredit SpA's lower accruals (-€1 million) to the extraordinary section of the bilateral fund for income assistance.
Net financial income rose by €4 million from €28 million to €32 million. This change is mainly due to:

- €33 million increase in financial income, €29 million of which relates to interest income on non-current loans that the Parent granted to subsidiaries and €4 million of which to the increase in loans to factoring clients and the disbursement of new targeted loans by Fercredit SpA;
- €29 million increase in financial expense, mainly due to the rise in interest expense on the notes issued as part of the Euro Medium Term Notes programme and interest expense on the loan from Eurofima covering the purchase cost of rolling stock, offset by the decrease in interest expense on the non-current loans from banks and other financial backers to the Parent.

The profit for the year is net of taxes of €31.3 million, which reflects the positive effects of the national tax consolidation scheme among the Parent's core operations.

Loans and borrowings

Update of the Base Prospectus for the Euro Medium Term Notes Programme

On 2 December 2014, the Central Bank of Ireland approved the update of the Base Prospectus for FS SpA's *Euro Medium Term Notes ("EMTN")* Programme, which was listed on the Dublin stock exchange in July 2013. The update mainly affected the sections "*Description of the Issuer*", "*Information incorporated by reference*", "*Taxation*" and "*Risk Factor*" in order to include the 2013 financial statements and 2014 half year report data in the prospectus and to include additional adjustments necessary following developments in legislation and corporate events that in 2014 had a material impact on the FS Group's business. No changes were made to the section "*Terms and Conditions of the Notes*". Furthermore, in conjunction with the update, a new *Programme Manual* and a new *Dealer Agreement* were signed, to encourage subscription by the three banks as new dealers for the programme. The updating of this documentation was necessary as FS SpA plans to issue additional notes.

S&P downgrade

On 12 December 2014, Standard & Poor's downgraded FS SpA's Long-Term Corporate Credit Rating from 'BBB' to 'BBB-'. It also revised the company's outlook from negative to stable. Consequently, the agency downgraded the rating of FS SpA's EMTN and the two notes issued as part of the programme from 'BBB-' to 'BBB'. This downgrading was the direct result of the same agency's country downgrading of Italy on 5 December 2014. FS SpA's rating is closely correlated to the country rating given the methodology used to rate government-related companies like FS SpA. On the other hand, FS SpA's Stand Alone Credit Profile (SACP) was not revised and remains 'BBB'.

Ferrovie dello Stato Italiane SpA's performance

Ferrovie dello Stato Italiane SpA's performance

INCOME STATEMENT

	2014	2013	Change	%
Revenue	**148**	**160**	**(12)**	**(7.5)**
Revenue from sales and services	142	152	(10)	(6.6)
Other revenue	6	8	(2)	(25.0)
Operating costs	**(142)**	**(181)**	**39**	**21.5**
Gross operating profit/(loss)	**6**	**(21)**	**27**	**128.6**
Amortisation and depreciation	(22)	(22)		
Net impairment losses	(6)	(22)	16	72.7
Operating loss	**(22)**	**(65)**	**43**	**66.2**
Net financial income	115	109	6	5.5
Pre-tax profit	**93**	**44**	**49**	**111.4**
Income taxes	(4)	32	(36)	(112.5)
Profit for the year	**89**	**76**	**13**	**17.1**

millions of Euros

The **Profit for 2014** amounts to €89 million, showing an improvement of €13 million (+17.1%) on the previous year.

Gross operating profit rose by €27 million, from a gross operating loss of €21 million to a gross operating profit of €6 million, the net result of the following factors:

- €12 million decrease in **Revenue** (€148 million in 2014, compared to €160 million in 2013), mainly due to the effect of lower revenue from sales of land and buildings held for trading (-€9 million);
- €39 million decrease in **Operating costs** (€142 million in 2014, compared to €181 million in 2013), mainly due to the fact that there were no impairment losses on land and buildings held for trading in 2014 (-€31 million), where impairment losses had been recognised in 2013 to align the carrying amount of such assets to their market values, and to the reduction in sales in the year (-€6 million), in connection with the lower revenue described in the previous point.

While the company reports another **Operating loss** of €22 million, this result has improved with respect to the much more significant operating loss of €65 million for 2013 (+66.2%). The comparison of the operating profit in the two years shows an improvement of €16 million, in addition to the increase seen in the gross operating profit, entirely due to the greater impairment losses recognised in 2013 on investment property following testing to check that carrying amounts were consistent with fair value, as described above for buildings held for trading.

Net financial income improved by €6 million, mainly due to the combined effect of:

- on one hand, the decrease in dividends distributed by subsidiaries, totalling €12 million;
- on the other, the decrease following the impairment losses of €33 million recognised in 2013 on the equity investment in FS Logistica SpA;
- lower financial income totalling €8 million, mainly due to the decrease in interest on the infragroup current account, infragroup credit lines and postal and bank accounts and the write-off of interest when the Shareholder loan was extinguished;
- the €7 million exchange rate loss in relation to capital proceeds due to the investee Eurofima SA, expressed in Swiss francs.

Income taxes show a negative balance of €4 million; the €36 million difference compared to the previous year is due to the effect of deferred tax income of €39 million for 2013 following the impairment losses recognised that year, in particular.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31.12.2014	31.12.2013	Change
Assets			
Net operating working capital	543	560	(17)
Other assets, net	(173)	(314)	141
Working capital	**370**	**246**	**124**
Property, plant and equipment	602	614	(12)
Equity investments	35,563	35,552	11
Net non-current assets	**36,165**	**36,166**	**(1)**
Post-employment benefits	(14)	(16)	2
Other provisions	(515)	(475)	(40)
Post-employment benefits and other provisions	**(529)**	**(491)**	**(38)**
Net invested capital	**36,006**	**35,921**	**85**
Coverage			
Current net financial debt	(334)	(329)	(5)
Non-current net financial position (debt)		(2)	2
Net financial debt	**(334)**	**(331)**	**(3)**
Equity	**36,340**	**36,252**	**88**
Coverage	**36,006**	**35,921**	**85**

millions of Euros

Net invested capital of €36,006 million increased by €85 million in the year due to the rise in **Working capital** (€124 million), offset by the increase in **Post-employment benefits and other provisions** (€38 million) and the decrease in **Net non-current assets** (€1 million).
Net operating working capital of €543 million decreased by €17 million in the year, mainly due to:
- the net decrease in trade receivables and payables (€13 million);
- the decrease in buildings and land held for trading (€4 million), mainly due to sales in the year.

Other assets, net decreased by €141 million, mainly due to the effect of the improvement in the net VAT balance.
Net non-current assets came to €36,165 million, down by €1 million on 2013, mainly due to:
- the increase in the investment in Busitalia Sita Nord (€11 million);
- the decrease in property, plant and equipment (€12 million) mainly due to the combined effect of depreciation of the year (€22 million) and the capitalisation of investment projects relating to software (€12 million).

The increase in P**ost-employment benefits** and other provisions (€38 million) mainly reflects the net increase in the tax provision for tax consolidation (€50 million), offset by the decrease in other sundry risks (€4 million), the provision for deferred tax liabilities (€6 million), the provision for post-employment benefits and other employee benefits (€2 million).
Net financial debt increased by €3 million, with net cash rising from 331 million at 31 December 2013 to €334 million at 31 December 2014; this change is due to the net effect of the improvement in the current net financial position (€5 million) and the decrease in non-current net financial debt (€2 million).
Finally, **Equity** shows an €88 million increase, mainly due to the profit for the year.

Macroeconomic context

Macroeconomic context

In 2014, the general global macroeconomic context showed a slow, unsteady trend. Faster growth in certain countries offset the slowdown in others, limiting the reduction in the overall growth rate. After a gradual decline in the first few months of the year, global economic activity resumed slow growth, mainly due to the sound performance of the US economy, which had already taken its first steps towards recovery. On the other hand, emerging economies remained weak, with growth rates down further on the levels reached in recent years, although they continue to provide a significant contribution to the world's economic growth. Prometeia's most recent estimates (January 2015) show global GDP up by 3.1%, in line with the previous year and below forecasts.

Among advanced economies, the US reported that, after a decline in GDP growth in the first half of 2014, mostly due to the adverse weather conditions, the indicator began growing again, benefiting from accommodating monetary policies, rallying consumption and investments in production and the sharp drop in the unemployment rate. The average annual growth rate of 2.5% shows that the US economy has grown at the highest rate since the start of the crisis. In Japan, annual economic growth of 0.2%, although positive, is below expectations. After getting off to an encouraging start in the first few months of 2014, the economic cycle slowed in the second half of the year, as the fall in investments was only partially offset by the modest recovery in spending.

Economic growth in emerging countries slowed marginally, presenting fragmented trends throughout the various areas. The drop in raw material prices and high inflation hindered development in Latin American countries, particularly Brazil. As the geopolitical situation deteriorated, sanctions and counter-sanctions were imposed, further weakening the Russian economy, with significant repercussions on Eurozone countries. Growth in emerging countries in Asia was mainly sustained by domestic demand and certain Governments' willingness to implement reforms, such as India. In China, GDP rose by 7.4%, one tenth of a point less than the Government's target. The Government is committed to, among other things, charting a course for sustainable and balanced development through structural reforms based on expanding public investments (high speed railways, motorways and metros) and domestic consumption, rather than the traditional route of exports.

INTERNATIONAL TRADE DATA

	2014	2013
GDP (change on previous year)		
World	**3.1**	**3.1**
Advanced countries		
US	2.5	2.2
Japan	0.2	1.6
Eurozone	0.8	(0.4)
Emerging countries		
China	7.4	7.7
India	5.8	4.7
Latin America	0.6	2.5
International trade	**2.4**	**2.7**
Oil (US$ per barrel)		
Brent	99.4	108.6

Source: Prometeia forecast, January 2015

Despite the global economic recovery in the second half of the year, growth in international trade remained weak at just +2.4%, lower than GDP growth.
After trading at high prices for a long period of time, in the second half of 2014, the price of oil fell more swiftly and dramatically than other raw materials. This sudden fall was due to the continued growth in the crude oil supply in Arab countries on one hand and the increase in US oil production by over 50% (thanks to the use of innovative fracking techniques to release shale oil) on one hand and, on the other, to the reduction in demand following the disappointing growth seen in Japan and the Eurozone and China's economic slowdown.

EUROZONE ECONOMIC DATA

	2014	2013
GDP (change on previous year)		
Eurozone	0.8	(0.4)
Germany	1.4	0.2
France	0.4	0.4
Italy	(0.4)	(1.9)
Spain	1.4	(1.3)
Inflation (HICP) (change on previous year)		
Eurozone	0.4	1.3
Germany	0.8	1.6
France	0.6	1.0
Italy	0.2	1.2
Spain	(0.2)	1.5
Domestic demand (change on previous year)		
Eurozone	0.8	(0.9)
Germany	1.6	0.8
France	0.5	0.3
Italy	(0.9)	(2.9)
Spain	2.2	(2.7)

Source: Prometeia forecast, January 2015

In the Eurozone, growth was extremely limited and discontinuous with large differences between the various countries, due to weak domestic demand, particularly weak investments, with consequences like historically low inflation rates and high unemployment.
To counteract these trends and, especially, to mitigate the risks of falling into a spiral of deflation, the European Central Bank ("ECB") adopted a series of extraordinary measures in the year to stabilise European financial markets and, where possible, encourage the flow of credit to the real economy, so as to fuel a recovery in investments, consumption and exports.
Based on recent economic data, the Eurozone shows average annual GDP growth of 0.8%, with the various members contributing much differently: Italy is in decline, while the peripheral countries, like Spain, boast growth.
GDP growth in Germany is 1.4%, two tenths of a percentage point above the Government's predictions. Although it was affected by the Russian-Ukraine conflict more than expected, the German economy was still able to benefit from strong domestic demand and the sound performance of exports. After getting off to a vibrant start in the first half of the year (+0.8% in the first quarter) and experiencing a weak summer (-0.1% in the second quarter), the German economy positively stabilised in the second half of 2014 (+0.1% in the third and fourth quarters).

ITALIAN ECONOMIC DATA

	2014			
	Q1	Q2	Q3	Q4
GDP (change on previous year)	**0**	**(0.2)**	**(0.1)**	**0**
Domestic demand	(0.3)	(0.4)	(0.3)	0
Spending by households	0.1	0.2	0.1	0.1
Spending by public administration and private not-for-profits	(0.3)	0.1	(0.3)	(0.3)
Gross fixed investments	(1.1)	(0.8)	(1.0)	(0.5)
Construction	(1.1)	(1.1)	(0.9)	(0.7)
Other durable goods	(1.1)	(0.5)	(1.1)	(0.3)
Imports of goods and services	**(0.7)**	**0.9**	**(0.3)**	**0.9**
Exports of goods and services	**0.2**	**1.3**	**0.2**	**1.1**

Source: Prometeia forecast, January 2015

As the Eurozone undergoes a modest recovery, economic activity in Italy remains flat, although it showed some very hesitant positive signs near the end of the year, mainly in connection with the sharp drop in the price of oil (which is progressively translating into production costs and, most recently, end prices for energy products), the depreciation of the Euro (with its much hoped-for positive effect on growth in exports) and expansive monetary policy.

In 2014, this cyclical phase showed growth in GDP of around zero in the first and fourth quarters, dipping into the negatives in the second and third quarters, influenced by heightened geopolitical tension. The year-on-year decrease in GDP was 0.4%, reflecting the negative contribution of domestic demand (-0.9%) exacerbated by the sharp fall in investments (-1.1%) and modest growth in foreign demand (exports +2.0%; imports +0.5%).

Industrial production declined by an annual average of 0.9%. The greatest decreases were seen in the manufacturing of electric equipment and non-electrical domestic appliances, the supply of electrical energy, gas, steam and air. Vice versa, the products that grew the most were electronics and optics, electromedical devices, measurement devices and clocks, means of transport, textiles, clothing, leather and accessories.

Consumer price growth rates hit minimum lows. On an annual basis, inflation approached zero (0.2%) and although it reflected the sharp drop in raw material prices, it also reflected the unfavourable economic context, with a general drop in prices at all stages.

The labour market continues to deteriorate, with the unemployment rate up to 12.8% at the end of 2014. The unemployment rate among people aged 15 to 24 came to almost 43%. However, in the last few months of the year, when a series of measures to support businesses and employees took effect, positive signals were seen in all production sectors.

Macroeconomic outlook for 2015

The dramatic changes seen in the first few months of 2015 increased the level of fragmentation characterising the development of the global economic cycle, consisting of different growth rates and different monetary policy stances throughout the various geographical areas. In this way, the items with the highest impact can be seen in the drop in the price of oil, the depreciation of the Euro, the beginning of the ECB's quantitative easing and the uncertain international geopolitical situation.
According to Prometeia's latest forecasts, global growth is expected to reach an annual average of 3.2% of 2015, with industrialised countries increasing their contribution (from +1.7% in 2014 to +2.2% in 2015) and emerging countries decreasing theirs more substantially (from +4.4% in 2014 to +4% in 2015).

INTERNATIONAL TRADE DATA

	2015
GDP (change on previous year)	
World	**3.2**
Advanced countries	
US	3.0
Japan	1.0
Eurozone	1.4
Emerging countries	
China	6.8
India	6.7
Latin America	1.1
International trade	**4.9**
Oil (US$ per barrel)	
Brent	62.6

Source: Prometeia, March 2015

Among industrialised countries, the US recently registered macroeconomic fundamentals with a certain solidity, bolstered by growth in spending and investments and the labour market's progressive improvement, as the unemployment rate dropped to minimum levels since the start of the financial crisis. The US context shows decidedly positive signs, leading to predictions of sound 2015 growth in GDP (expected growth of 3%). In Japan, GDP showed faster growth at the end of 2014 and, together with the improvement in economic indicators, could lead to annual average growth of 1% in 2015. On emerging markets, initial economic indications confirm the consistent data that has characterised them for a year now. The healthy growth expected for Asia reflects dynamic growth in India (6.7%), while the rest of Asia remains substantially steady and China slows. Asian GDP should grow by 6.8%. On the other hand, growth forecasts are much more contained for Latin America (GDP growth of 1.1% in 2015) and Russia, where economic activity is heavily affected by the conflict with Ukraine and the effects of the sudden drop in the price of oil. Despite the modest recovery, international trade is expected to grow at around 4.9% in 2015 thanks to favourable raw material prices.

The recovery is much more modest, but still positive overall in the Eurozone countries. However, they will probably post negative inflation and high unemployment rates in 2015. Investments are expected to drop in Germany, France and Italy, while forecasts are positive for Spain, Portugal and Greece. The ECB's expansive monetary policy leveraging quantitative easing (€1,140 billion allocated to purchase treasury bonds), counter to the recent monetary restrictions in the US, have taken the Euro/US dollar exchange rate down to below 1.10 in the first few months of the year, and the Euro expected to weaken further by the end of the year. GDP growth in the Eurozone in 2015 should come to 1.4%, benefitting from the aforementioned depreciation of the Euro, the low price of oil and the boost to expansive monetary policy. Inflation in the Eurozone is expected to be negative in 2015 (-0.1%), and then rise sharply – to 1.4% – in 2016.
In 2015, the Italian economy is expected to resume growth. The improvement should be modest and will pick up gradually as the effects of the low price of oil, the depreciation of the Euro and monetary policies begin to impact spending and investments. According to recent estimates by the Italian Government (the Italian financial planning document, April 2015), after the decline in growth registered from 2012 to 2014, GDP should grow by 0.7% in 2015 and then resume its rise – in a range of 1.3% to 1.5% – in 2016.

Customers

Customers

In the Market segment, 2014 saw the consolidation of the **Passenger** product offer in the highly competitive HS market. The pricing policy for all products in this segment continued in line with the previous year, offering passengers the longstanding fare structure: Standard, Economy and Super Economy, i.e., a combination of flexibility and discounts.
In addition to this range, Trenitalia SpA confirmed its special offers: Two for the price of one every Saturday and on certain holidays; Children travel free, for families, allowing children under 15 years of age to travel for free; and the Carta*FRECCIA* Special card for loyal customers, who can travel on *Frecce* trains with a 50% discount off the Standard fare on Tuesdays, Wednesdays and Thursdays from 11 am to 2 pm. In addition, the company has confirmed special same-day and same-weekend roundtrip fares.
Two new Carta*FRECCIA* sales offers were launched in the second half of the year for frequent travellers with travel passes: Carta*FRECCIA* Young and Carta*FRECCIA* Senior, entailing discounts of 20% off the Standard fare for domestic trains. Carta*FRECCIA* Young is the new card for loyal customers who are under 26, while Carta*FRECCIA* Senior is for loyal customers who are over 60.
In 2014, campaigns were organised to incentivise purchases using e-vouchers: Happy Day on 6 January for purchases on Trenitalia.com, the discount for Women's Day, Carta*FRECCIA* birthday discounts and Renew consent and the summer discount.
At the end of 2014, the company counted over 4 million Carta*FRECCIA* customers, and the Carta*FRECCIA* offer was expanded to include exclusive benefits, like airfare in the rewards catalogue and the launch of the new "Pass it on" programme.

In 2014, in the wake of the previous year's positive results, the sports marketing campaigns were confirmed, with the addition of *Sassuolo* to the football teams that already partner with *Frecciarossa* network, bringing the total list to: Juventus, Torino, Milan, Inter, Bologna, Fiorentina, Roma, Lazio and Napoli.
At year end, 97.2% of long haul trains in the market service segment arrived on time or, in any case, 0 to 15 minutes late, compared to 96.0% in 2013. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 94.1%, up on the findings of the previous year (93.6%).
The following main developments in the sales offer were introduced in 2014.

Frecciarossa

The restyling of the new *Bistrò* carriages continued, with the progressive replacement of the traditional restaurant carriage on the entire *Frecciarossa* fleet. Featuring an innovative design, the new *Bistrò* carriage will enable the company to improve its service, thanks to the modern equipment and expanded space to display food. The bar area has been completely updated and the restaurant area has been equipped with *business*-class seating. Passengers in these seats can enjoy restaurant services on trains running at lunch or dinner time, while on other trains, the seats are available by reservation. Around 80% of the restaurant carriages have been restyled as part of this project and it is expected to be completed in the first half of 2015.
The Group continued to consolidate Wi-Fi and 3G services and is developing the schedule of information broadcast on screens in carriages, expanding content throughout the entire ETR500 fleet (WhereRU/*News*/Info Travel/Entertainment and sales offers/agreements) and kicking off a new project to fine-tune the way in which content is displayed on the screens (georeferencing, updates at given times and customised update schedules for commercial journeys). The project is slated for completion in the first half of 2015.
97.6% of *Frecciarossa* trains arrived on time or, in any case 0 to 15 minutes late, showing a slight decrease on the 98.2% of 2013. Customer satisfaction data, based on a third party survey, show overall satisfaction with the journey of 96.1% at year end, in line with 2013.

Frecciargento

Completing the outfitting of the ETR 600, ETR 610 and ETR 485 fleet with the necessary devices to provide multimedia services on board, the *Frecciargento* portal was launched, offering the same services already provided on the *Frecciarossa* portal: free Wi-Fi, multimedia entertainment and travel updates.
Development continued on the schedule of information broadcast on screens on board ETR 600 and ETR610 trains, in perfect keeping with *Frecciarossa* trains. The *Frecciargento* website is available on touch screen monitor in the vestibules of ETR600 and 610 trains, describing the offer, product, fares and services for *Frecciargento* customers.
At year end, 98.5% of *Frecciargento* trains arrived on time or, in any case, 0 to 15 minutes late, compared to 98.4% in 2013. Customer satisfaction with the overall journey came to 93.2% at year end, up on the 92.5% of 2013%).

Frecciabianca

With respect to *Frecciabianca* trains, the company focused on reducing the amount of time between connections, to further reduce travel times. Passengers travelling on the connection launched with a new fast pair of trains running between Trieste Centrale and Milano Centrale arrive in only 3 hours and 44 minutes.
The standardisation of the new look for *Frecciabianca* continued, and improvements were made to the scheduled on-board announcements, in perfect keeping with *Frecciarossa* and *Frecciargento* trains.
Over 96% of *Frecciabianca* trains arrived on time or, in any case, 0 to 15 minutes late, compared to 95.8% in 2013. Customer satisfaction with the overall journey came to 92.5% at year end, in line with 2013 data.

International service

Since the timetable was changed in June 2014, the Italy-Switzerland service offer was expanded with a new afternoon pair on the Milan-Zurich route, entailing the rescheduling of the Milan-Zurich timetable from June due to work to reinforce the Gotthard tunnel.
A variety of campaigns were launched to promote Italy-Switzerland connections on the holiday weekends in May and June for travellers in first class and for the Christmas markets.
The Thello promotional sale continues, offering passengers on Thello night trains leaving from or arriving in Venice, Padua, Vicenza, Verona, Brescia and Milan for or from Paris and Dijon discounts on *Freccia-rossa*, *Frecciargento* and *Frecciabianca* trains.
This *Frecce*-Thello combination more effectively and now, at reduced prices, connects France with most of Italy's major cities and top tourist and business destinations. Furthermore, on 14 December 2014, service on the new Milan-Nice route began.
Finally, the international offer saw the partial resumption of ordinary routes that had been reduced in 2012 and 2013, on night trains to and from Germany, to complete the revision of the carriage door opening and closure system. In addition, the reserved seating service on the Rome/Bologna-Munich/Vienna route was reinstated.

Universal passenger service

In line with the provisions of the long haul public service contract, the offer model defined by the client, the Ministry of Infrastructure and Transport, was confirmed for 2014.
Again in 2014, passengers on night trains were offered the Night + HS discount, entailing a special price for travel on HS *Frecciarossa* and *Frecciargento* trains leaving from or arriving in Naples, Rome or Bologna in combination with a night connection to or from Sicily, Calabria or Puglia to improve efficiency and connect Southern Italy to the north. In addition, in May, the Economy and Super Economy fares were launched for night trains with a special price point, and a communications campaign called "Night travel starting from €39" was launched for journeys in couchettes (€49 for the sleeper carriage).
Over 94.6% of long haul trains falling under the universal service and other services reached their destination on time or less than 15 minutes late, showing a significant improvement on the previous year (90%).

Regional transport

Most of the public service contracts in place with the Regions expired on 31 December 2014. Negotiations are underway and various understandings are being reached for the renewal of these agreements. In most cases, bridge agreements are being negotiated in view of upcoming tenders, through which the Regions have expressed their plans to sign new contracts.
The public service contract for the Emilia Romagna Region was extended to 30 June 2016, while the company presented its bid in the tender for transport services on 20 October 2014.
New trains continue to be delivered in accordance with the public service contracts with the Regions. In particular, 29 "*Jazz*" electric trains and 167 double decker "*Vivalto*" carriages were delivered. The contract for "*Swing*" diesel systems is progressing in accordance with the commitments made with the Regions, with the activation of the first trains by March 2015.
In general, most of the Regions, although each to a different extent, are excellent customers and none have requested significant cuts in services. They make regular payments so that the contractually-agreed cash flows are available to support the investments needed to renew the fleet. Certain Regions have even contributed with their own funds to purchase new trains and play a very important part in the continuous improvement of the range of services offered.
In certain cases, which are, fortunately, limited, considerable cuts have been made in the services requested due to budget issues and delays in payments that are so significant that they hinder investments in new trains.

The public service contract with the Ministry of Infrastructure and Transport for the special-status Regions expired in 2009 and has not been renewed. However, the company has continued to provide its services on the basis of instructions that the Ministry has provided each year. At the same time, the progressive transfer of responsibility to the special-status Regions continues. Indeed, following the programme agreement dated 7 June 2012 between Sardinia and the relevant ministries, the transfer of financial resources from the Ministry of Infrastructure and Transport to the Region was completed and negotiations began to directly award the services to Trenitalia SpA. A similar procedure is underway for Sicily.
The percentage of regional transport trains that arrived within 0 to 5 minutes of the scheduled time was 93%, showing a slight improvement on the previous year (92%).
Customer satisfaction data have improved as well. In particular, overall passenger satisfaction reached 74.1% in 2014, compared to 73.8% in 2013. Moreover, the perceived quality of cleanliness on board regional trains improved considerably, rising from 54.8% in 2013 to 58.8% in 2014. Just a few years ago it came to only 33%. This improvement was achieved by completely revising the entire cleaning process and through many changes in contracts in previous years.
A series of initiatives and investments have been carried out to improve service quality by making services easier to use, in particular:

- the project to eliminate paper tickets, making them mere reminders, has reached an advanced stage. This project will save printing, warehousing and distribution costs. It will be completed in 2015;
- the project to replace the old *self* service ticketing *machines* was completed, with the installation of 1,280 new devices at the main traffic hubs and crowded areas, such as universities and trade fair grounds. The new self service machines meet far superior technical and security standards than the previous ones and are much easier to use, enabling customers to buy any product in Trenitalia SpA's domestic offer using cash, credit cards or direct debit cards;
- in addition new ticket punchers have been installed, making it possible, inter alia, to use new ticket recognition technologies, such as barcodes and microchips;
- in Piedmont, the e-ticketing system was completed based on cards equipped with microchip. The project will be completed in 2015 for the issue of regular tickets. This new form of ticketing will also be extended to other Regions in 2015 as well. Indeed, the sales network continues to expand and through agreements signed with the authorised ticketing agents Lottomatica, Federazione Italiana Tabaccai and Sisal, in 2014 the number of points of sale where passengers can buy regional tickets and travel passes grew to 70 thousand, scattered throughout Italy.

Cargo

The economic situation in the Italian market affected railway traffic with drops in domestic traffic volumes (conventional and sea and road intermodal transport), while international traffic grew, especially due to the growth in flows to and from Germany, Austria, Holland, Hungary and Poland.
The product sectors presenting the deepest declines are concentrated in the steel and chemical transport segments, due to the Italian steel's industry's severe crisis and the closure of many chemical sites in Italy, while the transport of raw materials, consumer goods (imports of timber and grain) and the automotive segment are holding strong.
In this scenario, Trenitalia SpA's Cargo Division's position has remained more or less in line with 2013, as it continues to focus on maintaining a constant offer for full-train transport with the same production volumes. It has achieved these results by fostering loyalty among its customers, ensuring that its agreements in place in Italy are extended over time and taking steps to boost international traffic abroad. On the other hand, the discrepant trend in domestic combined sea/land traffic has not helped its drastic steps to regain shares of traffic from its inter-/intra-modal competitors.

Performance of markets and domestic raylway traffic

Performance of markets and domestic railway traffic

Despite the difficult context for an Italian economic recovery, the transport sector performed moderately well in 2014 with respect to both passengers and cargo.

The cargo transport sector performed positively in nearly all segments, although industrial production is down (-0.8%). The air transport sector continued to boast growth in traffic, which had already recovered in 2013, with an annual increase of around 5% in tonnes of cargo handled. Milano Malpensa remains the top airport for cargo handling, with approximately 460 thousand tonnes, equal to roughly 51% of the country's total. Cargo traffic on motorways generated around 17 billion heavy vehicle-km, corresponding to an increase of 0.7% on the previous year. Sound signs of recovery were also seen in the registration of freight trucks (+16.4% on an annual basis). The sea transport of containers at major Italian ports performed well, up by approximately 1% in the first half of the year compared to the same period of 2013, mainly boosted by the Genoa port's sound performance. The logistics segment, bolstered by the growth in exports, posted a 1.1% increase in revenue.

Demand for passenger transport also showed an upwards trend. After two years of decline, air passenger traffic resumed growth, with approximately 150 travellers passing through the 35 Italian airports monitored by Assaeroporti explain (+4.5% on the previous year). Both domestic passenger traffic, up by 2.5%, and the net growth in international traffic contributed to the overall result. Indeed, international traffic grew by 5.9% on the previous year, particularly influenced by the 7.5% increase in traffic from EU countries on 2013. Italy's top domestic hub remains the Roma Fiumicino international airport, with its total of 38.5 million transiting passengers in the year. Milano Malpensa is next, with roughly 19 million passengers (+5% on 2013), including approximately 16 million international passengers, despite the "Linate decree" deregulating traffic from the Milano Linate airport to non-capital cities in Europe. With respect to road transport, after decreasing over the past three years, light vehicles ended the year with a 1.0% gain on 2013, corresponding to roughly 59 billion light vehicle-km in terms of volume. Even the automotive industry showed recovery, with some 1.4 million new cars registered in 2014 (+4.2% on the previous year), substantially due to growth in the rental sector, rather than private ownership. On the other hand, the cruise ship sector declined: according to Cemar (port agent tour operator network) forecasts, cruise ships at Italian ports lost approximately 10% on an annual basis.

Focus on the management of domestic railway infrastructure

At 31 December 2014, the network managed by Rete Ferroviaria Italiana SpA covered 16,723 km throughout Italy and broken down into the following types of lines:

- fundamental lines with high traffic density, covering 6,449 km;
- complementary lines, which make up a dense network of regional connections and interconnections with the main lines, covering total distance of 9,331 km;
- hub lines, which are located in major metropolitan areas for a total distance of 943 km.

At the end of 2014, 71.4% of the network, consisting of 11,940 km, had been electrified, while double tracks accounted for 45% of the total distance, or 7,555 km.
All network lines are equipped with one or more train speed protection systems, which makes the Italian railway infrastructure one of the safest in Europe. In particular, the lines on the new HS/HC network feature the ERTMS/ETCS (European Rail Traffic Management System/European Train Control System), the standard European signalling system.
The Ministry had licensed 32 railway companies in accordance with Legislative decree no. 188/2003 and Ministerial decree no. 36/2011 at 30 September 2014.
Total production in 2014 on the network managed by Rete Ferroviaria Italiana SpA came to approximately 331 million train-km, substantially in line with the previous year. The portion of total traffic managed by third parties operators rose by roughly 3% on 2013.

TRAIN-KM

		2014	2013	Change %
Passengers	*thousands*	279,532	280,514	(0.4)
long haul	*thousands*	91,324	90,510	0.9
regional	*thousands*	188,208	190,004	(0.9)
Cargo	*thousands*	41,271	40,652	1.5

Data do not include Other, not attributable to individual service types, amounting to roughly 3% of the total

Focus on the Group's passenger and cargo traffic

Again in 2014, despite the persistently weak economic context, the FS Italiane Group reported growth in traffic data, confirming the positive trend of the previous year. Overall, considering both domestic and international business, railway passenger volumes grew by 1.8% and cargo volumes by 1.5%.
The passenger transport segment totalled roughly 42.5 billion passenger-km altogether, including approximately 20.3 billion in the medium and long haul services (+5.0%) and 22.2 billion in the regional and metropolitan services (-0.9%). Market services provided a significant contribution to the medium and long haul segment (+6.8%), more than offsetting the reduction in universal service volumes (-1.3%). Within market services, passengers continue to appreciate the *Frecce* trains, and the *Frecce* offer will be expanded for the 2015 EXPO with new connections and a stop at the Rho-Fiera 2015 Milan Expo station. The number of *Frecce* passengers on high speed lines (*Frecciarossa* and *Frecciargento*) grew by +10.9% in 2014 on 2013. Considering *Frecciarossa* services only, the increase was even more significant: +13.3% in passengers, with customer satisfaction levels up in terms of comfort, timeliness, cleanliness and on-board updates.

PASSENGER TRAFFIC DATA

		2014	2013	Change %
Medium and long haul traffic*				
Passenger-km – Market	*millions*	16,044	15,025	6.8
Passenger-km – Universal service	*millions*	4,255	4,312	(1.3)
Total	***millions***	**20,299**	**19,337**	**5.0**
Train-km – Market	*thousands*	55,304	55,613	(0.6)
Train-km – Universal service	*thousands*	23,478	23,642	(0.7)
Total	***thousands***	**78,782**	**79,255**	**(0.6)**
Regional transport traffic data*				
Passenger–km	***millions***	**22,172**	**22,381**	**(0.9)**
Train-km	***thousands***	**189,574**	**192,214**	**(1.4)**
Total passenger traffic				
Total passenger-km	***millions***	**42,471**	**41,718**	**1.8**
Total train-km	***thousands***	**268,356**	**271,469**	**(1.1)**

* *Also includes traffic abroad managed by the Group's subsidiaries*

Production volumes in the passenger transport segment, measured in train-km, showed an overall slight decrease of -1.1%, due to the recovery in productivity by improving internal processes. Passenger train-km totalled roughly 268 million, nearly 79 million of which in the medium and long haul segment (-0.6%) and approximately 190 million in the regional transport services segment (-1.4%).
Indeed, the medium and long haul load factor increased by about 2% (52.4%) on the previous year, with higher values for services sold on the market, again in this case due to the *Frecce* trains strong performance (60%). The average load factor for regional transport (34%) remained substantially in line with the previous year, although it was affected by the large gap between the load factor during "peak" hours and that during "non-peak" hours.
Customer satisfaction with transport in Italy also rose overall, both for medium and long haul journeys (91.4%) and regional transport (74.1%).
As for road transport, some time ago the FS Italiane Group began integrating rail/road transport using new models more closely tuned to demand. In 2014, it consolidated its presence on the local public transport market by acquiring a controlling interest (with effect from 1 March 2014) and, subsequently, the entire interest (August 2014) in Umbria Mobilità Esercizio Srl, which offers road transport services, railway services and shipping within the region of Umbria.
This acquisition strengthened the Group, boosting domestic production from roughly 59 million (including urban transport in Florence) to 80 million km. On a like-for-like basis, compared to the previous year, production volumes grew by 4.2%.
Including areas outside Italy (notably Germany), production in terms of bus-km rose by 6.5% on the previous year.
The Group's cargo traffic continued to perform well in 2014 for the third consecutive year, despite the weak economic trend, thanks to the new organisational model based on the specialisation of corridors towards Northern and Eastern Europe.
Considering both domestic and international volumes, traffic grew by 1.5% on the previous year, totalling more than 23 billion tonne-km. Growth on foreign markets (+6.7%) provided a substantial contribution to this performance, particularly in the area between Southern Germany, Switzerland and Austria.
Total production in the cargo segment rose by 2.9% on the previous year to approximately 47.5 million, while the share of services offered on foreign markets grew by 11.4%. The average load remained substantially in line with the previous year, at around 500 tonnes per train.

CARGO TRAFFIC DATA

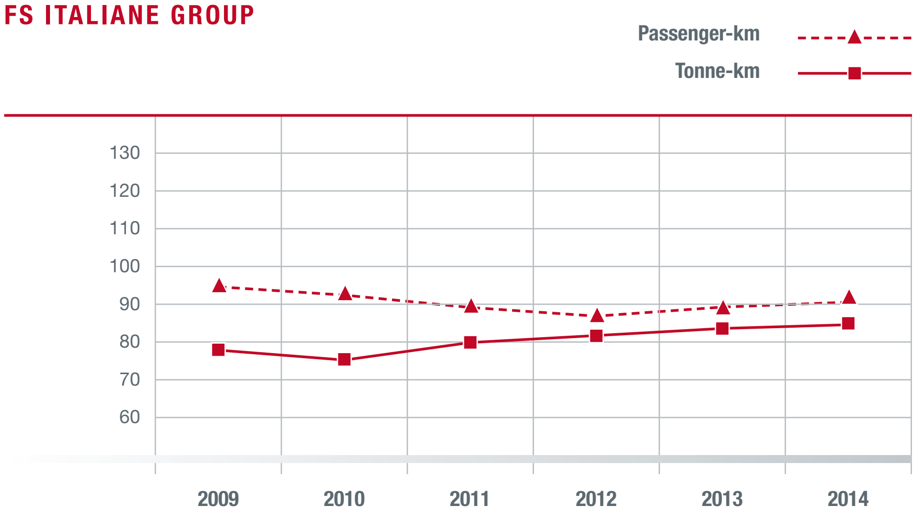
		2014	2013	Change %
Tonne-km	*millions*	23,188	22,854	1.5
of which: abroad	*millions*	10,999	10,312	6.7
Train-km	*thousands*	47,470	46,121	2.9
of which: abroad	*thousands*	19,025	17,083	11.4

Traffic figures of major European railway companies

Traffic figures of major European railway companies

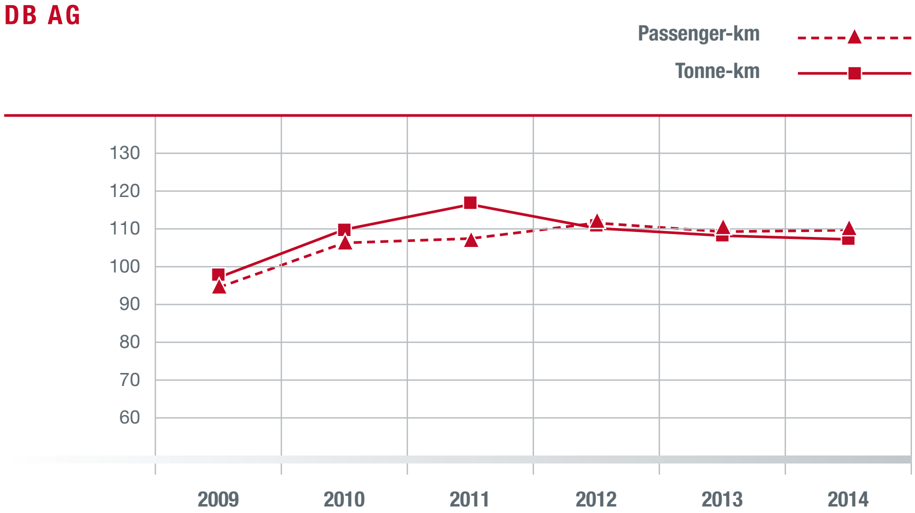
Weak economic growth in the EU countries had an overall impact on the demand for transport met by railway companies: according to provisional International Union of Railways (UIC) data, there was a slightly decline in passenger volumes (-0.3% in passenger-km) and growth in cargo volumes (+0.9% in tonne-km).
In the passenger transport sector, with the exception of RENFE (Spain), which saw a surge in demand, up by approximately 5%, other railway companies reported flat trends. HS services grew especially in France, Germany, Italy and Spain.
SNCF (France) was a top performer in the railway cargo transport sector, which is more closely tied to economic trends and heightened competition, posting an increase of approximately 2% in traffic, while other European railway companies reported no change in volumes. Considering all domestic and international traffic, DB AG (Germany) continued to report the highest volumes of cargo transported, accounting for roughly 38% of all European UIC members' total tonne-km. SNCF's share was much smaller (9%), while PKP (Poland) stands out among Eastern European countries with about 11% of traffic.

FS ITALIANE GROUP



SNCF

DB AG



RENFE

Safety in railway operations

Safety in railway operations

In the railway sector, accidents are monitored in accordance with the criteria introduced by EU Directive 2004/49 for railway safety in the EU. The ERA (European Railway Agency) is the European body set up to provide technical assistance to the national railway authorities and bodies responsible for investigating accidents and to encourage the sharing of experiences and the development of a common railway safety, while its counterpart in Italy is ANSF (the national agency for railway safety), established with Legislative decree no. 162/2007, implementing the aforementioned EU directive.
In accordance with the principles of EU Directive 2004/49, an accident is considered serious when at least one moving railway vehicle is involved and if it causes at least one death or serious injury or damage exceeding €150,000 to the tracks, plants or environment, or if it stops traffic for six or more hours. Accidents that occur on tracks that have been taken out of service, even temporarily, accidents in traffic operations (depots, workshops) and those caused voluntarily (suicides or vandalism) are not considered serious.
In 2014, 115 accidents were classified as "serious", up slightly on the previous year, when they numbered 98, but below the average of the past ten years. Under the criteria established by the aforementioned applicable legislation, these accidents consisted of:

- nine train collisions, compared to four in 2013, four of which due to hydrogeological instability (landslide, large objects and trees on the tracks);
- four derailments, compared to six in 2013, one of which was due to hydrogeological instability;
- 16 people hit at railroad crossings overall, i.e., including pedestrians hit at closed railroad crossings, compared to 14 in the previous year;
- 82 serious accidents to people caused by moving rolling stock, compared to 73 in the previous year. This type of accident includes: people falling from moving railway vehicles (either passengers or railway personnel) and people being hit by vehicles (railway personnel and third parties).
- 4 accidents which, as they do not fall into any of the other categories, are classified as "other", compared to one in 2013.

With respect to the consequences that these incidents had on people, the number of deaths and serious injuries rose to 102 (61 deaths and 41 injuries), compared to 96 in 2013. The most frequent cause of accidents (82%) related to people illicitly accessing and crossing the railway tracks: 54 deaths and 30 serious injuries, concentrated at the major hubs in Milan, Rome, Bologna and Genoa. Other causes of death include railroad crossings (7 deaths and 9 injuries), despite Rete Ferroviaria Italiana SpA's commitment to eliminating roughly 23% of crossings in the past ten years.

Sustainability

Sustainability

On 30 September 2014, the second panel with FS Italiane Group stakeholders was held in Rome with the participation of around 50 panellists representing the Group's main stakeholder groups: businesspeople, the public administration, research bodies, universities, consortia, consumer groups, trade associations, civic organisations, residents and transport service users, etc. They were asked to discuss ways in which the company's sustainability practices could be improved. Five business areas were covered during the day:

1. The environment: noise and environmental impact of infrastructure;
2. Safety: at stations and on-board trains;
3. Passenger transport: modal integration in urban areas (local public transport) and long haul modal integration;
4. Service quality: accessibility and customer satisfaction;
5. Internal organisation: diversity management and professional development.

The meeting ended with the preparation of a list of proposed improvements to which the FS Italiane Group responded, transparently, in early 2015.

The project for the development of an IT (SuPM – *Sustainability Performance Management*) solution for sustainability planning, monitoring and reporting, with the expansion of the reporting scope – with respect to the previous year – to other Group companies (Bluferries Srl, Ataf Gestioni Srl and Umbria Mobilità Esercizio Srl) has continued. The FS Italiane Group's sustainability report, again in 2013, received the highest compliance score in accordance with G3.1 international standards promoted by the *Global Reporting Initiative*.

The FS Italiane Group's main activities for human resources, customers and the environment are described below.

Human resources

Human resources

The Group reported a net decrease of 310 in the number of employees from 69,425 at 31 December 2013 to 69,115 at 31 December 2014. The decrease in the average number of employees is much more significant (-1,544 employees).

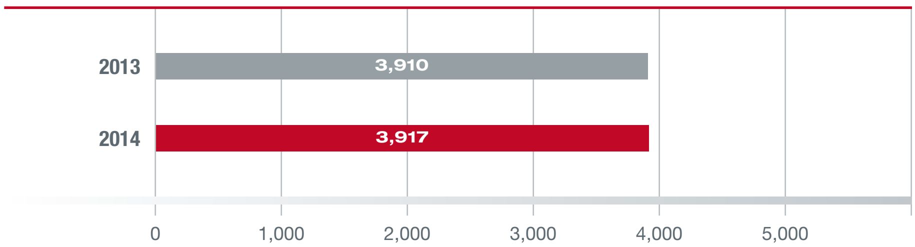
HEADCOUNT OF PERSONNEL

	Unità
No. of employees at 31.12.2013	69,425
Incoming*	2,824
Outgoing*	3,134
No. of employees at 31.12.2014**	**69,115**
2013 average	71,031
2014 average**	**69,487**

* *Incoming and outgoing employees include employees with fixed-term contracts in the ferry ship sector*

** *1,227 incoming employees are due to the acquisition of Umbria Mobilità Esercizio and its subsidiary Savit in March 2014*

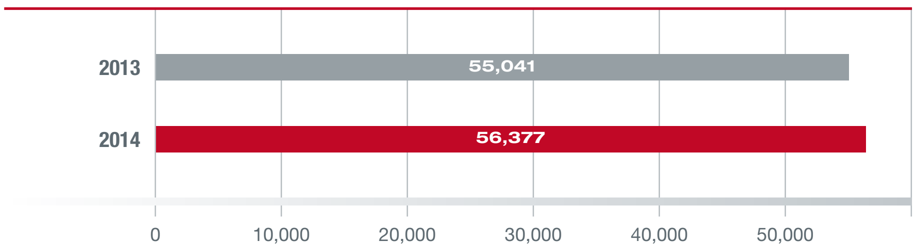
PERSONNEL EXPENSE



millions of Euros

Personnel expense **+0.2%**

AVERAGE PERSONNEL COST PER WORKER



Euro/averge number of employee

Average personnel cost per worker **+2.4%**

Relationships with trade unions

Pending the issue of the interministerial decree implementing the agreement of 30 July 2013 to adjust the fund for income and employment assistance for FS Italiane Group personnel ("Bilateral fund for income assistance"), on the basis of the provisions of article 3 of Law no. 92/2012 (the "Fornero law"), with note no. 40 of 12 March 2014 issued by the Ministry of Labour and Social Policies, the fund's administrating committee was allowed to continue its activities, although the legal term had expired, in order to resolve on its operations in accordance with the agreements signed with the trade unions at local level up to 31 December 2013. To this end, on 23 May 2014, an agreement was signed with the trade unions whereby the parties agreed to ask the fund's administrating committee to call an extraordinary meeting in order to extend the operating term of the local agreements signed in 2013 into 2014. Following this agreement, 389 employees were added to the 875 who had already received extraordinary benefits under the fund.
In July 2014, upon the request of the agreeing organisations and in compliance with the contractual procedures in this respect, Agens (the transport and service agency confederation) began negotiations to renew the national labour agreement for the 2012 railway redundancy/contractual areas applicable to the company's employees and set to expire on 31 December 2014.
2014 marked the second year of operations of the supplementary healthcare plan for FS Italiane Group employees. Introduced by the 2012 company employment contract, this healthcare plan was awarded in a tender to Società Nazionale di Mutuo Soccorso Cesare Pozzo, and has been extended to FS Logistica SpA and FS Jit Italia Srl, in the agreements of 10 February 2014 and 26 June 2014, respectively. On 16 December 2014, the agreement in place between the FS Italiane Group and S.N.M.S. Cesare Pozzo was renewed for another two years at the same terms and conditions.
With respect to its participation in associations, following the reorganisation of FS Italiane Group companies in 2014, the Group has updated its membership in the confederation of business associations, with the Parent coordinating relationships with these associations.
At international level, through CER (the Community of European Railway and Infrastructure Companies), the Group continued activities in relation to the legislative revision of the IV railway package for as far as it is concerned, with specific regard to the "social clause" within the scope of LPT tenders.
In terms of the protection of personal data, in 2014, the FS Italiane Group's managers received instructions after the Personal Data Protection Authority issued specific measures and guidelines relating to:

- general authorisation for the treatment of sensitive and legal data;
- simplified methods for providing disclosure and obtaining consent for administrators of websites that use cookies for profiling and marketing purposes;
- employers' treatment methods for data relating to employee absences;
- the possibility of requesting, in exceptional cases, the Personal Data Protection Authority to extend the period of time over which video images can be stored.

Personnel management and development policies

In 2014, projects continued to increase employee efficiency and productivity. The number of employees was reduced by offering incentives to leave the company and the extraordinary benefits of the fund for income and employment assistance for FS Italiane Group employees. During the year, these redundancy programmes involved 1,264 workers.
The thorny economic context in which the FS Group operates did not, however, prevent it from implementing employee development policies in areas where professionalism and motivation remain key variables for success on the market and its competitive challenges.
In order to make the most of the Group's professionals and limit recruitment on the outside market, the Group companies use infragroup job posting and transfers, which serve to foster a strong sense of belonging and contribute to the professional development of human resources.
Recruitment on the outside market is used mainly for specialised professionals and promising recent graduates, mostly in the engineering fields, but also in law and economics. They are found through a close collaboration with the academic community and the development of many different second level master degree programmes, company orientations and presentations at major universities, the organisation of university games, internships, thesis assistance and specialisation workshops within university

programmes. These activities have led to important results in terms of employer branding, and the Group now heads the employer ranking, having been named the "*Best Employer of Choice*" among Italian and international companies by recent graduates.
Finally, there were a number of orientation, training and school/work experience initiatives, including in secondary schools, to train excellent new recruits.

Training

In line with the strategic plan, the challenges that the Group faced in 2014 required increasingly diversified and complex expertise, making it essential to cultivate a company culture centred around:
- the creation of value as a fundamental condition for each business segment;
- innovation to development customer-based business models;
- continuously striving for improvement, efficiency and quality in operations;
- developing greater synergies between the various Group operators.

In 2014, the Group organised approximately 320 thousand training days, with a total cost of around €8 million.
Once again, during the year, the Group made significant use of training financed by Fondimpresa and Fondirigenti, which reimbursed a total of roughly €7.2 million.

Safety and health in the workplace

In 2014, in line with the aim of reducing accidents and improving prevention, as set forth in the 2011-2015 medium term guidelines, the Group companies consolidated prevention activities through projects to improve the characteristics of health and safety in the workplace management systems and to reduce accidents in the workplace.
The Group companies are expanding the tools already in use to analyse non-conformities and the causes of accidents with new projects to analyse "previous experience", focused on statistics, human error engineering and the emotional depiction of safe conduct. These organisational safety learning initiatives were presented by experts from Inail (the Italian labour insurance institute) and the La Sapienza University in Rome in April during the workshop titled "Learning about unfortunate and unforeseeable events", in which over 200 health and safety managers from the Group companies participated.
As part of the continuous improvement process, the FS Italiane Group companies have adopted and had certified integrated safety, environment and quality management systems, as well as specific operational risk management processes. The companies' production departments feature significant technological and organisational innovation, leading the Group to decide to have the most qualified and independent certifying bodies certify them, as the best possible tool to assess and publicise the reliability and quality of their production processes. The FS Italiane Group companies' certification is therefore a guarantee of the Group's unwavering commitment to improvement and consolidate the trust that Italian and international stakeholders have in FS Italiane.
In 2014, the trend in accidents in the workplace within the FS Italiane Group, based on data provided by Inail, and not yet consolidated, shows a further reduction in the number and frequency of accidents. These data outperform targets significantly: the reduction in the number of accidents is more than 10%, compared to a target reduction of 3% and the decrease in the frequency of accidents exceeds 7%, compared to a target reduction of 2%. Data regarding accidents that occurred in transit for which insurance compensation was received in 2014 are almost the same as in 2013. Accordingly, the continuous improvement trend seen in the past five years is confirmed.

The environment

The environment

In 2014, the subsidiaries FS Sistemi Urbani Srl and FS Logistica SpA received ISO 14001 certification for their environmental management systems (EMS), joining the Group companies that had already been certified (FS SpA, which extended its certification scope to include all managed processes, Trenitalia SpA, RFI SpA, Italferr SpA, Centostazioni SpA, Ferservizi SpA and Busitalia - Sita Nord Srl). Grandi Stazioni SpA is still developing its EMS and expects to certify the first three stations by 2016 (Roma Termini, Milano Centrale and Venezia Santa Lucia).
To monitor alignment with the Group companies' EMS governance model guidelines and the companies' system documentation, the first audits of documentation were conducted in February/March, involving five certified companies. Another audit will be carried out on another four companies in December and completed in early 2015.

Energy

The construction of a LED lighting system at the Roma Termini and Milano Centrale stations began and a feasibility study for the installation of new LED lighting structures at the Napoli Piazza Garibaldi, Napoli Centrale, Bologna Centrale and Roma Tiburtina stations was carried out.
As part of the "Green system project", for the pilot sites identified, Trenitalia SpA has prepared specifications for the installation of the solar power plants provided for by the project (the first solar power plant was rolled out in the "IMC ETR 500" system at Milano Martesana) and tenders were published for the assignment of the contracts.
Electrical energy continues to be produced using the solar power plant managed by FS Logistica SpA at the Roma San Lorenzo railway hub: data for 2014 confirm the sound performance of this project, with 577.330 MWh generated. Renewable energy used by the company amounted to around 254.574 MWh, while that transmitted to the grid totalled 322.756 MWh.
Centostazioni SpA assigned a contract for the supply of electrical energy, requiring that 30% of the electrical energy come from renewable sources. In the new contract, Trenitalia SpA requested guarantees that the energy originates from renewable sources for all electrical energy supplied to fixed plants.
The German group Netinera Deutschland continued developing a digital system to monitor energy that enables it to see, in real time, data on the position and performance of trains, in order to improve the driving style of conductors and reduce energy consumption accordingly. In particular, following testing commenced in 2013, the diesel fleet began to be equipped, and this stage is slated for completion in 2015.
Busitalia - Sita Nord Srl began using new software on all its buses to make maintenance management more efficient, thereby reducing energy consumption and the environmental impact of its use of materials.

Atmospheric emissions

In addition to the activities described above, which have also reduced atmospheric emissions, the Group has carried out the following activities.
The "Enjoy" car sharing service managed by Eni in partnership with Trenitalia SpA and Fiat was extended to Rome, Florence and, in the summer months only, Rimini, bringing the total number of shared cars to over 1,000.
Trenitalia SpA and Clear Channel, the company the manages over 3,000 bikes in Milan and Verona, renewed the agreement to promote bike sharing.
17 new Euro 5/Euro 6 motorised buses were added to Busitalia - Sita Nord Srl's fleet, replacing outdated vehicles (Euro 0/Euro 2). At year end, two framework agreements were signed for the supply of additional Euro 6 diesel buses for the two operating sites in Tuscany and Veneto. The agreements provided for the supply of a total of 85 vehicles, 33 of which will join the bus fleet in the first half of 2015.
Nearly 100 new diesel vehicles were delivered to the Netinera Deutschland group and the group ordered another 12 vehicles with engines that meet the Europe's highest railway standards in terms of exhaust gas emissions.
To help reduce greenhouse gas emissions in the construction of infrastructure, Italferr SpA defined specific instructions to include in contracts. In this way, it creates a preference for suppliers that reduce climate-changing emissions in the production and transport of cement and steel, materials that most affect the footprint of infrastructure.
Centostazioni SpA has implemented a plan to optimise thermal plants with the closure of three thermal power stations and replacement of two thermal power stations with condensation gas plants.
In collaboration with Legambiente, the annual "Green train" campaign was conducted to monitor air quality (and noise pollution) in cities and inform residents about the importance of respecting the environment.
In terms of mobility management, in addition to preparing a commuter plan, activities continued to improve urban transit by informing people about sustainable mobility and publicising initiatives for group employees. In particular, an agreement was reached with ATM (the local transit company) in Milan for discounts on annual passes for group employees.

Raw materials

Environmental requirements have been introduced (energy savings, use of recyclable, environmentally-friendly materials and packaging, certification, etc.) in many contracts relating to the provision of IT technologies, services to manage communication events, stationery and metallic furniture.
Centostazioni SpA has computerised personnel and procurement management processes, saving toner, paper and energy.
Italferr SpA is implementing a project to reduce the number and size of print-outs of its projects.

Waste

The Group's commitment to sorting waste at its main operating sites continues.
In particular, Centostazioni SpA signed a protocol agreement with AMA to improve sorted waste collection at the headquarters and a pilot project was kicked off at the Roma Ostiense station. Ferservizi SpA has renewed this protocol at its headquarters. Both companies have held specific training sessions for all personnel on sorted waste.
At the main stations and, in particular, at the redeveloped stations, activities continue to maintain the efficiency of the collection of sorted waste from the retail stores and public areas, by keeping bins in working order, improving the sorted waste centres in place and building new ones.
The Group's main operating companies have registered with SISTRI (the waste traceability control system) and paid their annual contribution for hazardous waste. The application of SISTRI was, in any case, extended to 31 December 2015 for the necessary documentary and software updates in connection with interoperability procedures. The FS Italiane Group has helped, and will continue to help, improve the system.

Water

During the year, Trenitalia SpA, Grandi Stazioni SpA and Centostazioni SpA continued monitoring activities to optimise water consumption by rationalising the sewage system and identifying and eliminating leaks. At its operating site in Veneto, Busitalia - Sita Nord Srl installed a new industrial waste water treatment plan to reduce its consumption of chemical/physical water treatment products and to recover the treated water, which it reuses to wash buses. Another similar plant will be installed at the operating site in Tuscany in the first few months of 2015.

Noise

RFI SpA has completed preliminary activities for the next update of the 2015 plan to reduce noise[5] on the basis of observations, opinions and requests from public and private entities affected by the noise generated by railway infrastructure and downstream from the activities performed pursuant to Legislative decree no. 194/2005 "Implementation of EU directive 2002/49/EC for the determination and management of environmental noise".
In addition, RFI SpA issued the "Technical specifications for the design of railroad noise dampening barriers", which provides designers with a method for studying the noise impact and determining the size of the noise dampening structures[6].
Italferr SpA also conducted 12 sound and vibration studies for various railway hubs and sections.

Land

To make the most of land, the FS Italiane Group company with the most significant activities in terms of the environment is Italferr SpA. In 2014, it carried out:
- 6 environmental impact assessments;
- 39 environmental projects for sites;
- 5 environmental monitoring projects;
- 10 land use plans pursuant to Ministerial decree no. 161/2012 to manage materials resulting from digs;
- 18 archaeological studies and explorations.

In addition to the above, environmental monitoring activities are underway for 19 projects in progress.

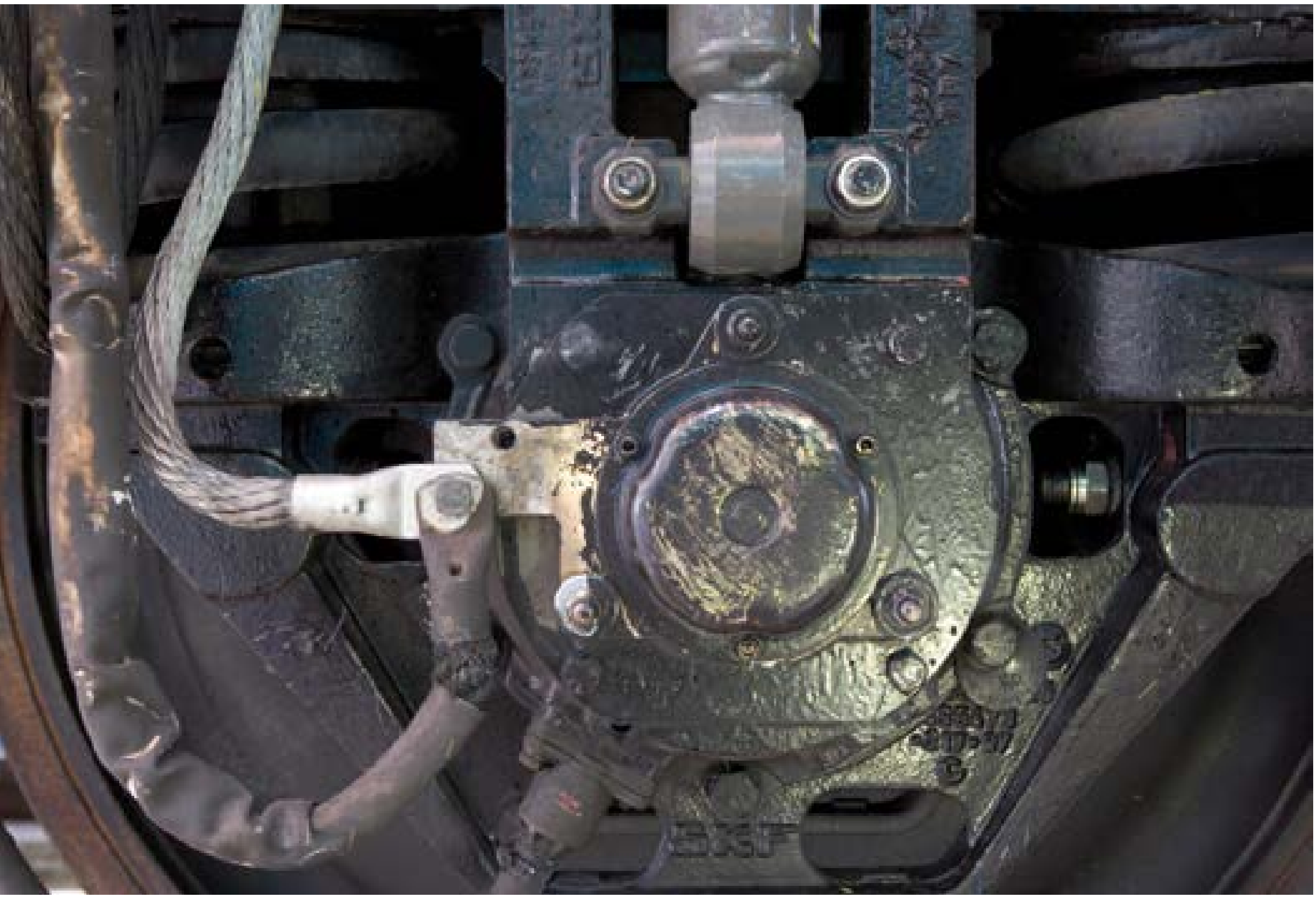
Potentially contaminated sites

Trenitalia SpA continued to reclaim its contaminated sites and make them safe. In particular, 17 sites were reclaimed, including 3 of national interest.
FS Sistemi Urbani Srl also continued environmental monitoring activities and projects to update its assets to safety standards. In particular, approximately 120 inspections were conducted on all its sites. Lastly, Italferr SpA carried out specific reclamation work on 12 sites.

5. Pursuant to the Ministerial decree of 29 November 2000.
6. To be performed pursuant to article 2.6 of Framework law no. 447/95.

Risk factors

While, at the presentation date of this report, no particular risks and uncertainties are foreseen that could have a material impact on the financial position, results of operations and cash flows of the Parent FS SpA and the Group in the short term (other than those mentioned in the notes, to which reference should be made), the Group's financial risk management policies (credit, liquidity, market, currency and interest rate risks) are described in Note 5 to the separate and consolidated financial statements, to which direct reference should be made.
On the other hand, the nature of other risk factors (business and operational risks) is summarised below, along with the steps taken to monitor them.



Business risks

The operational risks deriving from the new operator's entry into the high speed sector were considered in the company's business plan, which was updated accordingly. At present there are no other particular risks. The risks considered in overall measurement are the result of transport market trends and price levels. If used to gain additional market shares, they could affect the Division's profitability. The long and medium haul transport market is affected by domestic consumption, employment rates and the overall development of key economic factors. Modal transport competition and the proper regulating of such competition are also crucial factors in the company's success.

High speed railway transport and related services have enabled the railway sector to gain competitive edge against other means of transport (air and road), especially by shortening travel times, increasing *comfort* and arriving in the urban centre of major cities. In certain routes where airfare is comparable to train fare, the latter has gained significant market shares. The critical factor for success in this market segment will always be maintaining and improving service quality and rapidly adapting to changes in market demand. The progressive renewal of the fleet beginning in 2015 with new HS trains will undoubtedly be a key factor of innovation and attraction, progressively shortening travel time, with the support of the technological innovation of sales channels.

Resources allocated to local public transport have diminished, and this continues to be seen in local bodies, which could fuel uncertain situations in terms of contractual due dates for the collection of public service contract considerations. Through Trenitalia SpA, the Group has signed contracts with Italian Regions regardless of the ways in which the Regions find the necessary funds for the service. The uncertainty dominating the entire sector has led Regions to reduce their requests in recent years to the contractual minimums. Although these processes fall within the Group's ability to adapt to changes, they are in stark contrast with local transport requirements and the time needed for a railway operator to plan its investments. Many Italian Regions are increasingly using tenders, which could, overall, be awarded from 2018 on. Pending the start of these tenders, they are currently considering bridge contracts with Trenitalia SpA. Agreements have already been reached with certain Regions for bridge contracts, which are expected to last five to six years, and negotiations are underway with other Regions that could lead, within the year, to the definition of extensions, while other Regions may call tenders.

All investments downstream from the public service contracts in place with the Regions have "put" clauses in favour of Trenitalia SpA. Furthermore, the company is considering alternative possibilities for the management of its retired fleet. The potential effects of non-renewal of these public service contracts with the Regions, the repercussions of which will be seen in a few years, are not currently foreseeable and they are in any case considered risks attributable to any company operating on the free market. The local public transport scenario could be affected (upon the outcome of tenders and, accordingly, in the management of changes from one operator to another) in certain ways relating to transfers of essential facilities to a new operator. A measure is being studied on the many different local public transport aspects and the effects on the incumbent could be material in terms of safeguarding the implicit value of this Division.

The ongoing weak economy in Italy and around the world and the Government's decision, implemented in the "2015 Stability Act", to terminate the Cargo Public Service Contract in 2015, led to a decrease in of roughly €105 million in considerations for the Cargo Division, only partly offset by the elimination of costs to use infrastructure in Southern Italy and ferry costs. This decision required the total revision of Cargo Division's business plan to calculate the recoverable amount of assets through impairment testing. The changes will have significant repercussions on the Cargo Division, at a time when it had just commenced and nearly completed a rationalisation process to achieve overall breakeven.

Operational risks

As noted in the 2013 financial statements, the FS Italiane Group outsources maintenance and the construction of new rolling stock, while it also uses third party manufacturers of spare parts for maintenance. In recent years, the Group has substantially changed the way in which it procures materials, revising its internal procedures and, in accordance with public contracting regulations, has more significantly privileged purchase methods entailing the procurement of all parts relating to safety from original parts manufacturers only, while it always calls public tenders for all other parts.
The financial crisis has put suppliers in the maintenance and rolling stock construction sectors to the test, with the severe credit crunch affecting them significantly due to the intrinsic weakness of their funding structure.
The Group is still monitoring myriad issues noted with respect to major contracts that have generated, especially in the past, litigation with suppliers, but which have, above all, created operational difficulties in operations and, sometimes, severe faults.
At times, contracts were terminated due to cleaning service providers' breach, with the enforcement of surety policies that guaranteed contract performance. It is obvious that the general credit market crisis has had a dramatic impact on companies operating in the railway subcontracting market and that this has, in certain cases, created serious difficulties for contractors, which are often small and medium-size.
Another risk could arise from the management of cleaning service contracts, which can affect service quality.

Legal and contractual risks

There are no material legal or contractual risks in addition to those described further on, which mainly relate to litigation pending between Group companies and various parties, such as suppliers, customers and employees. Where necessary, the Group recognises accruals for such risks after estimating the probability that liabilities will arise as a result of the contractual and legal risks, in accordance with IFRS.

Procurement risks

Prices for services, raw materials, energy and transport could vary as a result of market trends. Accordingly, it might not be possible - or only be possible to a limited extent – to transfer greater procurement costs to sales prices to customers, with a consequent impact on the profit margin of the Group's products and services.

Project risks

Investments in the railway system involve complex projects requiring substantial funds. Any changes in the legal context, delays in project deliveries or technical changes in long-term programmes often cause an increase in costs. Accordingly, any project changes could generate higher costs with an adverse effect on the Group's business and results.

IT risks

The Group is based on the use of the telecommunication network and IT systems for coordinating and planning, railway operation, the sale of train tickets to passengers, monitoring the delivery of cargo and many other functions, including the management of accounting processes. The Group's hardware and software could be damaged by human error, natural disasters, the loss of power or other events. In order to ensure continuity in the availability of IT data, the Group uses several different methods to back-up its data, combined with a fail-safe network. These measures to protect crucial operations and IT processes help prevent IT failure. However, there is no guarantee that the implementation of such measures is sufficient and/or capable of preventing any IT system errors that could have a negative impact on the Group's business and results of operations, such as an increase in costs and/or a decrease in revenue.

Environmental risks

The FS Italiane Group's activities are subject to extremely broad environmental legislation and regulations, particularly as it operates as a contractor for the construction of infrastructure and offers transport services for products that could be hazardous to the environment. Accordingly, to meet its legal obligations under environmental legislation, the Group must continuously update to comply with new laws and regulations. The application of increasingly severe and stringent requirements and new interpretations of environmental laws require the Group to modify its activities, and this could generate unexpected costs necessary to remain in line with current regulations at all times and avoid fines or sanctions for environmental violations, which would have a negative impact on the Group's profitability and results.

Risk monitoring

During the year, the Group continued risk monitoring activities, which included projects by the Parent's internal audit and corporate departments and involved the main operating macroprocesses and the macroprocesses that support Group companies, for an ongoing, meticulous assessment of internal risk controls.
The checks showed that the FS Italiane Group companies' internal control system (ICS) is substantially adequate in supporting the respective governance lines.
Given the size and complexity of the Group companies, the assessment of the ICS must also consider a broader framework that goes beyond the elements arising in the scope of audit checks and extends to risk assessment activities and all types of control activities.
The main levers of the ICS include management's deep-rooted organisational culture, training and developing human resources, safety and environmental awareness, the widespread use of IT systems to support management processes and communications.
In particular, in this scope, the Group's risk management project was carried forward. It is an effective tool for the Group companies and related process owners to pursue their business targets.
Specifically, in a structured way, each process owner is enabled to:

- identify their processes and the objectives of each process;
- identify the risks of each process by describing the ways in which they could arise (undesired events) and potential opportunities;
- evaluate process risks in terms of the undesired events' probability of occurrence and the related impact;
- identify and evaluate the existing control system in place to control risks (rules, guidelines, procedures, proxies, IT systems, etc.).

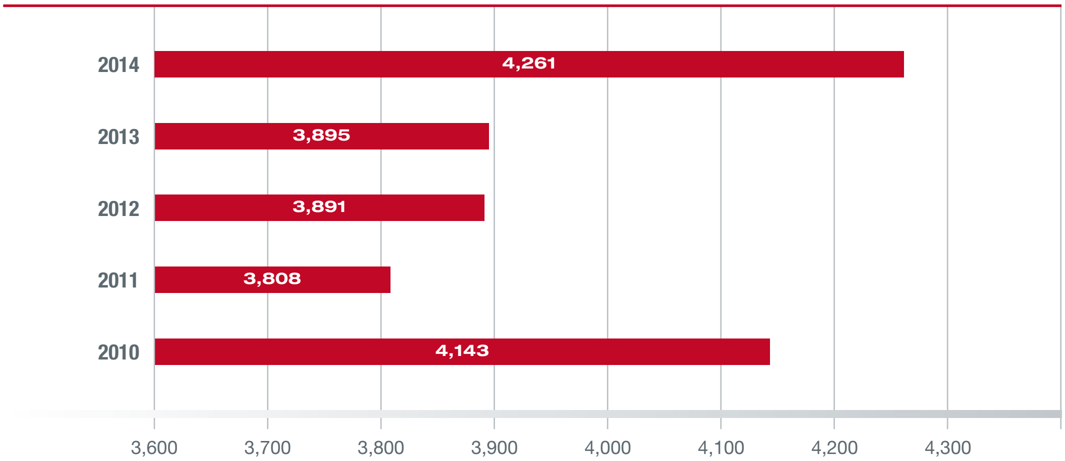
The results obtained are gathered together in a specific IT application that has been specifically customised to generate adequate reports, enabling process owners to identify and continuously monitor the areas and business processes most at risk.

Investments

Investments

The FS Italiane Group has managed to continuously implement its investment plan and has maintained, since 2011, an average investment/depreciation ratio of above 1. Furthermore, it has shown, again in 2014, an upwards trend in investment expenditure, confirming its position as a major transport and logistics developer.
The FS Italiane Group's total spending for investments in 2014 came to €4,261 million (€1,495 million of which self-financed and €2,766 million through Government grants) and continues its targeted trend of the past few years, showing significant growth (+9.4%) on the previous year and bringing annual expenditure to over the 2010 total (€4,143 million).

THE FS ITALIANE GROUP'S SPENDING FOR INVESTMENTS



millions of Euros

This being said, the FS Italiane Group's technical investments in 2014 amounted to €3,964 million, up (+10%) on 2013 (€3,598 million) and slightly lower than budget forecasts.
RFI SpA invested €2,853 million in infrastructure (€2,726 million for the traditional/HC network and €127 million for the HS/HC Turin-Milan-Naples network), while Trenitalia SpA invested €694 million in railway transport services and other Group companies invested €417 million.

RFI SpA, in line with the strategies agreed at EU level, directs public funds to short- and medium-term projects that meet the requirements of transport demand and – following cost/benefit analyses – that are most capable of stimulating the productivity and competitiveness of railway transport.
Not only has RFI SpA invested considerably in maintaining the efficiency of the railway network, but it has also introduced innovative technologies to improve railway operating safety and management (TSCS, CCS, ERTMS, GSMR, etc.), achieving excellent results in terms of safety, quality and operating efficiency. Along with technological developments, it pursues a strategy of boosting and reshaping the capacity of the railway system offer by developing new lines and by modernising and reinforcing major routes and hubs.
Investments in the traditional, high capacity network total €2,726 million and consisted of the following:
- maintaining the efficiency of infrastructure and technologies, accounting for 56%;
- construction of works for large infrastructural development projects, making up 44% and including the strengthening of corridors, metropolitan areas and regional basins.

Approximately 10% of all investments in the traditional, high capacity network went to cutting-edge technologies.
Investments in the HS/HC Turin-Milan-Naples network totalled €127 million, and the total percentage of project completion at roughly 93% at the end of 2014.
In 2014, the following projects were carried out:
Preliminary projects
- Trento and Rovereto ring road (technical and legislative review and update);
- Double track on the Palmanova-Udine section, Strassoldo-Bivio Cragnacco section;
- Laying quadruple tracks on the Pieve Emanuele-Pavia section;
- Erzelli/Airport and Cornigliano Est stops and the new general land use plan for Sestri Ponente;
- Upgrade of the super-direct Rome-Florence HS/HC route to meet standards;
- Double track between Campoleone and Aprilia;
- Increasing the speed of the Foggia-Bari section

Definitive projects
- Technological reinforcement of the Venezia Mestre-Venezia S. Lucia section;
- General land use plan for Milano Lambrate;
- Electrical sub-stations at Torino Bramante and Collevecchio;
- New stop at the Roma Pigneto station on the FL1 line (project review);
- Naples-Cancello variation;
- Double track on the Cancello-Frasso Telesino section;
- Completion of the access roads to the HS/HC Napoli Afragola station;

Executive projects
- Work to complete the Cervaro-Bovino double track.

The following table shows 2014 activation volumes, broken down by type and comparative data for the previous two years.

		2014	2013	2012
HS/HC Network				
New lines	***km***	**-**	**3**	**28**
Traditional network				
New infrastructure	***km***	**20**	**17**	**10**
New lines	*km*	20	17	10
Double tracks	*km*	-	-	-
Variations	*km*	-	-	-
Updating lines	***km***	**103**	**70**	**74**
Electrification	*km*	-	28	-
Blocks	*km*	103	42	74
Safety technology	***km***	**552**	**343**	**157**
TSCS	*km*	35	42	28
SSC	*km*	-	-	-
CCS/CTC	*km*	322	45	101
ERTMS	*km*	-	3	28
GSM-R	*km*	195	253	-
Station devices	***no.***	**15**	**19**	**12**
ARIS	*no.*	11	7	9
Computer-based interlocking system	*no.*	4	12	3
Train crossing elimination	***no.***	**52**	**20**	**35**
Train crossing automation	***no.***	**-**	**3**	**7**

RFI SpA carries out the strengthening, redevelopment and restructuring of the real estate property it owns at about 2,300 stations. The commercial areas of some of these properties have been entrusted to various operators (Grandi Stazioni SpA and Centostazioni SpA) for use, which are also responsible for their maintenance up to certain limits.
RFI SpA has an investment plan for extraordinary maintenance (excluding commercial areas) and maintenance in accordance with legal obligations on the stations managed by Grandi Stazioni SpA, up to the expenditure limits provided for by the contract signed in 2000. The cumulative percentage of completion of investment spending up to 2014 for this maintenance was approximately 90% of RFI SpA's total amount.
On the other hand, the current percentage of completion of investment spending on Centostazioni's network was roughly 73% of RFI SpA's total amount.
The other stations managed exclusively by RFI SpA saw investments of around €51 million in 2014 to improve safety and passenger information and to upgrade areas most used by passengers to meet legal requirements (halls, walkways, platforms, tunnels, stairs and ramps) and interchange and access areas leading to passenger buildings.
The percentage of completion of the new HS stations is as follows:

- Torino Porta Susa - the two underground parking levels and the arrivals/departures taxi lane on level -1 will be ready for use by June 2015;
- Reggio Emilia - the agreement with the municipal authorities of Reggio Emilia was signed to define the executive plans for the construction of the car park and the access roads to the HS/HC station and the Mancasale stop, which will connect the new station with the city of Reggio Emilia by rail (the stops were opened in 2013);
- Bologna Centrale - work on the HS station is substantially complete. In December 2014, the kiss & ride level was opened to taxis and car service vehicles only. It provides access to the station from via Fioravanti. The following works are not yet complete:
  - the underground parking at the two ends of the underground station;
  - a portion of roads outside the station on the via de' Carracci side.
- Firenze Belfiore - railway work was completed and the completion of lot 1 (overpass) has reached the final stage, while works continue on lot 2. The station was recently rescheduled to open for train activity in 2020. This project faces critical issues of two main types: the general contractor's financial difficulties and investigations by the Florence Public Prosecutor's Office, which led, in January 2013, to the suspension of the site for the bypass and a significant slowdown in work on the HS station. In late July 2014, work resumed on both the HS station site and the Bricchette site, after the venturers overcame the general contractor's financial difficulties by changing their respective interests in the joint venture handling the contract. The HS bypass site is still blocked, pending the integration of documentation, which the general contract is required to submit to the Ministry of the Environment on the classification of excavation earth for the bypass, as required following allegations by the Public Prosecutor of Florence;
- Roma Tiburtina - the entire car park ("Tiburtina P7") located on the roof of the new inner ring road has been open since 2014, consisting of more than 400 parking places. The local roads on the Pietralata side were completed, opening access from the north (via dei Monti di Pietralata) to the station's Pietralata hall and the P6 car park (around 400 parking places, completed in April 2014), comprising two underground levels. The tunnel leading from the inner ring road will also be opened, allowing vehicles from San Giovanni/via Tiburtina to reach the Pietralata hall and P6 car park;
- Napoli Afragola - on 27 November 2014, the work to complete the station (contract for construction only) was definitively assigned to the joint venture between Astaldi and NBI. On 20 March 2015, the work was delivered. The previous schedule for construction and the date when the commercial activities will open in the station are confirmed, providing for work completion in August 2016 and commercial activities serving the HS station when the 2016 winter timetable goes into effect. The section of the station for regional transport trains will be opened when the Naples-Cancello variation section is rolled out;
- Passenger building at the Vesuvio Est station - the schedule provides for definitive planning to commence in July 2019 with the structure opening to the public in the first quarter of 2024.

“500 stations” project

In 2014, as the FS Italiane Group’s strategies have assumed a central role in the local public transport sector, RFI SpA began planning a series of projects over the next four years that will involve over 500 stations in urban areas where passengers access local services.

The goal is to improve – in accordance with consistent, standardised criteria that are graduated on the basis of traffic flows and development potential – their accessibility, comfort, safety, passenger information and other services.

The “500 stations” project was launched in 2012 and provides for operational and structure projects that, in large urban hubs, will flank measures to improve the flow of railway traffic and make it possible to improve the quality and volume of services that railway companies offer passengers, and especially commuters.

In this respect, detailed plans were prepared for the Perugia Ponte San Giovanni station (and will soon be drafted for the Falconara Marittima station as well), which will serve as a preliminary test for the overall project.

“Small stations” project

The management strategy for “small stations”, i.e., the smallest plants directly managed by RFI SpA and classified as “Bronze” and “Silver”, has been redefined, combining financial sustainability with a service proportionate to passengers’ actual needs. This strategy provides for the insourcing of certain small maintenance activities by using personnel specifically assigned to such areas. It also includes the granting of areas that are not functional for railway operations on free loan for the development of social sustainability initiatives.

In 2014, Trenitalia SpA invested €694 million, 65% of which to purchase rolling stock, 17% to recondition material that was already operating and the remaining 18% to technologically update vehicles and IT systems and to maintain and develop maintenance plants.
The €142 million increase in the amounts recognised on 2013 (+26%) is concentrated in the purchase of rolling stock, due to the large projects in progress in the Long Haul Passenger Transport and Regional Transport Divisions.
The main investment projects are described below, broken down by business segment:

- Long Haul Passenger Transport - dynamic testing is underway to certify the first three high speed "*Frecciarossa 1000*" trains (€15.5 million). The reconditioning of the "*Bistrò*" carriage for *Frecciarossa* trains continues (approximately €15.6 million), with the delivery of 30 carriage to begin operating. In addition, signalling and powering systems have been upgraded (roughly €2.5 million) and work has been carried out on the fire prevention system installed on E404 and E414 locomotives (approximately €13.2 million). The expansion of the fleet due to the roll-out of the new "*Frecciarossa 1000*" trains beginning in 2015 made it necessary to begin reorganising and strengthening maintenance plants. In particular, work continued on the Naples and Milano Martesana plants (€3.5 million and €2.5 million, respectively). The tender for the construction of the new Turin ongoing maintenance plant was awarded. This site will enable the company to concentrate maintenance activities for both the Long Haul Passenger Transport Division and the Regional transport Division (approximately €7.7 million);
- Universal passenger service transport: work mainly consisted of reconditioning *Intercity* carriages (29 carriages have been delivered) and updating the locomotive and carriage door control unit (roughly €9 million);
- Regional passenger transport - 29 new electric *Jazz* trains were delivered (approximately €182 million). The contract for the new *Swing* diesel trains was assigned (around €28.3 million). The project to purchase double decker carriages continues (approximately €200 million), 167 of which have been delivered. At the end of 2013, the option to acquire another 29 electric E464 locomotives was exercised (€16.9 million). The delivery of *Flirt* trains for the Autonomous Province of Bolzano was completed (€7.3 million). The face-lift on medium haul trains to increase comfort and meet safety regulations is underway (roughly €55.5 million). Furthermore, the completion of the on-board technological system continues on the last 370 vehicles (€11.3 million). Finally, plants in this division were updated and rationalised (around €5 million);
- Cargo transport - work was carried out to upgrade and maintain plants, particularly the Marcianise plant, and to renew equipment (approximately €2.9 million). ICT investments included those for the integrated platform supporting accounts receivables and Cargo Division traffic (roughly €1.6 million);
- IT investments extend across various business segments and relate to activities underway to implement the integrated "PICO" commercial platform by integrating the various sales channels and the development of Infomobilità (€4.2 million). In addition, the production platform is being created to ensure the integration of the following activities: changing and updating the railway schedule, personnel assignment, ongoing plant maintenance planning and railway traffic management in the control rooms (approximately €6.1 million).

With respect to rolling stock, two regional passenger transport locomotives were rolled out in the year, along with 167 double decker carriages and 31 regional passenger transport trains. In addition, 27 locomotives and 543 carriages were delivered after reconditioning (detailed in the table below).

NEW AND RECONDITIONED ROLLING STOCK OF 2014

	Number	
	New material	Reconditioned material
Locomotives	**2**	**27**
Long Haul Passenger	0	0
Regional	2	27
Carriages	**167**	**543**
Long Haul Passenger	0	
ES *City*		0
Intercity (Universal service)		29
Frecciarossa Bistrò carriage		30
Regional		
Double decker	167	88
Medium haul		332
UIC-X semi-automated		2
Cargo		
Carriages		62
Trains	**31**	**0**
Trains *Jazz*	29	0
Trains *Flirt*	2	0

Other Group companies invested a total of roughly €417 million in Italy and abroad.

- Approximately 70% related to the Netinera Deutschland group to purchase road and railway passenger transport vehicles and industrial plants in Germany;
- while around 12% related to Grandi Stazioni SpA and Centostazioni SpA to redevelop, relaunch and take full advantage of the main train stations;
- and roughly 6% related to TX Logistik AG, Cemat SpA and Serfer Srl, which operate in the cargo service sector;
- finally, approximately 6% was invested by road transport companies in Italy.

The remaining expenditure was mainly allocated to the enhancement/redevelopment of real estate properties and installing IT tools to support business processes.

Investment funding

Government Programme Contracts to manage maintenance (GPC-S) and infrastructural investments (GPC-I)

In accordance with that established by the Interministerial economic planning committee ("Cipe") in resolution no. 4 of 2012, the railway infrastructure operator and the Ministry of Infrastructure and Transport signed two separate contracts, detailed as follows:

- Government Programme Contract – Services (GPC-S) to regulate all funding of ordinary and extraordinary maintenance of the network, to improve railway safety, security and train operation;
- Government Programme Contract – Investments (GPC-I) to regulate the planning of investments to develop infrastructure and investments relating to safety, legal obligations and technologies, in keeping with national and EU strategic guidelines for financial planning.

Government Programme Contract – Services (GPC-S)

On 9 June 2014, Ministerial decree no. 203/2014 was registered with the Court of Auditors, in which the Ministry of Infrastructure and Transport approved the 2012-2014 GPC-S for the management of ordinary and extraordinary maintenance on national railway infrastructure and train operation, safety and security. This completed the authorisation process provided for by article 1 of Law no. 238/1993 containing provisions on the transmission of Government Programme Contracts and Government Service Contracts with the railway infrastructure operator to Parliament.

In terms of available funds, in 2014, Law no. 164/2014 (converting Decree law no. 133, referred to as the "Get Italy Moving" decree) defined the full coverage of contractual requirements for funding, finalising the allocation of some of the funds provided for by the 2014 Stability Act for extraordinary maintenance, providing for, in article 1.10 "€220 million of the resources allocated by Law no. 147 of 27 December 2013 as a grant related to assets to RFI SpA for the extraordinary maintenance provided for by the 2012-2014 Government Programme Contract - Services with the consequent automatic updating of the related contractual tables".

The current 2012-2014 GPC-S expired in December 2014. However, pursuant to article 4 of the same contract, the contractual provisions continue to be applied at the same terms and conditions, until it is renewed, for up to one year.

Talks have already commenced to define the new contract, since, following the approval of Law no. 190/2014 (the "2015 Stability Act") and Law no. 191/2014 (the "Budget") on 23 December 2014 , a framework of the funds available for the next long-term plan period is known.

In particular, the funds allocated by these laws are summarised below:

- Grants related to assets (section 7122/PG5) allocated under Law no. 190/2014 for extraordinary maintenance on the network: a total of €4,250 million for 2015-2020 (€500 million for 2015, €750 million for 2016 and 2017, €2,250 million for subsequent years until 2020).
- Grants related to income (section 1541) allocated under Law no. 191/2014 for ordinary maintenance, safety, security and train operation: a total of €2,927 million for 2015-2017 (roughly €976 million for each year).

Article 1.294 of the "2015 Stability Act" also allocates funds for railway companies via the national railway infrastructure operator, «to offset costs for ferrying cargo and the related services and the railway companies' costs to use infrastructure for cargo transport, including cross-border transport, originating or terminating in Abruzzo, Molise, Lazio, Campania, Puglia, Basilicata, Calabria, Sardinia and Sicily (…)». These funds total €100 million per year for 2015, 2016 and 2017.

The Government Programme Contract – Investments (GPC-I)

The GPC-I for 2012-2016 was signed by the parties, i.e., RFI SpA and the Ministry of Infrastructure and Transport, on 8 August 2014. Completing the approval process and, accordingly, enabling work to continue on the national railway network, article 1.10 of Decree law no. 133/2014 (the "Get Italy Moving" decree converted into Law no. 164/2014 of 11 November 2014) provided that the agreement was "*(…) approved by decree of the Ministry of Infrastructure and Transport, in concert with the Ministry of the Economy and Finance, within sixty days of when the law converting this decree takes effect. The text of the decree in point one is sent to the Chamber within thirty days of such date, for the opinion of the relevant parliamentary commissions. Their opinions shall be expressed within thirty days of the date of assignment. Once such term has passed, the decree can, in any case, be issued*".
The text of the Ministerial decree was issued and sent to the 8th Senate Commission and the 9th Chamber Commission, receiving their approval on 25 February and 18 March 2015, respectively.
The new contract implements the effects of the provisions issued from 2012 to 2014 and provides for the following funds:

- additional funds of €9,994 million from the following sources:
  - €300 million for the "Fund for emerging projects that cannot be postponed" pursuant to article 33.1 of Law no. 183/2011 (the "2012 Stability Act"), assigned to RFI SpA under the Presidential decree of 1 March 2012 for the projects provided for by the Government Programme Contract;
  - €3,302 million under Law no. 228/2012 (the "2013 Stability Act");
  - €1,200 million allocated by article 7-ter.2 of Decree law no. 43/2013, converted into Law no. 71/2013, first to continue work on the third Giovi pass and to lay quadruple tracks on the Fortezza-Verona line accessing the southern side of the Brennero tunnel;
  - €361 million allocated to finance works to improve the railway network identified by the Interministerial decree no. 268/2013 between the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance, following the creation, as provided for by the Ministry of Infrastructure and Transport, a fund pursuant to article 18.1/2 of Decree law no. 69/2013, converted with Law no. 98/2013;
  - €3,599.2 million under Law no. 147/2013 (the "2014 Stability Act");
  - €12 million allocated by the Interministerial economic planning committee ("Cipe") in resolution no. 86/2010 to finance the della Maddalena tunnel on the new international Turin-Lyon route;
  - €456.3 million arising from the reduction in the national co-financing rate;
  - €146.9 million arising from the revision of the 2007-2013 PON-FESR Plan implemented in the 12th Managerial decree no. 6903 of 6 August 2014;
  - €72 million arising from the excess provisions under the "Objective" law originally earmarked to cover financial expense;
  - €217.2 million in TEN (trans-European network) funds for the 2007-2013 plan;
  - €207.4 million from third parties and others;
  - €120 million grant arising from the Italy-Switzerland agreement signed on 28 January 2014 by the Italian Ministry of Infrastructure and Transport and the Swiss Federal Transport Council to finance works planned in Italy to expand the railway corridor on the St Gotthard line;
- total definancing of €5,335 million, detailed as follows:
  - €639.8 million due to reductions provided for in the Ministry of the Economy and Finance's budget sections 7122 and 7123, implementing various legislative measures;
  - €300 million following the definancing applied under Decree law no. 102/2013 (the "local property tax decree"), converted into Law no. 124/2013, on resources previously earmarked in the Ministry of the Economy and Finance's budget section 7122;
  - €100 million following the definancing applied under Decree law no. 102/2013 (the "local property tax decree"), converted into Law no. 124/2013, on resources previously earmarked for 2015 under article 7-ter.2 of Decree law no. 43/2013;
  - €913 million following the definancing of provisions allocated under the 2013 Stability Act for the new Turin-Lyon line (the Ministry of Infrastructure and Transport's section 7532), €639 million of which pursuant to article 18.13 of Decree law no. 69/2013, €124 million following additional legislative measures and €150 million (allocated for 2015) pursuant to article 1.68 of the 2014 Stability Act;
  - reduction of €1,058.5 million in amounts allocated by Cipe for the Railway and road infrastructure fund;
  - reduction of €30.7 million in the Ministry of Infrastructure and Transport's section 7540 - Projects to improve the railway network - due to the cuts ordered by Decree law no. 4/2014;

– reduction of €445.3 million in the Ministry of Infrastructure and Transport's section 7060, €63 million of which following Interministerial decree no. 405/2012 between the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance, revoking the funds assigned by the previous decree no. 22589/2004 of both these ministries, and €382 million originally allocated to "Strengthening the Rho-Arona railway line, Rho-Gallarate section - first Rho – Parabiago functional lot" following the conversion of Decree law no. 145/2013 (emergency measures for the implementation of the "Italy Destination Plan") into law, which, in article 13, provides for the revocation of "Objective law" funds allocated under Cipe resolution no. 33/2010 for work not yet commenced;
– reduction of €370.2 million in the Ministry of Economic Development's section 8425, following Cipe resolution no. 6/2012, revising the allocation of the development and cohesiveness fund;
– reduction of €534.2 million, €531.3 million of which for rescheduling, as announced by the Cabinet Head of the Ministry of Infrastructure and Transport in note no. 21206 of 4 July 2013, due to the change in the basket of projects admitted for 2007-2013 national operating plan for networks and mobility funding, and reduction of €2.9 million following the issue of the 11th Management decree of the Ministry of Infrastructure and Transport - Management Authority for the national operating plan for networks and mobility no. 4100/2014;
– reduction of €510.5 million in TEN funds for the 2007-2013 plan;
– reduction of €182.3 million in funds from third parties;
– reduction of €79.3 million in amounts disbursed through the rotation fund following the rescheduling of projects under the Sardinia Region's action and cohesiveness plan;
– €171.2 million in the 2014-2016 three-year period for provisions pursuant to Decree laws no. 35/2013 and 66/2014 and article 1.428 of Law no. 147/2013, as subsequently amended.

Furthermore, on 5 and 9 December 2014, RFI SpA and the Ministry of Infrastructure and Transport signed two specific agreements updating the 2012-2016 GPC-I, respectively relating to estimated costs for the new Turin-Lyon line (the Italian section) and the Verona-Padua HS/HC route.

SIGNIFICANT EVENTS AFTER THE SIGNING OF THE 2012-2016 GOVERNMENT PROGRAMME CONTRACT - INVESTMENTS

After the 2012-2016 GPC-I was signed, additional legislative measures were issued with an impact on the content of the contract. They will be considered when the contract is next updated. A list of the main measures is given below, along with a brief description of the content that applies to the Group.

- Decree law no. 133 was issued on 12 September 2014, known as the "Get Italy Moving" decree, containing "Emergency measures to open construction sites, build public works, digitalise the country, streamline bureaucracy, prevent hydrogeological instability and boost production activities to recovery" (converted into Law no. 164/2014). The relevant articles are:
  - article 1.1-9 contains emergency measures to restart projects on the Naples-Bari and Palermo-Messina-Catania railway lines;
  - article 1.10 provides for the approval of the 2012-2016 GPC-I, as described in the previous paragraph;
  - article 3.1/1-bis allocates new funds of €3,890 million to refinance the "Infrastructure Fund" pursuant to article 18.1 of Decree law no. 69/2013 ("Get it Done" decree, converted with amendments into Law no. 98/2013), encouraging the financing of a series of large and small construction sites, listed in detail in paragraph 2 of the same decree;
  - article 3.2 provides for the issue of one or more interministerial decrees between the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance to finance, using funds under paragraphs 1 and 1-bis, the following works, under the terms for when the sites can be built or the contracts awarded:
    - letter a) identifies the projects for which sites can be built by 31 December 2014, including the elimination and automation of railroad crossings, making the terminal section of the Adriatic Bologna-Lecce section in Puglia a priority;
    - letter b) identifies the projects for which contracts can be awarded by 31 December 2014 and sites built by 30 June 2015, including another construction lot on the Verona-Padua HS/HC line, bringing the Cuneo-Ventimiglia railway line up to safety standards and work on the third Giovi pass HS/HC line;
    - letter c) identifies the works for which contracts can be assigned by 30 April 2015 and sites built by 31 August 2015, including laying the double tracks for the Lucca-Pistoia railway line and the Brennero tunnel.

  On 13 November 2014, Interministerial decree no. 23290 was issued by the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance. Pursuant to article 3.2 of the law converting Decree law no. 133 ("Get Italy Moving"), it defined the funds allocated and the revocation methods for the financing relating to works pursuant to article 3.2.a/b: these total €379 million for RFI SpA.

  The Interministerial decree between the Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance has not yet been issued for the projects listed under letter c).
- On 23 December 2014, Law no. 190 (the "2015 Stability Act") and Law no. 191 (the "Budget for 2015 and long-term budget for 2015-2017") were issued, providing for the following:
  - article 1.240 authorised, as from 2016, a fifteen-year grant to be disbursed directly, amounting to €15 million per year, and therefore totalling €225 million, to begin work on the Andora-Finale Ligure section;
  - Table E provided for the following:
    - amounts under "Refinancing" total €8,425 million, broken down as follows:
      - refinancing of €570 million under the Ministry of the Economy and Finance's section 7122/PG1 for the development and modernisation of railway infrastructures, mainly for the new Brennero pass;
      - refinancing of €4,455 million under the Ministry of the Economy and Finance's section 7122/PG2 for railway investments;
      - refinancing of €3,000 million under the Ministry of the Economy and Finance's section 7122/PG7 for projects to be carried out for construction lots (Brescia-Verona-Padua, Frasso Telesino-Vitulano and Apice-Orsara);
      - increase of €400 million in financing relating to the Ministry of Infrastructure and Transport's budget section 7518 for the third Giovi pass project;

- The “Reduction” totalled €550 million, broken down as follows:
  - reduction of €300 million in the Ministry of the Economy and Finance’s section 7122/PG2;
  - reduction of €25 million in the Ministry of the Economy and Finance’s section 7122/PG6, which the 2014 Stability Act had allocated to the Naples-Bari HS line – Cancello-Frasso Telesino section;
  - reduction of €90 million in the Ministry of the Economy and Finance’s section 7122/PG7, which the 2014 Stability Act allocated for construction lots (Brescia-Verona-Padova, Frasso Telesino-Vitulano and Apice-Orsara);
  - reduction of €135 million in the Ministry of the Economy and Finance’s section 7122/PG8, which the 2014 Stability Act allocated to update the track and speed up the Adriatic Bologna-Lecce railway line.

To provide complete information, cash accruals for 2015 under the “2015 Stability Act” and related Budget are also reported below, broken down as follows:

- €252 million on the Ministry of the Economy and Finance’s section 7122, as a grant related to assets to continue railway investments;
- €1.5 million on the Ministry of the Economy and Finance’s section 7123, as a grant related to assets to continue specific works;
- €400 million on the Ministry of the Economy and Finance’s section 7124, as a portion of the total allocation of €8,100 million under the *2007 Finance Act* to construct the Turin-Milan-Naples HS/HC system;
- €100 million on the Ministry of the Economy and Finance’s section 7124 for the HS/HC network and €100 million for the traditional network, in the form of fifteen-year grants allocated under the *2006 Finance Act* beginning in 2006 and 2007, respectively;
- €243 million on the Ministry of Infrastructure and Transport’s section 7532 for the new Turin-Lyon railway line;
- €185 million on the Ministry of Infrastructure and Transport’s section 7515 for the Treviglio-Brescia line;
- €0.4 million on the Ministry of Infrastructure and Transport’s section 7518 for the third Giovi pass;
- €273 million on the Ministry of Infrastructure and Transport’s section 7540 for works to improve the national railway network.

On 31 December 2014, Decree law no. 192, referred to as “1,000 extensions”, was issued, extending terms provided for by legislation. In particular, article 8 (“Infrastructure and transport extensions”), paragraph 2 changes, as described below, the terms under article 3.2 of Decree law no. 133/2014 (the “Get Italy Moving” decree), with respect to public works that can be financed:

- for projects to eliminate and automate railroad crossings on the terminal section in Puglia of the Adriatic Bologna-Lecce railway corridor, the term for the building of work sites is extended to 28 February 2015;
- the term for the assignment of contracts for another construction lot on the Verona-Padua HS/HC line and the updating of the Cuneo-Ventimiglia and the third Giovi pass railway lines to safety standards is extended to 28 February 2015 and the term for the building of the sites extended to 31 July 2015.

The Institutional Development Contract (IDC)

The Institutional Development Contract (IDC), established by article 6 of Legislative decree no. 88/2011 governs the additional funds and special projects to eliminate socio-economic disparity and is aimed at speeding up the completion of projects on the major lines in Southern Italy under the Government Programme Contract – Investments.

In 2012, IDCs were signed for the construction of the Naples-Bari-Lecce-Taranto railway line (including the Potenza-Foggia line) and for the completion of the Salerno-Reggio Calabria railway line.

On 28 February 2013, the third IDC was signed for the construction of the Messina-Catania-Palermo railway line.

The works provided for by these institutional contracts are moving forward without any particular issues.

On 17 April 2014, the Department for Development and Economic Cohesiveness held the semi-annual meetings of the Implementation and Oversight Committee, as required by article 7 of the IDCs. During the meetings, the draft 2013 annual reports were presented. They were subsequently approved and officially sent to each of the contacts for the IDC parties.

The "Objective" Law

The main events in 2014 within the scope of the strategic infrastructures provided for by the "Objective" Law (Law no. 443/2001) were as follows:

- on 18 October 2014, resolution no. 19/2014 was published in the Italian Official Journal no. 243, whereby Cipe approved the definitive plans for the 1st functional lot on the Bicocca-Augusta line as part of the project for "Increasing the speed of the Catania-Siracusa line, Bicocca-Targia section";
- during its meeting on 10 November 2014, Cipe approved the continuation of the previously established constraint for the seizure of properties affected by the construction of the "Verona-Padua HS/HC railway line", on the sections for the first stage of the work only, between Verona and Montebello Vicentino and between Grisignano di Zocco and Padua.

Group projects/transfers of public funds relating to 2014

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	RFI	Trenitalia	Grandi Stazioni	Busitalia Ataf	FS Logistica	Cemat	Total
Operations							
Government Programme Contract	976						976
Other Government grants		5					5
From local public bodies				15		4	19
Pending allocation							
Investments							
Governments grants	3,509		22				3,531
From local public bodies		16		11			27
EU funds	145	1					146
Total	**4,630**	**22**	**22**	**26**		**4**	**4,704**

millions of Euros

Research and development

Research and development

The Group's investments in research and development totalled €10.4 million in 2014, almost entirely attributable to RFI SpA.

2014 spending was allocated to the main investment areas, with roughly 67% going to technologies for train operation safety, 8% to innovative diagnostics and the remaining 25% for studies and tests on new parts and systems.

The main activities carried out in 2014 are described below:

- HS/HC lines over 300 km/h: testing activities continued to increase operating speed on the Rome-Naples and Turin-Milan HS/HC sections to 360 km/h and on the super direct Rome-Florence section to 300 km/h, with the creation of three pilot sites;
- Contact line conductors: to prevent ice from forming on electrical traction line conductors, testing continued on the Porrettana simple track, where night traffic was disrupted at separate times on each track;
- Vertical load, or "dynamic weight", measurement systems: the construction of 10 prototypes moved forward for systems that would detect railway carriages carrying excessive or unbalanced loads when they are operating on border tracks or leaving cargo hubs, to prevent significant problems on the tracks and potential operating irregularities;
- Safety devices: the construction of a testing site was completed to measure the lateral stability of the track built with under sleeper pads;
- Hydraulic power systems using oleous substances: testing is underway on the new first sleeper point for hydraulic power systems that use oleous substances constructed using the oleous hydraulic sleeper system. The first two plants were rolled out in Anagni and Anzola;
- Computer-based interlocking system: development activities commenced or were consolidated on the Alstom SML 400 CCDs in Arcoveggio and Borgo Panigale for the roll out of systems in the yard (track circuits, dev/FD, signals, electromagnetic devices/keys and diagnostics) and devices in the peripheral command centres;
- Radio transmission: tests were launched on wideband radio transmission technologies (Ultra WideBand - UWB), to potentially migrate the data supporting railway technology systems only from the fixed network (typically transmitted on copper cables) to a wireless network.

Main events of the year

Main events of the year

Legislation

"Fourth railway package"

During the full session on 26 February 2014, the European Parliament voted on the entire "Fourth railway package" after it was read. The approved text, which modifies the European Commission's initial proposals, gives European railway companies the right to offer commercial domestic HS transport services to passengers in all member states, in accordance with the principle of reciprocity. The European Parliament made significant changes to the Commission's proposal, which was to require tenders for the assignment of public service contracts from 2019, giving companies the possibility of directly assigning contracts from 2022, provided that general efficiency criteria are met. On the other hand, a principle of reciprocity was also introduced for services covered by public service obligations, to protect railway companies operating on open markets. In terms of the governance of the integrated companies, the European Commission proposed internal segregation provisions, which were not accepted. Indeed, the European Parliament eliminated the rules prohibiting financial circuits within holding companies, those providing for the segregation of IT systems and branches, the prohibition of personnel transfers and the introduction of an autonomous supervisory and control body within the Commission to monitor compliance with these criteria, in lieu of the Justice Court from the text. However, it maintained and reinforced the measures requiring transparent cash flows, prohibiting the transfer of funds between operators and railway companies, concerning the segregation of the infrastructure operator's essential functions which affect competition and the national regulator's powers with the request according to the European regulator. The Commission's technical proposal, which steers towards the simplification and centralisation of technical certification and the strengthening of the European Railway Agency's role, was accepted, and should shorten time periods and reduce costs arising from red tape for the industry and operators.

Legislative decree no. 43 “Implementation of EU directive 2011/76/EU”

Legislative decree no. 43 “Implementation of EU directive 2011/76/EU was issued on 4 March 2014, amending EU directive 1999/62/EC on the taxation of heavy cargo road transport motor vehicles for the use of certain infrastructures”, implementing in Italy EU directive no. 2011/76/EU, which updated the tariffs applied to cargo transport by heavy road vehicles and enabled member states to calculate and differentiate tolls on the basis of the external costs arising from transport (in terms of atmospheric emissions, noise pollution and traffic), on a “the polluter pays” basis.

Presidential decree no. 85 of 25 March 2014 “Regulation to identify strategic steps in the energy, transport and communication sectors”

Presidential decree no. 85 of 25 March 2014 “Regulation to identify strategic steps in the energy, transport and communication sectors in accordance with article 2.1 of Decree law no. 21 of 15 March 2012” provides for the following:

- inclusion of the national railway network used in the trans-European networks among Italy’s strategic assets;
- identification of infragroup transactions to which special powers do not apply: mergers, demergers, incorporations, sales, including sales of portions of equity investments, relocation of the registered office, change in the company purpose and winding up, for which notice must be given, unless this would seriously prejudice public interest in the safety and functioning of networks and plants and the continuity of procurement;
- special powers are applicable when the protection of essential Government interests is not adequately guaranteed by specific sector regulations.

The Communication of Interpretation guidelines for regulation (EC) no. 1370/2007 was published in the EU’s Official Journal

The European Commission’s communication of Interpretation guidelines for regulation (EC) no. 1370/2007 relating to public passenger transport services by road and railway (2014/C 92/01) was published in the EU’s Official Journal on 29 March 2014. In this document, the Commission provided its interpretation of certain measures in the regulation, which, inter alia, defines public service obligations, the scope of application of public service contracts, the assignment of such contracts and remuneration for public service obligations.

60% advance in the National fund for the Government's contribution to local public transport costs

On 3 April 2014, in a decree issued jointly with the Ministry of Infrastructure and Transport for 2014 and in favour of Italian Regions without special status, the Ministry of the Economy and Finance provided for a 60% advance in the National fund for the Government's contribution to local public transport costs, including railway costs, for a total of €2,950 million.

Package for the modernisation of public tenders

On 17 April 2014, the three new European directives concerning public contracts in the ordinary and special sectors and concession sector, published in the EU's Official Journal on 28 March 2014, took effect.
Member states will have two years to update to these new regulations.
The most significant aspects in terms of general interest in the two directives relating to contracts are the streamlining of procedures, particularly with respect to reducing the time period over which the contracts are awarded, the introduction of new procedures for the use of public contracts as a tool to support innovation and research policies, the revision of the contract assignment criterion based on the least expensive bid, with increased focus on quality, the environment, society and innovation, considering the entire life cycle cost of the goods/work/services offered.
The new text of the directive for special sectors reinforces the exclusion of activities directly exposed to competition, and competition is considered with respect to the individual business segments and geographical segments affected by operating activities as well. In the new text, international passenger transport is considered, along with cargo transport, as directly exposed to competition. Furthermore, greater flexibility is given to potential contractual changes once the contracts are underway, without requiring the parties to initiate new tender procedures.

Legislative decree no. 70 of 17 April 2014: "Sanctions for violations of regulation (CE) no. 1371/2007, relating to railway passenger transport rights and obligations"

Legislative decree no. 70 was issued on 17 April 2014, defining the sanctions for violations of the obligations under regulation (EC) no. 1371/2007 to be imposed on transport companies and infrastructure operators in order to protect railway passengers rights, with specific focus on safety, timeliness, cleaning and on-board services for disabled passengers or those with reduced mobility. Furthermore, the Transport Regulator was assigned responsibility for enforcing this EC regulation.

Law no. 71 "Ratification and execution of the agreement for the construction and operation of a new Turin-Lyon railway line"

Law no. 71 "Ratification and execution of the agreement between the Italian and French governments for the construction and operation of a new Turin-Lyon railway line" was issued on 23 April 2014, governing the conditions for the construction of the railway cargo and passenger connection between Turin and Lyon, along with the related operating terms and conditions. There are specific clauses in the agreement for the cross-border section of the line where the two countries will share the works and connections to existing lines. Furthermore, the agreement regulates the establishment and functioning of a public operator of the cross-border section shared by the two countries.

Law no. 68 of 2 May 2014 containing emergency local finance measures

Law no. 68 of 2 May 2014, "Conversion of Decree law no. 16 of 6 March 2014, containing emergency local finance measures and measures to ensure the functionality of school services into law, with amendments", provides that, for as far as the Group is concerned, pending the approval of the RFI SpA 2012-2016 Government Programme Contract – Investments, scheduled for 30 June 2014, transactions between the Government and RFI SpA are governed by the 2007-2011 Government Programme Contract. This measure also establishes that, until railway responsibilities and functions are transferred to the Valle d'Aosta regional authorities, the Government will pay Trenitalia SpA €13.4 million for services provided from January to July 2014. Finally, until responsibility and the joint services are fully transferred to the special-status Regions, the Ministry of the Economy and Finance is authorised to pay Trenitalia SpA allocated amounts for 2013 in exchange for services provided.

Shift2Rail

On 16 June 2014, the EU Council adopted Regulation (EU) no. 642/2014, which establishes "Shift2Rail" (S2R, a public/private joint undertaking that will invest €920 million to develop research and innovation in the railway field, with the European Commission providing €450 million of the total amount.
Indeed, this joint undertaking aims to support programmes for the development of better railway services in Europe, concentrating the source and procedures of funding in one undertaking, to stimulate technological innovation on the market.
The research programme covers the following five innovation programmes:

- Rolling stock (IP1): *Cost-efficient and Reliable High Capacity Trains*;
- Signalling (IP2): *Advanced Traffic Management & Control Systems*;
- Infrastructure (IP3): *Cost-efficient and Reliable High Capacity Infrastructure*;
- Digital sales and distribution applications (IP4): *IT Solutions for Attractive Railway Services*;
- Cargo (IP5): *Technologies for Sustainable & Attractive European Freight.*

The founding members of Impresa Comune S2R are the EU (represented by the Commission), rolling stock manufacturers (i.e., Alstom Transport, Ansaldo STS, Bombardier Transportation, Construcciones y Auxiliar de Ferrocarriles, Siemens and Thales) and two infrastructure operators (Network Rail and Trafikverket).
The "*Call for expressions of interest to become associated member of the Shift2Rail Joint Undertaking*" was published on 6 October 2014.
Together with Trenitalia SpA, RFI SpA and Italcertifer SpA, the FS Italiane Group presented its expression of interest in November 2014 to join Impresa Comune Shift2Rail. The member selection process is currently underway. Furthermore, through Trenitalia SpA and RFI SpA, which are members of consortia with other members of this initiative, the FS Italiane Group submitted three project proposals that have passed the Commission's first evaluation and have reached the final financing approval process, which is expected to be completed by autumn 2015.

Conversion of Decree law no. 66 of 24 April 2014, containing "Emergency measures for competitiveness and social justice" into law

The most significant measures of the Law no. 89 of 23 June 2014, converting Decree law no. 66 of 24 April 2014, containing "Emergency measures for competitiveness and social justice" into law, are:

- pending a structural project to implement with the "2015 Stability Act", regulations for 2014 to reduce the tax wedge for employees and similar workers by including a tax credit in payslips;
- a reduction in the Irap (regional tax on productive activities) rate as from the first tax period beginning after 31 December 2013, while taxes paid in advance for the subsequent tax period are subject to smaller reductions;
- the changes under the 2014 Stability Act regarding the payment of corporate income tax;
- article 20 establishes the obligation for unlisted companies in which the Government directly or indirectly holds a 100% interest and companies that the Government directly or indirectly controls and whose non-controlling owners are the public authorities and public entities, excluding issues of financial instruments listed on regulated markets, to contain operating costs by at least 2.5% in 2014 and 4% in 2015. These cost cuts are calculated on the operating costs recognised in the 2013 financial statements. By 30 September of each year, these companies must distribute to their owner any available funds equal to 90% of such cost cuts and, on the approval of the 2014 and 2015 financial statements, they must distribute to their owner a dividend equal to or greater than the amount of such cuts, net of any interim dividend. For 2014 and 2015, the variable bonuses paid to CEOs and managers contractually entitled to variable remuneration, must be at least 30% indexed to further cost cuts in addition to those provided for by article 20. The Board of Statutory Auditors must verify the correct fulfilment of the above.
  Subsequently, article 10.12 of Decree law no. 192/2014 (the "1,000 extensions" decree), converted in Law no. 11 of 27 February 2015, introduced article 20.7-ter which states: «to pursue the efficiency and financial objectives of Decree law no. 66 of 24 April 2014, converted into Law no. 89 of 23 June 2014, with amendments, concerning companies in which the Government holds an interest, the companies controlled by Ferrovie dello Stato Italiane SpA generate, within the scope of the Parent's consolidated financial statements, an obligation to pay the Government €40 million for 2014 by 10 January 2015, and €60 million for 2015 by 30 September 2015». In this way, this new paragraph gave FS SpA's subsidiaries special status with respect to the general regulations established by the original article 20;
- for public contracts, tenders and calls for bids must be published in the special edition of the Official Journal for public contracts, on the "customer's profile" for the contracting station and on the website of the Ministry of Infrastructure and Transport within two business days. The contracting station will be reimbursed for the cost of publishing this information in the Official Journal by the winner of the contract within 60 days of contract assignment.

Decree law no. 91 of 24 June 2014

On 11 August 2014, Decree law no. 91 of 24 June 2014, containing "Emergency measures for the farming sector, environmental protection and energy efficiency in the construction of schools and universities, relaunching and developing companies, the containment of electrical energy tariff costs and the immediate definition of requirements arising from European legislation" was converted into law (Law no. 116/14 published in the Official Journal no. 192 of 20 August 2014), with amendments. As amended by the Senate, this law provides for, inter alia, the following aspects of particular interest to the FS Italiane Group:

- elimination of the Commission for the assessment of direct work regarding the detection of noise pollution arising from railway traffic pursuant to Presidential decree no. 459/1998 and the transfer of these responsibilities to the Ministry of the Environment;
- the reorganisation of the electrical energy tariff system of FS SpA, with the application, as from 1 January 2015, of a special tariff system for RFI SpA's electrical energy consumption pursuant to Presidential decree no. 730 of 22 May 1963, electrical energy consumption for universal service transport and railway cargo transport. Until the Ministry of Economic Development issues a decree defining how consumption will be identified for the purposes of applying this legislation, the annual

tariff offset component is reduced by €80 million for consumption above 3300 Gwh. The new tariff system will be gradually applied in the first three years at a rate of up to 50% in 2015, 70% in 2016 and up to 80% in 2017.

Regulation (EC) no. 869/2014 of 11 August 2014

With Regulation (EC) no. 869/2014 of 11 August 2014, "The Commission's implementation regulation for new railway passenger transport services", the European Commission defined the procedure and criteria to be followed to determine whether the end aim of a railway service is to transport passengers between stations in different member states and if the economic balance of a public service contract for railway transport is compromised by an international passenger transport service.

Law no. 164 "Converting Decree law no. 133 of 12 September 2014, the "Get Italy Moving" decree, into law"

In particular, this measure provides for the following:

- the appointment of FS SpA's CEO as Commissioner for the construction of works on the Naples-Bari railway section for a renewable two-year term. The Commissioner will not receive sums for participation, fees, refunds for expenses or other remuneration of any kind in exchange for performing commissioner duties. The work for the construction of this section are declared not deferrable, urgent and of public interest. Tight deadlines have been set for the service conferences, and the Council of Ministers will resolve in the event of the justified dissent of a public authority responsible for environmental, landscape and land protection, the safeguarding of historic/artistic heritage or health, and the time allotted for the process has been halved. The funding needed for the construction of the works are provided for in the Government Programme Contract. In order to avoid the limitations of the country's stability agreement, the Commissioner is authorised to request priority cash transfers using national funds and subsequently using regional funds. The same provisions apply to the construction of the Palermo-Catania-Messina HS/HC railway line;

- that RFI SpA's 2012-2016 Government Programme Contract – Investments is signed within 60 days of when the conversion law takes effect, with the prior opinion of the relevant parliamentary commissions. €220 million of the funds allocated as a grant related to assets to RFI SpA must be used for the extraordinary maintenance provided for by the 2012-2014 Government Programme Contract - Services;
- with the decrees of the Ministry of Infrastructure and Transport to be adopted within 30 days of when the Decree law takes effect, the funds must be allocated for the construction of works for which sites can be set up by 31 December 2014 and those for which sites can be set up by 30 June 2015, while the decrees for works for which sites can be set up by 31 August 2015 must be issued within 30 days of the conversion law takes effect;
- the allocation of €3,890 million in 2013-2020 to continue sites or perform contractual agreements for the construction of many works, including: the elimination and automation of railroad crossings on the terminal section of the Adriatic Bologna-Lecce corridor in Puglia (the related site can be built up to 31 December 2014); additional construction lot on the Verona-Padua HS/HC line, upgrading the Cuneo-Ventimiglia railway line to safety standards, the third Giovi pass on the Milan-Genoa HS line (the contract can be assigned up to 31 December 2014 and the site built up to 30 June 2015); work on the new Brennero tunnel and laying quadruple tracks on the Lucca-Pistoia railway line (the contract can be assigned up to 30 April 2015 and the site built up to 31 August 2015). The works funded with the "Revocation fund" include modernising the Salerno-Potenza-Taranto section;
- changes cannot be requested for projects to build public works meeting higher technical standards than those defined at European level without an estimate of the extra costs and an economic and financial sustainability analysis for the infrastructure operator or work operator, accompanied by an evaluation of the time needed to implement the changes;
- to eliminate the lack of financial balance due to charges relating to 2013 for regional and local public transport, the Calabria Region is authorised to use funds allocated to it from the Development and cohesiveness fund for 2007-2013, up to €40 million for 2014, €20 million of which to cover costs relating to 2013, and €20 million for 2015.

Certain regulatory measures were approved concerning fair and equal access to railway infrastructures

With resolution no. 70 of 31 October 2014, the Transport Regulator approved certain measures regulating fair and equal access to railway infrastructures and commencing the procedure for the definition of criteria to determine the toll for the use of railway infrastructures (to be completed by 30 September 2015), without prejudice to the immediate effectiveness of the measures provided for in the resolution for the HS/HC network toll.

Law no. 174 of 21 November 2014 "Ratification and implementation of the protocol amending the international railway transport convention of 9 May 1980"

This law ratifies the revised convention to ensure the consistent application of the international transport service right in the light of the new EU railway legislation. Additional information in this respect is given in the section on *Other events*.

The “2015 Stability Act”

Law no. 190 of 23 December 2014 (the “2015 Stability Act”) provided for, inter alia, the following:

- elimination of the total cost of employees with open-ended contracts from the tax base on which Irap is calculated, to encourage businesses and improve employment;
- as a test for 2015/2018, the possibility for employees in the private sector, employed for at least six months, to ask their employer to pay their post-employment benefits early in their payslips, including any amounts transferred to supplementary pension funds;
- application of a tax credit equal to 25% to costs incurred above the average of the same investments in the three years prior to the tax period in progress at 31 December 2015;
- the inclusion of high and very high voltage electrical networks and the related portions of stations owned by Ferrovie dello Stato Italiane SpA or its subsidiaries in the national electricity grid; the effectiveness of this inclusion is subject to the completion of the acquisition of such assets by the national transmission system manager or one of its subsidiaries. On the basis of data provided by Ferrovie dello Stato Italiane SpA, the Electricity, Gas and Water Regulator has defined the financial aspects of the transaction, considering the potential benefits for the national electricity system and informing the Ministry of Economic Development. The funds arising from the sale, limited to the value of Government grants already disbursed and used over the years for investments in Ferrovie dello Stato Italiane SpA’s electricity grid, must be used for investments in the national railway network provided for by the contract signed by the Ministry of Infrastructure and Transport and Rete Ferroviaria Italiana SpA;
- since 2015, the funds allocated to cover public service obligations in the road cargo transport sector may not longer exceed €100 million per annum; these funds are allocated to the national railway infrastructure operator, which then allocates them to offset the ferry costs for cargo, related services and the charge to use the infrastructure which railway companies incur when they transport cargo, including across borders, originating or ending in the Abruzzo, Molise, Lazio, Campania, Puglia, Basilicata, Calabria, Sardinia and Sicily Regions;
- in accordance with the Government Programme Contract - Investments and the Government Programme Contract - Services signed with RFI SpA and in implementation of the same contracts, and pursuant to the provisions of European Parliament and Council directive 2012/34/EU of 21 November 2012, the railway network development strategy for 2015-2017 is organised along the following lines, through the related investment plans: extraordinary maintenance of the national railway network and development of investments for large infrastructures;
- in accordance with article 4 of the Government Programme Contract - Investments and with respect to the programmes in the first paragraph, by June of each year, RFI SpA presents a report on the activities of the previous year to the relevant Ministry, to be submitted to Cipe and to the relevant parliamentary commissions, detailing the funds that were actually recognised for investments, percentage of completion and delivery for roll out, with respect to expenses relating to investments completed for each investment programme and any gaps between actual amounts and the programme;
- to ensure the continuity of works on the Brescia-Verona-Padua sections of the Milan-Venice HS/HC railway line, the third Giovi pass on the Milan-Genoa HS/HC line and sections of the new Brennero railway tunnel, which have either been authorised or are being authorised, Cipe can approve preliminary projects for the works even pending funding for the construction of such works and the related definitive plans, provided that available funds for the first construction lot amount to at least 10% of the total cost of the works;
- fifteen-year grant of €15 million beginning in 2016 to begin work on the Andora-Finale Ligure railway section;
- the scope of application and criteria for the use of the fund to purchase local public transport vehicles were changed (under article 1.1031 of Law no. 296 of 27 December 2006); in particular, the resources (pursuant to article 1.83 of Law no. 147 of 27 December 2013) can only be used to purchase rolling stock for road transport.

Other events

Increase in the cost of energy used for traction following the Electricity and Gas Regulator's resolution no. 641/2013/R/COM of 27 December 2013

In January, the cost of energy for traction rose following the Electricity and Gas Regulator's resolution no. 641 2013/R/COM of 27 December 2013. Specifically, as part of a progressive revision of the costs incurred by large consumers of electrical energy, this resolution substantially modified the application of the additional tariff components (system charges), significantly reducing the tariff subsidies previously granted to railway companies, among others.

Ruling lodged disallowing the class action taken by certain users and municipalities in Calabria

On 17 February 2014, a ruling was lodged disallowing the *class* action taken by certain users and municipalities in Calabria petitioning for, in the appeal filed with the Lazio regional administrative court in October 2012, the resumption of certain night trains on the south-north route. In its ruling, the regional administrative court noted that it had not found Trenitalia SpA's conduct to include any «breaches of its obligations under the service charters or the quality and economic standards established for public service providers» and described the company's decisions as «consistent with both general legislation and the provisions of the public service contract». Indeed, the railway services subject to the appeal fall within the scope of the universal services that Trenitalia SpA provides on behalf of the Government, which is responsible for planning the volume and characteristics of such services when it defines the service in the specific public service contract.

Receivable due to FS Logistica SpA from the Extraordinary Commissioner for the waste emergency in Campania

In relation to the well-known events surrounding the historic receivable due to the subsidiary FS Logistica SpA from the "Extraordinary Commissioner for the waste emergency in Campania", on 20 February 2014, an order was issued assigning FS Logistica SpA the amounts arising from the second seizure at Banca d'Italia (proceedings no. 22107/2013), totalling €32,585,298.78, plus legal interest accrued from the seizure date to the payment date and registration expenses. Subsequently, on 22 April 2014, an order was issued assigning FS Logistica SpA the amounts arising from the first seizure at Banca d'Italia (proceedings no. 6542/2013), totalling €39,219,056.06 plus legal interest accrued from the seizure date to the payment date and registration expenses, and, on 4 April 2014, Banca d'Italia paid FS Logistica SpA €33,210,600.79 following notification of the Judge's order of the provisional enforcement of 20 February 2014 and on 28 May 2014, Banca d'Italia paid FS Logistica SpA €40,470,441.30 following notification of the Judge's order of the provisional enforcement of 22 April 2014. The company used the amounts collected from the two seizures to first repay the Intesa San Paolo credit line of €9,979,590 at 25 April 2014. The residual amount was used to fully repay the credit line from the FS Italiane Group. In any case, the overdraft facility with the Parent, totalling a maximum of €75 million was maintained in order to cover potential costs arising from any different decisions in this respect by the Rome Court.

The Anti-Trust Authority's preliminary proceedings concluded without the assessment of any infraction

On 12 March 2014, the preliminary proceedings that the Anti-Trust Authority had commenced on 22 May 2013 were concluded without the assessment of any infractions. Indeed, the outcome confirms that certain FS Italiane Group companies' conduct was, overall, correct when the high speed railway passenger transport market was opened to competition.

Lodging of the Council of State's ruling on the "K2" appeal

On 19 March 2014, the FS Italiane Group was informed of the lodging of the Council of State's decision and the favourable outcome of the appeal filed in 2007 by a railway Group – in which Trenitalia SpA had participated – concerning the application of the access charge calculation criterion called K2 for the use of the railway infrastructure. The company is currently waiting to see how the charge will be calculated and, accordingly, how to quantify the discount for the years subject to appeal.

Appointment of the new BoD of the FS Italiane Group

On 29 May 2014, the Shareholder of Ferrovie dello Stato Italiane SpA appointed the new Board of Directors, comprised of Marcello Messori, Michele Mario Elia, Daniela Carosio, Vittorio Belingardi Clusoni, Giuliano Frosini, Gioia Maria Ghezzi, Simonetta Giordani, Federico Lovadina and Wanda Ternau. The Shareholder then appointed Marcello Messori Chairman of the Parent. On 30 May 2014, during its first meeting, the new BoD of FS SpA unanimously appointed Michele Mario Elia as CEO.

Investigation begun into the accident involving regional train 12852

On 17 July 2014, the regional train 12852 Gela-Caltanissetta fatally hit three RFI SpA workers who were on the tracks for reasons yet to be ascertained, between the Butera and Falconara stations.
RFI SpA began an investigation to verify the causes and dynamics of the accident.

Works kicked off to close the Palermo city railway loop

On 23 July 2014, works were delivered for the construction of the closure of the railway loop in the city of Palermo. The works will be financed using the EU funds provided for by the European fund for regional development - 2007-2013 operating plan: roughly €28 million, compared to a total cost of €152 million for all works.

Italferr SpA is assigned works oversight for all 2015 Expo contracts

In July 2014, Italferr SpA took over as high supervisor and works overseer for all 2015 Expo contracts. The company has been working since 14 July 2014 alongside the previous works overseer. Italferr's duties include coordinating works oversight at the site and setting up new works oversight offices, as well as taking over works oversight activities already underway. Under this mandate, Italferr will also support the contracting station and is the sole manager of the procedure identified by Expo for technical, legal and administrative aspects, ensuring that the works are performed on schedule and in accordance with the law.

The Ankara-Istanbul line certified by Italcertifer SpA opens

On 25 July 2014, the high speed Ankara-Istanbul railway line, certified by Italcertifer SpA, was opened in Turkey. This line extends 500 km and reduces travel time between the two cities from six hours to three hours and 15 minutes. It was designed and built for integration with the European railway network.

Agreement between the Ministry of Infrastructure and Transport and FS Italiane for the design of HS airport connections

On 26 August 2014, an agreement was signed whereby RFI SpA will begin studies by 2014 to strengthen railway infrastructures connecting to airports. The agreement signed in Rimini by the Ministry of Infrastructure and Transport and the CEO of the FS Italiane Group is a starting point for the project for rapid connections to Roma Fiumicino, Milano Malpensa and Venezia Tessera, to be built in functional stages.

The Lazio regional administrative court denies Arenaways' appeal against URSF

On 2 October, the Lazio regional administrative court denied Arenaways' appeal against the decision by URSF (the office that regulates railway service) requiring the private railway company to limit stops on its trains to province capitals only, Turin and Milan. The administrative court explained how URSF – the regulating body under the Ministry of Infrastructure and Transport – had performed an overall economic analysis and concluded that the drop in demand that Trenitalia SpA would have suffered «due to a long-term service offer obligation» was inadmissible. Indeed, on that route, Trenitalia SpA already offers a universal railway service the costs of which are partly covered by considerations paid by the Region and partly by proceeds from tickets and passes. The new Arenaways services would have led to a decrease in those proceeds, compromising the financial balance of the public service contract in place between the Region and Trenitalia SpA. The regional administrative court's ruling no. 9967 contains another important part, in which it states that the national legislator's decision (article 58.2 of Law no. 99/2009) to extend the EU provision (limited to international service transport) protecting the economic balance of the public service contract to national services as well (Arenaways, in this case) does not limit the deregulation process in any way.

Federmobilità awards the "Green Express" cargo project

On 3 October 2014, Trenitalia SpA received a medal from Federmobilità for its "Green Express" project created by the Cargo Division for ecologically sustainable combined cargo transport (rail/road).
The award, given to both Trenitalia SpA and Lotras, was presented to Michele Mario Elia, CEO of the FS Italiane Group, during the "Mercintreno 2014" conference.

Work to modernise the Potenza-Foggia line kicked off

On 9 October 2014, only two years from the signing of the Institutional Development Contract which the Ministry of Territorial Cohesiveness and the Ministry of Infrastructure and Transport signed on 2 August 2012 in Rome with the Puglia, Campania and Basilicata regional authorities and the FS Italiane Group, work to modernise the Potenza-Foggia railway line began. This project on the entire line will consist of upgrading 51 km of track to current European standards, for a total of 100 km of new track, in addition to the rest of the sections, which are already up to standard.

Hydrogeological instability in Liguria: RFI SpA began 13 sites to secure 44 at-risk points

On 15 October 2014, to secure areas of land sliding onto tracks, RFI SpA opened and began operating 13 out of 44 sites to prevent hydrogeological instability and ensure safety standards on the railway network in Liguria. Another 27 projects will begin in the next few weeks, with four beginning in the first few months of 2015.

Ferrovie dello Stato Italiane named the 13th largest company in Italy in terms of turnover

On 23 October 2014, FS SpA was ranked 13th in the top 20 Italian companies by 2013 turnover, gaining three positions. These data, processed by Mediobanca's research centre, considered 3,533 2013 annual reports. Eni remains at the top of the ranking, with €114.7 billion (despite the 9.8% decrease on 2012), followed by the Exor-Fiat group (€113.7 billion, €54.3 billion of which reported by Chrysler). Enel holds third place (€78 billion).

ART resolution no. 70 – "Regulation for fair and equal access to railway infrastructures and commencement of proceedings to define the criteria for the definition of the toll to use railway infrastructures"

On 5 November 2014, ART resolution no. 70 was published with the regulator's decisions concerning access to the national railway infrastructure. Specifically, ART established regulatory measures covering the following 11 areas covered by resolution no. 16/2014: *i)* framework agreement; *ii)* assignment of capacity; *iii)* management of disrupted traffic; *iv)* clearing the infrastructures; *v)* effects of the lack of a contractual system and/or keeping track; *vi)* toll for the use of the railway infrastructure; *vii)* performance once fully rolled out; *viii)* service access conditions; *ix)* people with reduced mobility; *x)* assignment of advertising space, information counters, areas for the provision of automated customer services; *xi)* shunting services.
Resolution no. 70/2014 also launched a new and independent procedure expected to be completed by 30 September 2015 to "define the criteria for the determination of the toll to use the railway infrastructure".
The provision in this resolution, which becomes effective immediately from when the resolution is published, regards the adoption of the new HS/HC toll. The infrastructure operator has met this requirement, and – with the note dated 11 December 2014, copied to ART and subsequently sent to the Ministry of Infrastructure and Transport – informed NTV and Trenitalia SpA of the new amount of the charge to use the HS/HC railway infrastructure, equal to €8.2/train-km, in force from 6 November 2014 to 31 December 2015 (i.e., from the day after publication of resolution no. 70/2014). Finally, with specific regard to the issues relating to the HS toll and assistance services for passengers with reduced mobility, NTV appealed against resolution no. 70/2014 with summons notified to RFI SpA on 8 January 2015.

In this respect, within the relevant term, RFI SpA appeared in court and lodged an "incidental appeal". Furthermore, as further detailed in the notes to the financial statements (Note 50 *Events after the reporting date*), on 3 March 2015, RFI SpA notified ART of the extraordinary appeal with the President of Italy to nullify resolutions no. 70 and 76 and their annexes containing the regulatory measures against which the company has objected.

Juncker programme

In November 2014, the new President of the European Commission's Juncker programme was approved. An investment plan worth over €300 billion, it sets the aim of relaunching and supporting economic growth in Europe beginning with public and private investments in strategic sectors. The programme provides for the creation of an ad hoc fund of €21 billion, managed by the European Investment Bank, which will grow to €315 billion with financial leveraging, to fund important projects in member states to be selected. The priorities for large projects to be funded through this programme are those relating to transport, energy, research and training, although a portion of the funds will be allocated to small and medium-size companies as well.

Trenitalia SpA participates in the 18th annual Ecomondo

On 6 November 2014, the CEO of Trenitalia SpA addressed the general states of the green economy during the 18th annual Ecomondo expo, an international event held in Rimini on the recovery of materials and energy and sustainable development. The CEO stated that «Trains play a key role in an economy that focuses on environmental sustainability» and reminded the audience of how trains can be more energy efficient and emit roughly 66% less CO_2 per passenger than cars, with zero emissions polluting cities, if they exploit the benefits of a renewable-source energy grid.

RFI SpA, Lombardy: 2014/2017 investment plan

On 12 November 2014, in Milan, the CEO of Rete Ferroviaria Italiana SpA presented the Lombardy Region's Councilperson for Infrastructure with the dense investment plan to strengthen the technologies and infrastructures of the Lombardy railway network, which, once completed, will boost and improve the performance of transport services throughout the entire region. This was also in view of the Milan 2015 Expo, a prestigious showcase for Milan, which will represent Italy around the world.

RFI SpA is awarded for excellence in maintenance

On 25 November 2014, Rete Ferroviaria Italiana SpA received the prestigious "Excellence in maintenance" award from Associazione Italiana Manutenzione (the Italian maintenance association, "Aiman"). The Chairman of Aiman, Franco Santini, presented RFI SpA's Manager of Rolling Stock and Diagnostics with the award during the XXV national convention in Florence. Diagnostics, which is to say all activities carried out to establish the "health" of infrastructure, is now a crucial tool in planning railway system maintenance because it guarantees operational safety, prevents faults and leads maintenance staff and technologies where they are most needed.

The Italian Transport Regulator's resolution no. 76 – "Instructions and provisions for the 2015 Network Prospectus, presented by RFI SpA"

On 27 November 2014, resolution no. 76 was published in which the Italian Transport Regulator ("ART") formulated instructions and provisions that RFI SpA is required to implement in the 2015 Network Prospectus, with reference in its content and schedule to the regulatory measures formulated with the aforementioned resolution no. 70/2014.
Specifically, in this resolution, ART expresses its evaluations, indications and provisions resulting from the outcome of an analysis of the draft 2015 Network Prospectus that RFI SpA sent to ART on 30 September 2014, with respect to the following:

- general information;
- access conditions to the infrastructure;
- characteristics of the infrastructure;
- allocation of capacity;
- services;
- fares.

Reference should be made to the section on events after the reporting date for information on the steps that RFI SpA has taken as a result of this resolution.

RFI SpA - Roma Capitale: an agreement was signed to strengthen and improve the metropolitan and regional railway system

The agreement to strengthen and improve the Rome metropolitan and regional railway system was signed on 1 December 2014. After the agreement reached to build the FL 2 Ponte di Nona stop, the groundwork was laid for an operating agreement to schedule and define, with the Lazio regional authorities as well, a new service model for the Rome hub, in which projects were planned, with some already underway, to technological upgrade and reinforce stations, complete and fix the city development and road structure in the Tiburtina area and build new infrastructures for road/railway interchanges.

CEO of the FS Italiane Group unanimously elected Vice President of the International Union of Railways (IUR)

On 3 December 2014, Michele Mario Elia, CEO of the FS Italiane Group, was unanimously elected Vice President of the International Union of Railways (IUR) in Paris during the IUR's general meeting. The term of office is two years. Elia is also Chairman of the European section of the IUR, which counts 120 continental railway companies among its members. He was previously named head of the IUR's Rail System Forum in 2012 and prior to that, head of the IUR's platform for the ERTMS (European Rail Traffic Management System).

Partial demerger of LTF Sas

On 4 December 2014, to implement the Italian Government's decision to proceed with the creation of a new public promoter in collaboration with the French government (Law no. 71 of 3 April 2014), through its subsidiary FS SpA, the company's Board of Directors approved the partial demerger of LTF Sas, with the allocation of an interest in Lyon Turin Ferroviaire Sas to FS SpA, along with its cash and cash equivalents and liabilities, on the basis of the statement of financial position as at 31 October 2014 of the companies involved in the demerger. This entailed a capital decrease for RFI SpA.
Since the transaction is strategic for the transport sector pursuant to Presidential decree no. 85/2014, following the Council's resolution, the golden power procedure was initiated (Decree law no. 21/2012, converted, with amendments, into Law no. 56/2012) in which complete disclosure of the transaction was sent to the Prime Minister, thereby enabling the Government to deny authorisation for the transaction should it see fit. The disclosure was sent on 9 December 2014 and authorisation was considered as granted under the "tacit approval" authorisation process, once the legal term had passed for the Prime Minister to express his denial.

Mobility Hakathon: *EasyRail* receives the FS Italiane award

On 15 December 2014, the *EasyRail* project was given the FS Italiane *Mobility Hackathon* award, a software design marathon to improve the quality of public and private transport in urban and regional areas. The FS Italiane Group decided to award the *EasyRail* application because, once developed, it will make train travel easier for users with reduced mobility. Indeed, the idea behind *EasyRail* is to allow passengers to book both their seats on the train and special assistance at stations in one click.

Naples-Bari HS/HC line: sites open in 2015

It was announced on 15 December 2014 that sites for the construction of the Aprice-Orsara section of the Naples-Bari HS/HC railway line would open by October 2015. The Naples-Bari line will cost a total of €6 billion, half of which has already been allocated. The travel time for the entire line will be two hours upon completion.

ART resolution no. 86 – "*Call for Inputs*" on railway tolls

With ART resolution no. 86 of 18 December 2014 regarding the toll pursuant to resolution no. 70/2014, the regulator published a "*Call for Inputs*" to acquire information, proposals and observations from all stakeholders in order to define the criteria for the calculation of the toll to use railway infrastructures. With the note dated 20 February 2015, RFI SpA provided its observations in this respect.

Italcertifer SpA is the only company in Greece to cover the entire railway certification process

On 29 December 2014, Italcertifer SpA was accredited as the designated body (*DeBo*) in Greece and is therefore the only company capable of covering the entire certification process for its clients in the Greek railway transport sector. This designation enables it to certify railway systems and subsystems in compliance with Greek national regulations and flanks the activities it already conducted in Greece as notified body (*NoBo*), i.e., a body authorised to issue certification under European interoperability regulations.

Memorandum of understanding between FS Italiane and Terna SpA for the electricity grids

On 30 December 2014, FS SpA, RFI SpA and Self Srl signed a non-binding memorandum of understanding with Terna SpA to potentially sell Terna SpA high and very high voltage electricity transmission grids, along with portions of the related electrical stations currently owned by the FS Italiane Group. The potential sale would include both the grids that are already part of the national electricity transmission grid and those that are destined to join it, if the sale is carried out in accordance with the "2015 Stability Act". In particular, the memorandum of understanding defines the activities that the FS Italiane Group and Terna SpA would have to perform in upcoming months to complete the transaction, which could be concluded by summer 2015, if the necessary conditions are met. Indeed, the transfer of the electricity grid from FS SpA to Terna SpA is subject not only to the successful negotiations between the parties, but also to the decisions that the Electricity, Gas and Water Regulator will make in this respect.

HS/HC system: RFI SpA signs three important agreements for new lines

In the last few days of 2014, RFI SpA and the Cepav Due, Iricav Due and Cociv consortia signed three important agreements for the new Brescia-Verona and Verona-Vicenza HS/HC lines on the horizontal Milan-Venice lines and the third Giovi pass. For the new Brescia-Verona HS/HC, RFI SpA and the Cepav Due consortium (Saipem 52%; Società Italiana Condotte d'Acqua 12%; Impresa Construzioni G. Maltauro 12%; and Impresa Pizzarotti & C. 24%) signed the agreement for the work on the construction lots. The agreement signed with Iricav Due relates to the definitive design of the new Verona-Vicenza HS/HC along the Verona-Padua subsection. The definitive project must be delivered by 15 May 2015. For the third Giovi pass, RFI SpA and the Cociv consortium (Salini Impregilo 64%, Società Italiana Condotte d'Acqua 31% and CIV 5%) signed an agreement for work on the third construction lot, with an expenditure limit of €607 million, with work slated to begin by June 2015.

Other information

Other information

Litigation and disputes

There is no reason to believe that the companies or Group are exposed to significant liabilities or losses of any kind in relation to the most important investigations and litigation pursued for some time by certain public prosecutor's offices against former Group company representatives, and no information is currently known that could appreciably affect their financial position, cash flows or results of operations. Accordingly, no provisions have been recognised. Furthermore, where the circumstances require, the companies have appeared as plaintiffs.

No members of the Group's senior management (corporate bodies, general managers) were definitively found guilty of:

- particularly serious negligent criminal acts entailing significant damage for Group companies or that gave rise to the application of restrictive measures;
- negligent criminal acts covered by Legislative decree no. 231/2001;
- additional negligent criminal acts covered by Law no. 190/2012.

Significant litigation and judicial investigations pending, considering developments in 2014.

Litigation pursuant to Legislative Decree no. 231/01

- The first level of criminal proceedings no. 1525/08 in the general register of crimes Mod. 21, pending before the Bari Court of Appeal, for negligent manslaughter of more than one person ("Truck Center") was concluded with the defendants and the subsidiary FS Logistica SpA found guilty, for both third-party liability and pursuant to Legislative decree no. 231/2001. An appeal has been lodged against the first-level ruling by both the lawyer for the defendants and the company's lawyer and the hearing before the Bari Court of Appeal has yet to be scheduled.
- Arguments are still being heard in criminal proceedings no. 6305/09 in the general register of crimes pending before the Public Prosecutor's Office with the Lucca Court, following the railway accident in Viareggio on 29 June 2009 – in relation to which 33 natural persons faced charges, including 18 within the FS Italiane Group and eight companies were charged for liability pursuant to Legislative decree no. 231/2001, including Ferrovie dello Stato Italiane SpA, RFI SpA, Trenitalia SpA and FS Logistica SpA. At present, there are no contingent liabilities for the Group companies, which are covered by adequate insurance policies.
- With respect to criminal proceedings no. 9592/2008 in the general register of crimes pending before the Milan Court in which RFI SpA faces charges, pursuant to Legislative decree no. 231/01 in relation to the ATI CLF employee hit at the Milano Rho-Certosa site on 6 March 2008, the preliminary arguments were heard. The Public Prosecutor concluded asking that both natural persons and legal entities be found guilty. On 26 June 2014, the Judge acquitted all defendants: «because the circumstances do not exist" for natural persons» and «because the administrative violation does not exist» for RFI SpA and the other legal entities involved. The Public Prosecutor appealed against the measure for all defendants except one manager, whose acquittal became definitive on 15 November 2014. The hearing for the appeal has not yet been scheduled.
- Criminal proceedings no. 18772/2008 in the general register of crimes pending before the Florence Court following a workplace accident on 2 October 2008 at the Firenze Castello site were suspended when their constitutional legitimacy was questioned, a claim later found inadmissible with decision no. 218 of 9 July 2014. The case will resume with the preliminary hearing in 2015.
- Criminal proceedings no. 10095/2010 in the general register of crimes pending before the Catania Public Prosecutor's office for RFI SpA's alleged administrative liability in relation to the workplace accident that occurred on 1 September 2008 in Motta Sant'Anastasia, in which two RFI SpA employees lost their lives. Arguments are being heard. The Court of Cassation's decision in criminal proceedings no. 10659/2008 in the general register of crimes, relating to the same circumstances, against four RFI SpA employees who were members of the maintenance team involved in the accident – which ended with an appeal in which the defendants were acquitted of the slander, another employee was acquitted of aiding and abetting and the guilty ruling for negligent manslaughter was confirmed – denied the appeals and the decision became definitive.
- The preliminary hearing for criminal proceedings no. 25816/10 in the general register of crimes has been set for 13 May 2015.
  The case was first registered with the Public Prosecutor's Office at the Florence Court against 32 natural persons (including the Chairman, pro tempore CEO and certain employees of Italferr SpA, a Rete Ferroviaria Italiana SpA employee and personnel from other organisations and companies performing the works) and seven legal entities – including Italferr SpA – pursuant to Legislative decree no. 231/2001, for a series of crimes allegedly within the scope of the contract assigned to a general contractor for the design and execution of the Florence hub station and HS line.
  The various charges against the current defendants relate to the following macro areas which the Public Prosecutor's office has identified: 1) fraud; 2) organised activities for illegal waste trafficking; 3) works with expired landscape authorisation and crimes to the detriment of the public administration; 4) criminal association for corruption and abuse of functions for any type of illicit conduct in the performance of contracts; 5) unauthorised disposal of waste water; 6) the entities' criminal liability.
- With respect to the criminal proceedings no. 2554/13 in the general register of crimes with the Foggia Public Prosecutor's office relating to RFI SpA's administrative liability for the fatal workplace accident on 5 March 2010 at Agro di Cerignola, in which an employee of Fersalento Srl died, the Public Prosecutor has requested an indictment and the preliminary hearing is underway. In addition, arguments are being heard in the criminal proceedings no. 3253/2010 in the general register of crimes for manslaughter against an RFI SpA employee and two Fersalento Srl employees in relation to the same events, in which RFI SpA received summons for liability for damages.

- The preliminary hearing is being held in criminal proceedings no. 1933/2011 in the general register of crimes pending before the Latina Public Prosecutor's office in connection with the fatal accident on 25 February 2011 involving an employee of an outside company who was cutting down trees at 47km+100 on the Campoleone-Cisterna di Latina section.
- Notices were served to Trenitalia SpA and RFI SpA that the investigations for criminal proceedings no. 8374/2014 in the general register of crimes with the Ancona Public Prosecutor's office had been concluded. The investigation related to the alleged administrative liability pursuant to Legislative decree no. 231/01 for the fatal workplace accident on 19 October 2013 in which a worker of the external firm ICFP Srl died. Following this accident, the details of the crime were reported and an RFI SpA manager, a Trenitalia SpA manager and the ICFP victim's employer were charged with negligent manslaughter for violation of work safety regulations, while RFI SpA, Trenitalia SpA and ICFP Srl were charged with administrative liability pursuant to Legislative decree no. 231/01.

There were no developments in the following criminal court proceedings in 2014 with respect to those described in the 2013 financial statements:

- criminal proceedings no. 5643/10 in the general register of crimes pending before the Sassari Court, which commenced in 2012 following a fatal accident involving the driver of train 8921 when it hit an obstacle on the tracks following an exceptional, unexpectedly large mudslide;
- criminal proceedings no. 4656/2009 in the general register of crimes pending before the Messina Court concerning injuries due to negligence for alleged violations of anti-accident legislation in connection with an accident involving an employee on 21 February 2008 at the former national procurement warehouse in Messina;
- criminal proceedings no. 7906/2009 in the general register of crimes Public Prosecutor's Office at the Latina Court concerning alleged injuries due to negligence in connection with alleged violations of anti-accident legislation (accident on 10 August 2009) during maintenance near Fondi, for which the details of the crime were reported. RFI SpA and three of its managers are being investigated.

Other significant criminal court proceedings

- With respect to criminal proceedings no. 6679/2009 in the general register of crimes, in which FS Logistica SpA appeared, charged with third party liability, the Judge issued decision no. 1404/14 of 14 July 2014, declaring that the case against a former manager and a former contractor of the company could not be pursued with respect to the alleged crimes, as the statute of limitation had been reached. Accordingly, FS Logistica SpA was not ordered to pay any damages.
- Proceedings no. 3034/2012 in the general register of crimes with the Public Prosecutor's Office of the Rossano Court, subsequently transferred to the Castrovillari Public Prosecutor's office relate to the train that hit a car holding six people at the private railroad crossing at 155+849 km on the Rossano C.-Mirto Crosia section. The preliminary investigations are underway, involving employees and former employees of RFI SpA, holders of the agreements regulating the crossing of railway tracks on the private railroad crossing, the personnel on board the train and a Rumanian. The allegations are for manslaughter and negligent railway disaster.
- On 17 July 2014, near 217+728 km, between the Falconara and Butera stations, regional train 12852 arriving from Gela and heading towards Caltanisetta fatally hit three RFI SpA maintenance workers. Following the accident, the Public Prosecutor's Office with the Gela Court initiated criminal proceedings no. 1430/2014 in the general register of crimes against an employee of RFI SpA who was responsible for the Canicattì-Gela section with respect to the alleged crime pursuant to article 589.1/2.u (negligent manslaughter in violation of workplace safety regulations). The preliminary investigations are underway.
- On 12 January 2014, at the Santa Maria Novella station in Florence, a shunting employee of Trenitalia SpA was fatally hit during shunting operations on train 11747. Two RFI SpA managers notified the domicile election report as part of criminal proceedings no. 20765/2014 in the general register of crimes, mod. 21 (initially no. 356/2014 in the general register of crimes against unknown persons) before the Florence Public Prosecutor's office for negligent manslaughter in violation of workplace safety regulations. These criminal proceedings, which are currently in the preliminary investigation stage, also involve Trenitalia SpA's CEO and five Trenitalia SpA managers and employees, charged with the crimes covered by article 589.2 of the Italian Criminal Code.

- Trenitalia SpA's CEO and others have been charged in criminal proceedings no. 646/2014 in the general register of crimes – no. 783/2014 in the general register of preliminary investigations, for the accident in which a regional train hit two women on 10 November 2011 between the Cavallermaggiore and Savigliano stations. On 16 May 2014, an order to dismiss the case was issued since the fatal accident was mainly due to the victims' seriously imprudent conduct.

There were no developments in criminal court proceedings in 2014 with respect to those described in the 2013 financial statements:

- criminal proceedings no. 5718/10 in the general register of crimes before the Rome Court, transferred to the Naples Court (40246/06 in the general register of crimes) for reasons of jurisdiction, relating to events that occurred in 2007 and 2008 in connection with the waste emergency in Campania, for which arguments are pending.

Arbitration proceedings

ARBITRATION PROCEEDINGS WITH GENERAL CONTRACTORS

As noted in the 2013 Directors' report, in 2013, all arbitration proceedings were settled by, in general, paying the general contractors an extremely reduced percentage of the amounts claimed. These payments mostly related to increases in the value of works or interest due on the deferred payment of extra construction costs.
The main updates regarding arbitration proceedings are given below.

Turin-Milan HS/HC section

Novara-Milan subsection:
first arbitration between RFI SpA and FIAT

In this respect, in the first arbitration proceedings that the general contractor FIAT, for the Turin-Milan HS/HC section – Novara-Milan sub-section, commenced in 2008 in connection with its claim for payment of additional charges and a longer term to build the Novara-Milan HS/HC subsection, RFI SpA had already paid the amount claimed in previous years, amounting to €178.5 million, and appealed the award, filing a concurrent petition to suspend the order, subsequently lodging other petitions which were denied in the Rome Court of Appeal order of 4 November 2013.
On 31 December 2013, FIAT lodged an appearance with cross-appeal. The first hearing was held on 24 January 2014 and conclusions were presented on 11 July 2014, after which the Court announced it would reach «a decision on the case within the ordinary term».
The conclusive briefs and related replies have been lodged and the decision of the Rome Court of Appeal is pending.

Third Giovi pass

With respect to the Cociv consortium's claims to the arbitration panel regarding the design activities that it had previously carried out, on 20 and 21 June 2013, the arbitration panel issued its award – which Cociv did not notify to RFI SpA – assessing and declaring that, for the design activities subject to the proceedings, Cociv consortium was due a total of €91.1 million plus the individual cost-of-living components applicable to such amount in accordance with the Istat FOI cost-of-living index calculated as from the dates specified in the reasons for the award and consequently ordered RFI SpA SpA to pay the consortium such amount - net of €80.0 million (which RFI SpA had already paid to Cociv as a contractual advance under the 1991 agreement), plus the adjustment under the Istat FOI cost-of-living index calculated as from 6 December 2000 to the date of the award.
Pursuant to the provisions of the RFI SpA-Cociv addendum of 11 November 2011, in July 2013, RFI SpA acted in accordance with the award and paid the Cociv consortium €4.6 million.
On 17 September 2014, RFI SpA lodged an appeal against the arbitration award. The appeal is pending with the Rome Court of Appeal.

OTHER ARBITRATION PROCEEDINGS

With respect to the appeal against the arbitration award of 20 September 2012 issued within the scope of the arbitration proceedings that Strabag (formerly Adanti SpA, Parent of the joint venture consisting of Consorzio Nazionale Cooperative di Produzione e Lavoro Ciro Menotti and Impresa di Costruzioni Ing. R. Pellegrini Srl) initiated, the hearing scheduled for 8 October 2013 to hear conclusions, which was postponed to 27 May 2014, was again postponed to 20 January 2015 due to the excessive number of cases in the general register. During the hearing, the panel announced it would examine the case and reach a decision, setting the deadline for the lodging of conclusions (21 March 2015) and counter-arguments (10 April 2015). Despite this favourable outcome, RFI SpA decided to file a complaint pursuant to article 825 of the Civil Procedural Code against the Rome Court's measure enforcing the award. The hearing for the appeal was held in Civil Section I of the Count of Appeals on 24 October 2013, but the Court did not issue any measures and postponed arguments to the 26 June 2014 hearing, which was again postponed to 28 May 2015 pending the decision on the appeal against the award.

Other litigation

Anti-Trust proceedings: A443 – *NTV/*
Access obstacles to the high-speed passenger railway transport market

On 28 May 2013, the Anti-Trust Authority notified FS SpA, RFI SpA, Trenitalia SpA, Grandi Stazioni SpA, Centostazioni SpA and FS Sistemi Urbani Srl that it would begin a preliminary investigation pursuant to article 14 of Law no. 287/90 to ascertain whether there was an abuse of their dominant position in violation of article 102 of the Treaty on the Functioning of the European Union.
Once the initial preliminary activities were completed, the Anti-Trust Authority issued the measure of 19 February 2014, accepting the commitments that FS SpA, RFI SpA, Grandi Stazioni SpA and Centostazioni SpA proposed, making them mandatory and thereby concluding the preliminary proceedings without assessing any infractions by any of the Group companies involved.
Pursuant to this decision, and also on behalf of the other Group companies involved, by 31 August 2014, FS SpA provided the Anti-Trust Authority with the first report on the steps taken to implement the commitments made. The second report on the status of implementation of these commitments was submitted by 31 January 2015.

Anti-Trust Authority proceedings: A436 – *Arenaways/*
Access obstacles to the passenger railway transport market

Since that indicated in the 2013 Directors' report, to which reference should be made for additional details, on 25 July 2012, the Anti-Trust Authority issued measure no. 23770, contesting FS SpA's adoption of a strategy, which it allegedly pursued through its subsidiaries RFI SpA and Trenitalia SpA, to hinder and, de facto, prevent, a competitor, Arenaways, from accessing railway infrastructure. In its final decision, the Anti-Trust Authority fined FS SpA, jointly with Trenitalia SpA, €200,000.00, and, jointly with RFI SpA, €100,000.00.
All Group companies concerned appealed against the order before the Lazio regional administrative court. On 27 March 2014, the same court published decision no. 3398/2014, fully admitting the appeals and nullifying the decision against which they had appealed.
On 24 June 2014, FS SpA, RFI SpA and Trenitalia SpA were notified of the appeal by the Anti-Trust Authority before the Council of State to reform/nullify the aforementioned decision. On 24 July 2014, FS SpA, Trenitalia SpA and RFI SpA lodged their brief in the appeal with the Council of State. The date of the hearing for the arguments of the appeal has not yet been set.

Discount pursuant to Ministerial decree no. 44T/2000 ("K2 discount") – Appeal to the Council of State

With respect to that indicated in the 2013 Directors' report, to which reference should be made for additional details, two cases are still pending before the Lazio regional administrative court against URSF's decisions. In February 2015, RFI SpA lodged a petition to schedule the hearing. In reference to the appeal requesting enforcement of compliance that the railway companies presented to the Council of State, with its decision no. 1345/2014 lodged on 19 March, the latter ordered RFI SpA, the Ministry of Infrastructure and Transport and URSF to fully implement the order of the Council of State's previous decision no. 1110/2013, taking all the necessary steps with in the 60-day term of notification of the decision enforcing compliance. The Council of State also ordered that, should such non-compliance continue, once the 60-day term has lapsed, and upon the request of the applicants, the *ad Acta* Commissioner (the General Secretary of the Transport Regulator was already appointed to this office) would proceed as necessary. The railway companies notified the decision on 10 and 11 April 2014.
On 12 June 2014, the Ministry of Infrastructure and Transport appealed requesting clarifications pursuant to article 112 of the administrative procedural code with respect to the ways in which the Council of State decision no. 1110/2013 should be implemented in the light of the interpretation issued by the Judge ordering compliance. Following the aspects that arose during discussion with the Ministry of Infrastructure and Transport, complicating matters, RFI SpA also filed an appeal requesting clarification, notified on 13 June 2014.
Pending the Council of State's examination of the two appeals, on 16 June 2014, the *ad Acta* Commissioner appointed in the decision enforcing compliance received the railway companies' request to comply with the order in the Council of State decision no. 1110/2013 and called an initial meeting of the concerned parties on 4 July 2014.

Following this meeting, having acknowledged the parties' arguments, the *ad Acta* Commissioner proposed updating the appeals to consider the considerations that the Ministry of Infrastructure and Transport and RFI SpA had presented. With the integration to its deed of 16 October 2014, the same *ad Acta* Commissioner informed the Council of State that it was resigning (with effect from 1 October 2014) as General Secretary of the Transport Regulator, petitioning the Council of State for clarifications on whether he could continue to serve as *ad Acta* Commissioner. The Council of State scheduled the hearing for 18 November 2014 to resolve the matter of which party must act as *ad Acta* Commissioner following the current Commissioner's resignation. At the same time, it cancelled the hearing scheduled for 11 December 2014 to discuss the appeals requesting clarification. The outcome of the 18 November 2014 hearing was that the Council of State issued order no. 668, lodged on 9 February 2015. In this order, the Council of State specified that the *ad Acta* Commissioner's position is connected to his duties and not to the person filling the position (who, accordingly, this person is the current General Secretary of the Transport Regulator), deferring any matters relating to compliance to such Commissioner. During the meeting held on 24 March 2015, which saw the participation of the applicant and non-applicant railway companies and the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport, the Commissioner confirmed the public nature of the charge that it had yet to calculate according to as yet undefined criteria considering many subjective and objective variables.
Pending the definition of such criteria, no costs or charges to the railway companies, nor any corresponding revenue to be received from the Government have been recognised in the separate or consolidated financial statements, in accordance with IFRS, in 2014 or 2013, as any estimate would be arbitrary and therefore generate the risk of indicating unreliable amounts subject to significant change.

Anti-Trust Authority proceedings no. A389 (leased locomotives) – Appeal to the Council of State
There have been no developments in the court proceedings with respect to that reported in the 2013 Directors' report to which reference should be made.

Roma Tiburtina – Resolution no. 7/2013 of the Supervisory Authority over Public Works, Services and Supply Contracts – Appeal to the regional administrative court
With resolution of 13 February 2012, RFI SpA won the European tender for the assignment of the concession for the «profitable use the Roma Tiburtina real estate complex, with functional management of the complex through the assignment of operating and maintenance services to third parties» to Grandi Stazioni SpA.
With its note of 13 July 2012, the Supervisory Authority over Public Works, Services and Supply Contracts asked RFI SpA, with respect to the assignment of the concession, to provide "an explanatory report along with the necessary documentation, including the resolution to contract, the tender, the tender regulations and specifications, the contract assignment decision and the contract, along with any other useful documentation". On 24 October 2012, the same Authority concluded the preliminary investigation with a series of findings on the ways in which the tender was carried out and setting a deadline for RFI SpA to submit its counter-arguments, which RFI SpA sent the Authority on 7 December 2012.
On 16 April 2013, the Authority approved the final measure, noting, inter alia, the alleged violation of the principles of free competition, equal treatment, transparency, proportionality and fair advertising.
With the note dated 15 May 2013, RFI SpA explained to the Authority that the conditions for the adoption of self-protection measures had not been met, appealing the measures of the Supervisory Authority over Public Works, Services and Supply Contracts before the Lazio Regional Administrative Court with the appeal notified on 16 May 2013.
With the note dated 7 March 2014, the Authority asked RFI SpA to provide information on the progress of the activities relating to the full use of the Roma Tiburtina infrastructure, and the company replied in a note dated 27 March 2014.

Anti-Trust Authority proceedings: I763 - *Sea transport services in the Messina Strait*
Following the favourable outcome of the preliminary findings that the Anti-Trust Authority forwarded on 7 October 2014, with resolution no. 59673 of 23 December 2014, the Authority ended the proceedings confirming that RFI SpA and Bluferries Srl had not violated competition legislation. The Anti-Trust Authority had initiated the preliminary investigation on 2 July 2013 in order to ascertain whether RFI SpA and Bluferries Srl (along with Caronte&Tourist, Meridiano Lines, Ustica Lines, Terminal Tremestieri and Consorzio

Metromare) *sub specie* had limited competition, allegedly in violation of article 2 of Law no. 287/90 or article 101 of the Treaty on the Functioning of the European Union.
In particular, in the measure commencing the investigation, the Authority alleged that there could have been one, complex understanding between the operators on the Messina Strait sea transport market (for cargo, cars and passengers), to *i)* fix prices and *ii)* share the market with the aim of preventing/hindering market access to new entries.
With the panel's definitive measure, the Authority concluded the proceedings, affirming that neither of the originally alleged competition violations had occurred.

Preliminary proceedings of URSF (the office that regulates railway service) ("URSF") following NTV's appeals pursuant to article 37 of Legislative decree no. 188/03
With respect to these proceedings, on 6 and 9 May 2014, NTV notified RFI SpA at its domicile of seven waivers of appeals pending before the regional administrative court.

Anti-Trust Authority proceedings PS/4848 –
Trenitalia SpA – Compensation and refunds for delays and other difficulties
On 12 March 2014, the Anti-Trust Authority initiated proceedings PS/4848 - *Compensation and refunds for delays and other difficulties* in connection with Trenitalia SpA's alleged unfair commercial practices to the detriment of consumers. The proceedings were also initiated against RFI SpA.
The preliminary investigation by the Anti-Trust Authority essentially related to two aspects: *i)* the procedures for the payment of compensation for delays by Trenitalia SpA; *ii)* failure to consider passengers who buy one journey consisting of several different trains (both the long haul service and regional transport service) as part of the "global ticket".
In its arguments against the allegations of unfair business practices, during the proceedings, Trenitalia SpA proposed certain commitments that it would take to further improve the quality of services to consumers.
During the hearing on 12 November 2014, with measure no. 25176, the Anti-Trust Authority resolved to accept the remedies proposed by Trenitalia SpA and make them mandatory, concluding the proceedings, including those against RFI SpA, without assessing any violation or imposing any administrative fine.

Anti-Trust Authority proceedings PS/4656 – Trenitalia SpA-Fines for travel with irregular tickets
On 12 March 2014, the Anti-Trust Authority notified Trenitalia SpA of these proceedings to assess whether its conduct was improper in the fine system applied to passengers travelling with irregular tickets.
In the course of the proceedings, Trenitalia SpA lodged an extensive series of commitments taken to resolve the critical points raised. However, on 17 September 2014, the Anti-Trust Authority denied its proposed commitments given the new precedent and materiality of the case.
After the preliminary process, with its decision of 12 November 2014, the Anti-Trust Authority found that the fine system applied to passengers travelling with irregular tickets constituted an integration of a business practice, and prohibited Trenitalia SpA from continuing the contested practice, imposing an administrative fine of €1 million.
On 16 January 2014, Trenitalia SpA lodged an appeal with the Lazio regional administrative court against the ruling in which it was found guilty. In the appeal, it argued that the Anti-Trust Authority's actions were illegitimate in many ways, including in relation to the preliminary examination of commitments.

EU infractions notified to the Italian Government in connection with the FS Italiane Group

On 28 March 2014, the European Commission's General Anti-Trust Department notified Italy of a decision to begin a formal investigation in connection with two potential Government assistance programmes relating to:

- certain infragroup asset allocation operations (case SA 32179) and
- the required offsetting of cargo services (SA 32953).

The first measure being investigated relates to four asset allocation operations within the FS Italiane Group, in which assets were allocated to Trenitalia SpA and FS Logistica SpA, respectively. In particular, these transfers include assets that do not constitute railway infrastructure (they are mainly workshops) and are, in any case, no longer functional for the infrastructure operator.

The second measure being investigated relates to the offsetting that Italy allowed Trenitalia SpA to perform for the public transport of cargo from 2000 to 2014 under three consecutive public service contracts. The Italian authorities sent their remarks to the Commission on 20 June 2014 and argued that the operations and offsetting under the public service contracts are compatible with EU legislation, while the FS Italiane Group, in line with the Italian authorities' stance, responded on 23 July 2014 as a third party involved in the investigation. The Commission is currently considering the Italian authorities' remarks.

On 9 July 2014, the European Commission's General Anti-Trust Department sent the Italian authorities a request for information on an alleged discrimination in the calculation of HS charges between Trenitalia SpA and NTV and a subsidy that RFI SpA allegedly gave Trenitalia SpA through dividends on profits from the management of the HS network or other infragroup agreements. The Italian authorities responded on 28 October 2014. The Commission is currently examining the Italian authorities' comments.

As the formal investigations described above are still at a preliminary stage and the FS Italiane Group does not currently have any obligations in relation to them, but is only indirectly involved as a concerned third party, the requirements of IAS 37 for the recognition of provisions do not apply.

Law no. 262/05

In 2007, following the specific instructions of the Ministry of the Economy and Finance, FS SpA created the position of “Manager in charge of the company’s accounting documents preparation” pursuant to Law no. 262/05.
Subsequently, with the issue of the bond listed on the Irish stock market (in July 2013), the Manager in charge of the company’s accounting documents preparation is now legally required as the Parent completely falls within the scope of application of article 154-bis of the Consolidated finance act.
In this respect, for a more thorough presentation of the corporate governance rules to which FS SpA’s Manager in charge of the company’s accounting documents preparation refers, reference should be made to the paragraph on corporate governance in this report and, in particular, to the section titled *Manager in charge of the company’s accounting documents preparation of FS SpA* where the characteristics, responsibilities, duties, powers and means of this position are clearly indicated, and to the section titled *Main characteristics of the risk management and internal control systems in relation to the financial reporting process* for a description of the FS Italiane Group’s control model pursuant to Law no. 262/2005.
With respect to the attestation of the 2014 financial statements, activities continued, in particular, to issue administrative/accounting procedures for processes that have not yet been formalised in procedures and to revise procedures in order to implement organisational changes or the results of tests performed in the scope of previous certification processes. Tests were also performed on operations with respect to corporate procedures, focusing on key controls, which show they are functioning well.
Furthermore, the main Group companies implemented the following: the Segregation of Duties (SoD) model to ensure that system and/or process responsibilities are defined and duly segregated to prevent the overlapping of functions or the concentration of critical activities on one single person in terms of possible errors and/or fraud in the financial statements; and the IT General Computer Controls (ITGC) model defining all internal controls on the basis of international standards (COBIT *for Sox*) for IT processes, in order to ensure the continuous and correct functioning of the application systems that process the data used for financial reporting.
The activities performed to date, beginning with the appointment of FS SpA’s Manager in charge of the company’s accounting documents preparation, have strengthened the Group’s internal control system over financial reporting, creating a mechanism for the routine testing of how controls operate and the continuous updating of rules, and enabling the Group to improve processes by promoting an internal control culture throughout the FS Italiane Group.

The Parent's treasury shares

The Parent's treasury shares

At 31 December 2014, Ferrovie dello Stato Italiane SpA neither owns treasury shares directly or through trustees or nominees nor has it acquired or sold treasury shares directly or through trustees or nominees in 2014.

Related party transactions

Related party transactions

Transactions between FS SpA and the Group companies and their transactions with other related parties are carried out properly in terms of substance and to the parties' mutual financial benefit on an arm's length basis, in accordance with conditions that are – where necessary – determined with the support of independent experts.

The shared objective of infragroup transactions is to promote efficiency and, therefore, create value for the entire Group. To this end, in line with the Ferrovie dello Stato Italiane Group's business plan for 2014-2017, a more rational reallocation of Group assets and resources is underway, to enable each company to focus on its core business, to improve the use of assets not directly related to its core activities, transferring these activities to specialised entities, including through demergers and contributions, and to increase infragroup synergies.

These processes and transactions are carried out in accordance with particular civil code and tax legislation that is specific to the sector, in line with the guidelines issued by the relevant ministries and the Group's administrative/accounting procedures (G 21 "Related party transactions") and considering the specific characteristics of the activities performed by many Group companies.

Receivables and payables, income and expense arising on transactions during the year with parents and other Group companies and information on related party transactions are presented in the Notes to the financial statements, to which reference should be made.

Events after the reporting date

Events after the reporting date

Significant events that occurred after the reporting date and before the approval of this report are indicated in the specific section of the Notes to the financial statements to which reference should be made.

Outlook

Outlook

For the Group

A series of measures characterised 2014, significantly changing the legislative and regulatory framework in which the Group operates. In particular, in a departure from the conditions on which the 2014-2017 business plan and, accordingly, the 2014 budget forecasts were based:

- the Electricity, Gas and Water Regulator's resolution no. 12 of 2013 **increased the cost of "electrical energy for traction"** for the Group (the effects of which were seen in 2014), when it raised its responsibility for general electricity system costs;
- Decree law no. 91/2014 established a **reduction in the discount for electrical energy for traction** (the effects of which will be seen beginning in 2015);
- the Transport Regulator's resolution no. 70 of 31 October 2014 led, as from 6 November 2014, to a reduction in the revenue from **the HS/HC unit toll**;
- the "2015 Stability Act" radically revised the **universal cargo service** system;
- the "2015 Stability Act" introduced the deductibility of personnel expense for **Irap** purposes.

Together, these events, as illustrated earlier in this report, had a significant negative impact on the Group's profit for 2014 - compared to the strong growth trend of previous years – with repercussions that will continue to be felt in years to come.

However, the FS Italiane Group presents a gross operating profit for 2014 up (+3.9%) on 2014, coming to €2,113 million (+€80 million on 2013), in line with the targets of the 2014-2017 business plan and confirming the Group's business model and management's ability to manage operations.

Positive results, including in the performance measured by main indicators, which the Group had progressively earned and consolidated over the past eight years, constitute a sound basis on which to face the considerable challenges of the market. This also applies to any potential privatisation transactions that the Shareholder should decide to carry out. Indeed, the Group now boasts:

- sound economic and financial soundness;
- increase in turnover from transport services, despite the non-renewal of the cargo service contract;
- significant increases, particularly in Trenitalia SpA's long-haul transport services (due to ETR 1000 and Expo 2015) and the cargo transport business and local transport services abroad (the TX Logistik and Netinera Deutschland groups);
- focus on integrating road/rail services in the universal short-haul service;
- continuous flow of public resources under the Government Programme Contract;
- ability to innovate and improve efficiency;
- safety and high technology;
- network development and building capacity.

This is demonstrated by the fact that, despite the aforementioned sharp impact of changes in the regulatory and legislative framework during the year, the FS Italiane Group posted a profit for 2014 of €303 million. Although it shows a 34.15% decrease on 2013, the result is still significant, especially if the outside factors unrelated to operations are not considered.
Consequently, 2015 is poised to be a crucial year for the Group given possible new market scenarios, and could potentially serve as a pillar for repositioning in this context of considerable change, as described above. Accordingly, the Group will need to take some strategic decisions in 2015 to improve business performance in terms of its financial position and results.
The Group's two most important operating companies are discussed below.
Trenitalia SpA (passenger and cargo railway transport sector) is soundly maintaining the business targets outlined in the plan, and will be bolstered by the addition of HS services in late 2015 as the first ETR 1000 trains are rolled out. The aforementioned changes in the legislative and regulatory framework, more than typical competitive market dynamics could, in the short term, generate inconsistencies with an impact that it is currently impossible to reliably calculate, although their extent can be forecast.
In addition, it is uncertain whether the Government will be able to meet the obligations it has assumed in exchange for the provision of services, given its lack of financial coverage. This puts the company at financial and economic risks that could materially impact cash flows and profitability. The severe financial crisis affecting certain Italian Regions, although less dramatic than in the past, negatively affects the company's generation of cash flows and its ability to guarantee planned investments. Although the company has dealt with these risks with the support of its Parent and limited them, maintaining profitability in the main operating segments and funding from the Shareholder are necessary to support the company's significant investment plans. The company has taken all steps to maintain profitability such that it can generate value despite these changes in its operating context.

In 2015, RFI SpA (construction and management of the traditional and HS infrastructure) consolidated its qualitative and quantitative business targets concerning safety, timeliness, customer satisfaction and the availability of infrastructure, in addition to sustainable financial position and results through the development of profit margins and adjusted ratios, also in order to consider external factors that have been extensively described.
With respect to the Recast directive, not only is the company progressively focusing its business models on mandatory services, other services provided to railway companies and services provided to the market, but it has defined the main tools provided for by EU directive 35/2012, which must be implemented by member states by 16 June 2015, such as the strategic plan, commercial plan, the Government Programme Contract and the asset register.
Both the implementation of the directive and the Transport Regulator's activities will create a clear system of rules in 2015 governing the ways in which infrastructures can be accessed, the principles and procedures to be followed in the assignment of capacity, the calculation of the charge to use infrastructure and service fees.
The following aspects were considered when evaluating the public funding necessary for the company to conduct its business activities:
- total availability of the funds necessary to cover 2015 requirements for extraordinary maintenance, totalling €720 million;
- total availability of the funds necessary to cover requirements for ordinary maintenance, amounting to €975 million, pursuant to article 4 of the 2012-2014 Government Programme Contract, which continues to be applied at the same terms and conditions for a maximum of one more year pending its renewal.

Furthermore, following the approval of Law no. 190/2014 (the "2015 Stability Act") and Law no. 191/2014 (the "Budget") on 23 December 2014, a framework of the funds available for the next long-term extraordinary maintenance plan period is known, and they should total €4,250 million.
In terms of public funds for investing activities, the content of the new 2014-2020 European financing programme will be defined in 2015. The programme covers both the European Regional Development Fund for investments in the southern Italian Regions and the Connecting Europe Facility (CEF) for core and comprehensive network projects with time periods ending in 2030 and 2050, respectively. The amount of potential funding granted under these programmes will not be known until after the requests, to be submitted over the course of the years covered, i.e. 2014-2020, have been through the respective procedural and authorisation processes. However, it is reasonable to believe that, as with previous programmes, the usual funding for the development of the national and cross-border railway network will be granted.

The 2014-2017 business plan approved at the start of the year defines the development of the network by business segment, in accordance with the following action lines:

- Long haul: increase network performance to make the national transport and logistics system more competitive, with a mix of light, quick-return investments (ramping up technologies and speed) and heavy investments aimed at upgrading performance and developing the HS/HC network, speeding up the HS antenna sections and implementing new lines, in addition to strengthening railway connections to major airports.
- Local public transport: initiate a dramatic break with innovative proposals to relaunch the sector, focusing on significant improvements in regional service quality, particularly in large metropolitan areas, through specific actions to increase the capacity of major hubs by concurrently focusing on eliminating bottlenecks with the use of innovative technologies; resolving major flow disturbances on critical plants; speeding up the extra-urban sections, developing interchanges in urban areas and defining an action plan to improve accessibility and services in stations with respect to public information and the relaying of walkways and platforms to improve access to trains.
- Cargo: implement targeted actions to strengthen railway corridors with upgrades and improvements to the shape and modules and connections with major ports and cargo terminals, particularly in terms of performance to boost the railway carrier's competitiveness.
- Large works: projects to be carried out, in accordance with the construction lots established by law, include continuing the Brescia-Verona-Padua HS/HC line, developing the Naples-Bari route, strengthening the lines accessing the Brennero and connecting with the Turin-Lyon line and the Milan-Venice-Trieste line.

These projects will entail an increase in production in 2015, covered by funding allocated under the "2015 Stability Act" and Law no. 164/2014 ("Get Italy Moving") which will be implemented in the 2012-2016 Government Programme Contract update.

Ferrovie dello Stato Italiane SpA

The Parent shows a 17.1% improvement in the profit for 2014 of €89 million, compared to the previous year (€76 million).
Without considering the potential effects should the Shareholder decide to begin privatisation processes and assuming that the Parent will achieve its main targets in 2015, and that all the Group companies will achieve theirs as well, we confirm our positive outlook for Ferrovie dello Stato Italiane SpA, albeit to a lesser extent than in 2014, mainly due to the lack of dividends from subsidiaries given their lower profits for the year following the disruptions at the end of 2014, as described earlier.

Proposed allocation of the profit for the year of Ferrovie dello Stato Italiane SpA

Proposed allocation of the profit for the year of Ferrovie dello Stato Italiane SpA

The Parent's financial statements as at and for the year ended 31 December 2014 show a profit of €89,212,009.

In order to align Ferrovie dello Stato Italiane SpA's share capital with the corresponding equity at year end, considering prior year losses totalling €2,846,807,074 – €2,844,937,242 of which are losses carried forward and €1,869,832 of which the negative balance of the actuarial reserve – we propose covering prior year losses by using:

- the profit for the year of €89,212,009;
- reserves (extraordinary reserve, other reserves and the legal reserve) of €307,602,382;
- reducing share capital by the residual amount, €2,449,992,683.

Rome, 24 April 2015

The Board of Directors

The Chairman

The CEO


Carrozza
10
Coach
1-9

Consolidated financial statements of Ferrovie dello Stato Italiane Group

Consolidated financial statements

Consolidated financial statements

Statement of financial position

ASSETS

	Note	31.12.2014	31.12.2013
Property, plant and equipment	9	44,002	43,775
Investment property	10	1,643	1,756
Intangible assets	11	647	507
Deferred tax assets	12	139	287
Equity-accounted investments	13	301	273
Non-current financial assets (including derivatives)	14	3,385	4,107
Non-current trade receivables	17	93	28
Other non-current assets	15	1,127	1,464
Total non-current assets		**51,337**	**52,197**
Construction contracts	16	43	20
Inventories	16	1,940	1,917
Current trade receivables	17	2,396	2,541
Current financial assets (including derivatives)	14	597	343
Cash and cash equivalents	18	1,308	1,622
Tax assets	19	101	91
Other current assets	15	5,809	4,508
Total current assets		**12,194**	**11,043**
Assets held for sale and disposal groups	**8**	**3**	**2**
Total assets		**63,534**	**63,241**

millions of Euros

TOTAL EQUITY AND LIABILITIES

	Note	31.12.2014	31.12.2013
Share capital	20	38,790	38,790
Reserves	20	311	307
Reserves for unrealised gains and losses	20	(686)	(558)
Losses carried forward	20	(1,661)	(2,106)
Profit for the year	20	292	459
Equity attributable to the owners of the Parent	**20**	**37,046**	**36,892**
Profit for the year attributable to non-controlling interests	21	11	1
Share capital and reserves attributable to non-controlling interests	21	261	261
Total equity attributable to non-controlling interests	**21**	**272**	**262**
Equity		**37,318**	**37,154**
Liabilities			
Non-current loans and borrowings	22	9,591	10,336
Post-employment benefits and other employee benefits	23	1,964	1,880
Provisions for risks and charges	24	822	1,114
Deferred tax liabilities	12	199	211
Non-current financial liabilities (including derivatives)	25	155	191
Non-current trade payables	27	20	25
Other non-current liabilities	26	553	559
Total non-current liabilities		**13,304**	**14,316**
Current loans and borrowings and current portion of non-current loans and borrowings	22	1,498	1,104
Current portion of provisions for risks and charges	24	22	28
Current trade payables	27	3,628	3,490
Tax liabilities	28	5	7
Current financial liabilities (including derivatives)	25	272	194
Other current liabilities	26	7,487	6,948
Total current liabilities		**12,912**	**11,771**
Assets held for sale and disposal groups	**8**		
Liabilities		**26,216**	**26,087**
Total equity and Liabilities		**63,534**	**63,241**

millions of Euros

Income statement

	Note	2014	2013
Revenue			
Revenue from sales and services	29	7,734	7,597
Other income	30	656	732
Total revenue		**8,390**	**8,329**
Operating costs			
Personnel expense	31	(3,918)	(3,910)
Raw materials, consumables, supplies and goods	32	(898)	(936)
Services	33	(2,185)	(2,178)
Use of third-party assets	34	(172)	(159)
Other operating costs	35	(161)	(156)
Internal work capitalised	36	1,058	1,043
Amortisation and depreciation	**37**	**(1,153)**	**(1,123)**
Reversals of impairment losses	**38**	**(296)**	**(68)**
Provisions	**39**	**(6)**	**(21)**
Operating profit		**659**	**822**
Financial income and expense			
Financial income	40	107	87
Financial expense	41	(245)	(329)
Share of profits of equity-accounted investees	42	27	8
Pre-tax profit		**548**	**587**
Income taxes	43	(245)	(127)
Profit from continuing operations			
Profit for the year (attributable to the owners of the Parent and non-controlling interests)		**303**	**460**
Profit for the year attributable to the owners of the Parent		**292**	**459**
Profit for the year attributable to non-controlling interests		**11**	**1**

millions of Euros

Statement of comprehensive income

	Note	31.12.2014	31.12.2013
Profit for the year (attributable to the owners of the Parent and non-controlling interests)		**303**	**460**
Other comprehensive income			
Items that will not be reclassified to profit or loss, net of the tax effect:			
Actuarial gains (losses)	20	(164)	84
attributable to the owners of the Parent		(163)	84
attributable to non-controlling interests		(1)	
Items reclassified to profit or loss	20	27	29
Items that will or may be reclassified to profit or loss, net of the tax effect:			
Effective portion of net fair value gains on cash flow hedges	20	8	143
attributable to the owners of the Parent		8	143
attributable to non-controlling interests			
Net exchange rate losses	20		(17)
Net fair value gains (losses) on available-for-sale financial assets	20		
Total other comprehensive income (expense), net of the tax effect		**(129)**	**239**
Comprehensive income (attributable to the owners of the Parent and non-controlling interests)		**174**	**698**
Comprehensive income attributable to:		**174**	**698**
Owners of the Parent		165	697
Non-controlling interests		9	1

millions of Euros

Statement
of changes in equity

		Reserves												
		Reserves				Reserves for unrealised gains and losses								
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Fair value reserve	Total reserves	Losses carried forward	Profit for the year	Equity attributable to the owners of the Parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2013	**38,790**	**17**	**28**	**255**	**20**	**(498)**	**(316)**		**(493)**	**(2,485)**	**379**	**36,191**	**210**	**36,401**
Capital increase					(15)				(15)			(15)	64	49
Dividend distribution													(9)	(9)
Allocation of profit for the previous year		4							4	375	(379)			
Change in consolidation scope										4		4	(3)	1
Other changes						29			29			29	(1)	28
Recognised profits/(losses) of which:														
Profit for the year											459	459	1	460
Gains/(Losses) recognised directly in equity					(2)	143	84		225			225		225
Balance at 31 December 2013	**38,790**	**21**	**28**	**255**	**3**	**(326)**	**(232)**		**(251)**	**(2,106)**	**459**	**36,892**	**262**	**37,154**
Capital increase													7	7
Dividend distribution													(6)	(6)
Allocation of profit for the previous year		4							4	455	(459)			
Change in consolidation scope										(12)		(12)		(12)
Other changes										2		2	(2)	
Recognised profits/(losses) of which:														
Profit for the year											292	292	11	303
Gains/(Losses) recognised directly in equity						35	(163)		(128)			(128)		(128)
Balance at 31 December 2014	**38,790**	**25**	**28**	**255**	**3**	**(291)**	**(395)**		**(375)**	**(1,661)**	**292**	**37,046**	**272**	**37,318**

millions of Euros

Statement of cash flows

	2014	2013
Profit for the year	**303**	**460**
Amortisation and depreciation	1,153	1,123
Share of profits of equity-accounted investees	(27)	(8)
Accruals to provisions and impairment losses	413	234
Profits on sales	(60)	(106)
Change in inventories	(36)	(45)
Change in trade receivables	79	264
Change in trade payables	133	(578)
Change in current and deferred taxes	124	(15)
Change in other liabilities	391	(311)
Change in other assets	(968)	(537)
Utilisation of the provisions for risks and charges	(271)	(195)
Payment of employee benefits	(133)	(215)
Net cash flows generated by operating activities	**1,102**	**71**
Increases in property, plant and equipment	(3,953)	(3,942)
Increases in investment property	(5)	(2)
Increases in intangible assets	(205)	(107)
Increases in equity investments	(54)	(54)
Investments, before grants	**(4,217)**	**(4,105)**
Grants for property, plant and equipment	2,481	3,879
Grants for investment property	2	9
Grants for intangible assets	1	4
Grants for equity investments	46	50
Grants	**2,530**	**3,942**
Divestments of property, plant and equipment	108	244
Divestments of investment property		
Divestments of intangible assets		4
Divestments of equity investments		66
Divestments	**108**	**314**
Net cash flows generated by/(used in) investing activities	**(1,579)**	**151**
Disbursement and repayment of non-current loans	(409)	(514)
Disbursement and repayment of current loans	55	200
Change in financial assets	469	356
Change in financial liabilities	48	37
Changes in equity	(1)	51
Net cash flows generated by financing activities	**163**	**131**
Total cash flows	**(315)**	**353**
Opening cash and cash equivalents	**1,622**	**1,270**
Closing cash and cash equivalents	**1,308**	**1,622**

millions of Euros

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. The business of FS Italiane Group and structure of the consolidated financial statements

Ferrovie dello Stato Italiane SpA was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.
The Parent and its subsidiaries ("Ferrovie dello Stato Italiane Group", "FS Italiane Group" or the "Group") provide passenger transport, cargo transport and logistics services, both in Italy and abroad (mainly in Germany), and manage an extensive railway network. The FS Italiane Group's structure is shown in Annex 5.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS (which include International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and in effect at the reporting date ("EU-IFRS"). Specifically, the Group consistently applies the IFRS to all periods presented in these financial statements.
The consolidated financial statements have been prepared and presented in Euro, which is FS Group's functional currency, i.e. the currency of the primary economic environment in which FS Italiane Group operates. All amounts included in the financial statements and the tables and comments of the following notes are expressed in millions of Euros.
The financial statements format applied and the related classification criteria adopted by FS Italiane Group in accordance with the options provided for in IAS 1 - Presentation of Financial Statements are set out below:

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- the income statement has been prepared by classifying operating costs by nature;
- the statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions, specifically actuarial reserves, unrealised gain loss and exchange rate gains and losses from the translation of the financial statements of foreign operations;
- the statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These consolidated financial statements have been prepared on a going-concern basis, as the Directors established that there are no financial, operational or any other indications of critical issues about FS Italiane Group's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to the note to *Financial and operational risk management* for a description of the Group's financial risk management procedures, including those applicable to the liquidity risk.
The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities, including financial instruments, which are measured at fair value.
The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.
Finally, for the purposes of a better presentation of Group balances, with respect to 2013 corresponding figures, presented for comparative purposes, the receivable from the Ministry of the Economy and Finance of €2,758 million was reclassified from Other current and non-current assets to Current and non-current financial assets. This reclassification better reflects the nature of the item.
On 24 April 2015, the Directors approved the draft separate financial statements at 31 December 2014 which were submitted to the Shareholder within the term set out in article 2429 of the Italian Civil Code. These consolidated financial statements will be subsequently presented for the Shareholder's approval within the term set by law and will be filed within the term established by article 2435 of the Italian Civil Code. The Shareholders are entitled to amend these consolidated financial statements. For the purposes of IAS 10.17, the Directors authorised these consolidated financial statements for issue on 24 April 2015, which is the date when the Board of Directors approved these financial statements.
KPMG SpA was assigned the engagement to carry out the legally-required audit pursuant to Legislative decree no. 39/2010.

3. Consolidation scope

The consolidation policies applied by FS Italiane Group to define the consolidation scope and, specifically, subsidiaries, jointly controlled entities and associates, and the related consolidation criteria, are described below.

Subsidiaries

The consolidated financial statements comprise the financial statements of the Parent and those of the companies directly and indirectly controlled by the Parent, from the date it gains control until the date when control ceases. Control can be exercised through direct or indirect holding of the majority of voting rights or through the right to variable returns from its involvement with the investees and the ability to affect those returns through its power over the investee, including regardless of shareholding relationships. The existence of potential voting rights exercisable at the reporting date is considering when determining control.
When non-controlling interests are acquired, goodwill is recognised only to the extent attributable to the Parent. Non-controlling interests are calculated based on the percentage of investment held by third parties in the identifiable net assets of the acquiree.
With respect to business combinations achieved in stages, when control is acquired, the previously held equity interest in the acquiree are remeasured at fair value, recognising the resulting gain or loss, if any, in profit or loss.
When non-controlling interests are acquired, once control is obtained, the positive difference between the acquisition cost and the carrying amount of the non-controlling interests acquired is recognised as a decrease in the Parent’s equity. Conversely, when control over an entity is retained despite the sale of a portion of equity interests, the difference between the consideration received and the carrying amount of the portions transferred is recognised directly as an increase in equity.
The reporting date of the financial statements of subsidiaries, jointly controlled entities and associates included in the consolidation scope is 31 December, which is the reporting date of the consolidated financial statements. These financial statements have been specifically prepared and approved by the Boards of Directors of each company and duly adjusted, where necessary, to comply with the accounting policies of FS Italiane Group.
Subsidiaries have been consolidated as follows:

- the assets and liabilities, income and expense of these companies are consolidated on a line-by-line basis, allocating, where necessary, the relevant portion of equity and profit or loss for the year to non-controlling interests. Equity and profit or loss for the year attributable to non-controlling interests are presented separately in consolidated equity and the consolidated income statement;
- business combinations of entities not under common control, whereby control of an entity is acquired, are recognised using the purchase method. The acquisition cost is the acquisition-date fair value of transferred assets, liabilities assumed and equity instruments issued. Identifiable acquired assets and identifiable assumed liabilities are recognised at their acquisition-date fair value. If positive, the differ-

ence between the acquisition cost and the fair value of identifiable acquired assets and identifiable assumed liabilities is recognised under intangible assets as goodwill; if negative, after having remeasured the fair values of the above assets and liabilities and the acquisition cost, said difference is recognised directly in profit or loss, as income. When the fair value of the identifiable acquired assets and identifiable assumed liabilities assets can only be determined provisionally, the business combination is recognised using such provisional amounts. Any adjustments related to the completion of the measurement process are recognised within twelve months of the acquisition date, recalculating comparative figures;

- profits and losses, including the related tax effects, from transactions among consolidated companies and not yet realised vis-à-vis third parties, are eliminated, except for unrealised losses when the transaction reflects an impairment loss on the transferred asset. Receivables and payables and costs and revenue are also eliminated, as well as financial income and expense;
- with respect to the acquisition of non-controlling interests in companies already controlled, any difference between the acquisition cost and the related portion of the acquiree's equity is recognised in equity.

Joint arrangements and associates

Joint arrangements can be classified as joint operations or joint ventures based on the underlying rights and contractual obligations. Specifically: *(i)* a joint operation is joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. In this case, individual assets and liabilities and the related costs and revenue are recognised in the financial statements of the parties based on their individual rights and obligations, regardless of the interest held; *(ii)* a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.
The Group's joint arrangements are all classified as joint ventures.
Associates are those companies over which FS Italiane Group exercises significant influence, being the power to govern the financial and operating policies of the investee, without having control or joint control thereof. When assessing the existence of significant influence, potential substantive voting rights are considered.
Interests in joint ventures and associates are initially recognised at cost and subsequently measured using the equity method, whereby:

- the carrying amount of interests in joint ventures and associates is aligned to their equity, adjusted, where necessary, to comply with the accounting policies of FS Italiane Group; it includes the greater amounts allocated to assets and liabilities and goodwill, if any, identified upon acquisition;
- the associates' profits or losses attributable to FS Italiane Group are recognised from the date significant influence begins to the moment it ceases, while those of joint ventures from the date the rights to the net assets of the arrangement begin to the moment they cease. If, because of the losses incurred, the companies have a net deficit, the carrying amount of the investment is eliminated and any excess amount pertaining to FS Italiane Group, where the latter is committed to fulfil the investee's legal or constructive obligations, or to cover their losses, is recognised in a specific provision. Equity changes in equity-accounted investees which are not reflected in profit or loss are recognised directly as an adjustment to equity reserves;
- unrealised profits and losses on transactions between the Parent/subsidiaries and the equity-accounted investee are eliminated based on the amount of the interest held by FS Italiane Group in the investee. Unrealised losses are eliminated, except for impairment losses.

Interests in joint operations are accounted for by recognising the assets/liabilities and the costs/revenue related to the arrangement based on the relevant rights/obligations, regardless of the interest held.

4. Change in consolidation scope

Busitalia Rail Service Srl was set up on 25 February 2014. Its sole quotaholder is Busitalia - Sita Nord Srl. It was registered with the Rome company registrar on 13 March 2014. On 14 April 2014, the company's quotaholders approved the quota capital increase to be carried out through the contribution of Busitalia - Sita Nord's business unit called *Servizi Sostitutivi* (replacement services). The company's business object is the provision of railway replacement bus services for companies controlled directly or indirectly by Ferrovie dello Stato Italiane SpA.

On 28 February 2014 – upon conclusion of a specific tender procedure – Busitalia - Sita Nord Srl acquired a controlling investment (70%) in Umbria Mobilità Esercizio Srl from Umbria TPL e Mobilità. The latter had previously contributed its business unit in the former company. The transaction became effective on 1 March 2014. This equity investment was acquired through a contract – as required by the tender documentation – which specifically gave the transferor the possibility (within one year) of exercising a put option for the residual 30% at a fixed price (set in the tender documentation), with the obligation for the successful tenderer to complete the acquisition. On 10 July 2014, Umbria TPL e Mobilità communicated the exercise of the put option for the residual 30%, as required by the contract. Consequently, on 7 August 2014, Busitalia - Sita Nord Srl completed the acquisition of the non-controlling interest and became Umbria Mobilità Esercizio's majority quotaholder.

On 1 March 2014, Umbria Mobilità Esercizio acquired 72.25% of Savit Srl.

FS Jit Italia Srl was set up on 10 April 2014. Its sole quotaholder is FS Logistica SpA. The company was registered with the Rome company registrar on 23 April 2014. On 25 June 2014, its quotaholders approved a quota capital increase, effective from 1 July 2014, through the contribution of the business unit called Omnia Express Clienti Gruppo di FS Logistica. The company's business object is the study, direct or indirect organisation, production, management and sale of logistics services and freight transport in Italy and abroad, mainly for Ferrovie dello Stato Italiane Group companies.

On 11 August 2014, Rhein-Main-Bus GmbH was merged into its parent Autobus Sippel GmbH with retroactive effect on 1 January 2014.

The passenger bus transport activity of Osthannoversche Einsenabahnen AG group (OHE) was reorganised in August 2014. All equity investments related to this activity (Kraftverkehr Celle Stadt und Land GmbH, KVG Stade GmbH & Co. KG and Verkehrsgesellschaft Landkreis Gifhorn GmbH) were contributed to Verkehrsbetrieb Osthannover GmbH at their carrying amount. This company is now a sub-holding for these activities. The contribution did not change the Group's total investment percentage.

On 17 September 2014, Grandi Stazioni Ingegneria Srl was merged into its parent Grandi Stazioni SpA.

On 18 December 2014, Siger Srl, a subsidiary of Ataf Gestioni Srl, was put into liquidation and, consequently, is no longer consolidated.

Reference should be made to annexes from 1 to 4 of these notes for a list of subsidiaries, jointly controlled entities and associates and other unconsolidated equity investments, including their registered office and percentage of investment.

5. Translation of foreign operations' financial statements

The financial statements of subsidiaries, jointly controlled entities and associates have been prepared using their functional currency, being the currency of the primary economic environment in which they operate. Foreign operations' financial statements expressed in a functional currency other than the Euro are translated as follows:

- assets and liabilities are translated using closing rates;
- goodwill and fair value adjustments related to the acquisition of a foreign operation are considered as assets and liabilities of the foreign operation and translated using closing rates;
- revenue and expense are translated at the average exchange rate of the year;
- the Translation reserve, recognised under consolidated equity captions, includes both exchange rate gains and losses arising from the translation of amounts, using rates other than closing rates, and those arising from the translation of opening equity applying a rate other than the closing rate. This reserve is released to profit or loss when the related equity investment is sold.

The following exchange rates were applied to translate the financial statements of foreign operations prepared in a functional currency other than the Euro:

	Average exchange rate for		Closing rate at 31 December	
	2014	2013	2014	2013
Swiss franc	1.21	1.23	1.20	1.23
Czech koruna	27.54	25.99	27.74	27.43
Danish krone	7.45	7.46	7.45	7.46
Swedish krona	9.10	8.65	9.39	8.86
Serbian dinar	117.23	113.08	121.12	114.57

Translation of foreign currency amounts

Any transactions in a currency other than the functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euro are subsequently adjusted at the closing rate. Non-monetary assets and liabilities denominated in a currency other than the Euro are recognised at historical cost using the exchange rate prevailing at the date of initial recognition. Exchange rate differences are taken to profit or loss.

6. Accounting polices

The most significant accounting policies applied to the preparation of these consolidated financial statements are described below.

Property, plant and equipment

General criteria

Property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and impairment losses, if any. The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges, if any, that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial expense that is directly attributable to the acquisition, construction or production of qualifying assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers. Leasehold improvements or costs to upgrade and transform property, plant and equipment are recognised under assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to profit or loss when incurred. Costs to expand, upgrade or improve the structural elements owned or used by third parties are capitalised when they meet the requirements for separate recognition as assets or as parts of an asset, applying the component approach, whereby a component must be accounted for separately if its useful life can be measured independently.

Depreciation is charged on a monthly straight-line basis using rates that reflect the assets' useful life. When the depreciable asset comprises separately identifiable items with a useful life that is significantly different from that of the other items comprising the asset, depreciation is charged separately using the component approach.

Trenitalia SpA's calculation of rolling stock depreciation

Under the component approach, rolling stock was broken down into similar clusters based on the relevant technology level.

Four classes of "parts" were identified for each cluster:

1. parts to be reconditioned: these are serialised items of a high economic value which are regularly reconditioned at set travelling/time intervals;
2. worn parts: these are fully replaced with the spare parts in stock;
3. parts to be restyled for obsolescence/technical ageing/safety reasons;
4. parts which are not altered throughout the life of the rolling stock.

These parts are depreciated over the following periods: 5/6.5 years for classes 1 and 2; 12.5 years for driving material and 10 years for hauled stock under class 3, and 23/30 years for class 4 parts.

Rolling stock maintenance over the asset's useful life can be broken down into three macro-types:

- ordinary maintenance which ensures rolling stock efficiency; it is recognised in profit or loss;
- second-level maintenance which mainly involves replacing/repairing rolling stock components subject to wear and tear (classes 1 and 2);
- revamping activities which mainly increase the asset's performance, efficiency or useful life (class 3).

Based on the current structure of the entire maintenance process, second-level maintenance usually takes place every 5/6.5 years. These activities mainly refer to parts subject to wear and tear and replacement thereof.

Investments in revamping activities, i.e., all activities which increase the asset's performance, efficiency or useful life, provide for three main types of activities:

- activities that dramatically change the characteristics of the rolling stock and require Cesifer's re-approval, resulting in a new serial number. In this case, the useful life of the rolling stock is generally around 18 years and the depreciation rate applied is equal to 5.5%;
- technological activities which, in accordance with the provisions of the Supervisory Authority, ensure safety by adjusting the operating fleet, or part thereof. Again, these activities take place approximately every 18 years and are depreciated using a 5.5% rate;
- all other revamping activities which are not part of the above categories fall under class 3 and are therefore depreciated using an 8% or 10% depreciation rate, depending on whether the asset is a driving or hauled part.

RFI SpA's calculation of depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis at variable rates based on train-km production volumes. "Train-km" means the total number of kilometres travelled by trains on a railway infrastructure expressed in millions/year. Specifically:

- depreciation of the Traditional Network is calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, considering future investments (which guarantee a sufficient efficiency and security level to allow an estimate of the useful life of the Network equal to the residual term of the concession). Indeed, they are fully covered by grants and are economically borne by the Government. Consequently, future investments participate in the calculation of the infrastructure's total production capacity, and, accordingly, of its useful life, with an impact on the calculation of the depreciation rate;
- depreciation of the HS/HC Network is calculated based on the ratio of quantities generated in the year to total production, equal to the costs incurred at the reporting date.

The depreciable cost of investments is the sum of all costs incurred not yet amortised, including any interest expense accrued during or for the development of assets, net of grants related to assets, excluding the expected residual carrying amount of the railway infrastructure at the end of the Concession, in order to consider the related transferability against consideration.

Property, plant and equipment which, together with intangible assets and investment property, make up the railway infrastructure, comprise seven lines, breaking down the HS/HC Network and the Traditional Network (basic and secondary) as shown in the table below.
For each line, RFI SpA uses the number of train-km actually sold during the year and resulting from the company's specific monitoring system, as the indicator of the quantity generated during the year.
The depreciation rates applied in 2014 and 2013 are as follows:

Line	Production indicator	
	2014	2013
HS/HC Network	**1.80%**	**2.08%**
Traditional Network		
Padana cross-road and international transits	2.06%	1.95%
North Tyrrhenian line and confluent lines	1.97%	1.98%
Ridge and confluent lines	1.86%	1.83%
South Tyrrhenian line	1.84%	1.98%
Adriatic line and Apennines cross-roads	2.11%	2.02%
Complementary network	2.37%	2.38%

The useful life of property, plant and equipment and their residual value are updated, where necessary, at least at each reporting date. Land is amortised to the extent related to site reclamation costs. Property, plant and equipment are derecognised when they are sold or when no future economic benefit is expected to arise from use; any gain or loss (calculated as the difference between the sale price, less costs to sell, and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.
The depreciation rates used by FS Italiane Group for any other categories of property, plant and equipment are as follows:

Category	Depreciation rate
Buildings	2-5%
Plant and machinery	5-10%
Rolling stock	3.3-20%
Industrial and commercial equipment	7.5-25%
Other assets	8-25%

Assets under finance lease

Assets under finance lease, through which the risks and rewards incidental to ownership are substantially transferred to FS Italiane Group, are recognised as assets of FS Italiane Group at their fair value on the date the lease was signed or, if lower, at the present value of minimum lease payments, including the amount to be paid to purchase the asset, if any. The corresponding liability to the lessor is recognised under financial liabilities. Assets are depreciated using the above rates and criteria, unless the term of the lease is below that of the useful life reflected by said rates and there is no reasonably certainty that ownership of the leased asset will be transferred at the natural expiry of the lease. In this case, depreciation reflects the lease term. Leases whereby the lessor substantially retains the risks and rewards associated to ownership of the assets are classified as operating leases. Operating lease costs are recognised on a straight-line basis in profit or loss over the term of the lease.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business. Furthermore, investment property is not used in the production or supply of goods or services or for administrative purposes. The accounting policies applied to recognise this caption comply with those applied to Property, plant and equipment described earlier.
In case of commencement of development with a view to sale, properties are transferred to inventories following the change in use. The carrying amount at the date of change in use is the property's cost for subsequent accounting.

Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance, that can be controlled and can generate future economic benefits. They are recognised at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortisation (except for intangible assets with an indefinite useful life) and impairment losses, if any. Interest expense, if any, that accrues during and for the development of intangible assets, is considered part of the purchase cost. Amortisation begins when the asset is available for use and is charged on a straight-line basis over its estimated useful life. Specifically, FS Italiane Group has the following main intangible assets.

A. CONCESSIONS, LICENSES AND TRADEMARKS

They are amortised on a straight-line basis over their term.
Costs of software licences, including any expenses incurred to make the software available for use, are amortised on a straight-line basis and on the basis of the licence term.
Any costs relating to software maintenance are expensed when incurred.

B. INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS

They are amortised on a straight-line basis over their useful life.

C. GOODWILL

Goodwill is the difference between the cost incurred to acquire an asset and the fair value of the related identifiable assets and liabilities acquired. It is classified as an asset with an indefinite useful life and, consequently, is not amortised on a straight-line basis, but tested for impairment at least every year to identify any impairment losses. Impairment losses on goodwill are not reversed.
For impairment test purposes, goodwill acquired in a business combination is allocated to individual cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the combination, in line with the minimum level at which goodwill is monitored within the Group. Goodwill related to unconsolidated subsidiaries or associates is included in the carrying amount of equity investment.

D. RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised in profit or loss when incurred, while development expenditure is recognised under intangible assets where all the following conditions are met:

- the project is clearly identified and any costs referred thereto are identifiable and can be measured reliably;
- the technical feasibility of completing the project can be demonstrated;
- the intention to complete the project and to sell the generated intangible assets can be demonstrated;
- there is a potential market or, in case of internal use, it is demonstrated that the intangible asset is useful for the production of the intangible assets generated by the project;
- technical and financial resources are available which are necessary to complete the project.

The amortisation of development expenditure, if any, recognised under intangible assets begins from the date when the result generated by the project can be used and is carried out in a period of five years.
If the research phase of an identified internal project cannot be distinguished from the development phase of an internal project, the expenditure on that project is fully charged to profit or loss as if it were incurred in the research phase only.
The gain or loss arising from the derecognition of an intangible asset is equal to the difference between the net disposal proceeds and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

Impairment losses on intangible assets and property, plant and equipment

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT WITH A FINITE USEFUL LIFE

At each reporting date, a test is carried out to check if there is any evidence that property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal sources of information. With respect to internal sources of information, the following must be considered: the obsolescence of or physical wear and tear of the asset, significant changes, if any, in the use of the asset and the economic performance of the asset with respect to expectations. As regards external sources of information, the following must be considered: the trend in the market prices of the assets, negative changes, if any, in technology, markets or laws, the trend in market interest rates or in the cost of capital used to measure investments.

If any such indication exists, the company estimates the recoverable amount of the asset, recognising the impairment loss in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, i.e., the present value of the future cash flows expected to be derived from the asset. In calculating value in use, the expected future cash flows are discounted using a discount rate which reflects the time value of money, compared to the investment period and risks specific to the asset. The recoverable amount of an asset that does not generate largely independent cash flows is calculated in relation to the cash generating unit to which this asset belongs.

Impairment losses are recognised in profit or loss when the carrying amount of the asset, or of the related cash generating unit to which the asset is allocated, exceeds its recoverable amount. Impairment losses on cash generating units are first allocated to reduce the carrying amount of the goodwill, if any, allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit and within the limits of the related recoverable amount. If the reasons for a previously recognised impairment loss no longer apply, the carrying amount of the asset is reversed in profit or loss without exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years and had the related amortisation or depreciation been charged.

GOODWILL AND INTANGIBLE ASSETS NOT YET AVAILABLE FOR USE

The recoverable amount of goodwill and intangible assets not yet available for use is tested for impairment every year or more frequently if there is an indication that the asset may be impaired. However, should the reasons behind the impairment loss cease to exist, the original amount of goodwill is not reversed.

Financial instruments

FINANCIAL ASSETS AND TRADE RECEIVABLES

Financial assets can be classified as follows:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Classification is decided by management upon initial recognition.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial assets held for trading, derivatives (see the paragraph below) and assets designated as such upon initial recognition. Their fair value is calculated based on the reporting date bid price. The fair value of unquoted derivatives is calculated by applying commonly used financial valuation techniques. Fair value changes of the instruments included in this category are immediately recognised in profit or loss.

Classification as current or non-current assets reflects management's trading expectations: those that are expected to be realised within 12 months or designated as held for trading are included under current assets.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. If there is an objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised. These assets are classified as current, except for the portions due after one year which are included under non-current assets.

HELD-TO-MATURITY INVESTMENTS

These assets are measured at amortised cost and are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are classified under current assets when the term is within 12 months. If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the impairment losses identified by impairment tests are recognised in profit or loss. If, in a subsequent period, the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed without exceeding what the amortised cost would have been had the impairment not been recognised.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

This category includes financial assets, other than derivative financial assets, that are designated as available for sale or are not classified in any of the above categories. They are measured at fair value which is calculated based on market prices at annual or interim reporting dates or using financial valuation models and techniques. Fair value changes are recognised in a specific equity caption (Reserve for available-for-sale financial assets). This reserve is released to profit or loss only when the asset is actually sold or, in case of decreases, when the significant and prolonged decrease in fair value already recognised in equity cannot be recovered. Classification under current or non-current assets depends on management's intention and the effective trading of the security: those assets which are expected to be realised within twelve months are classified under current assets.

If there is objective evidence of impairment, their carrying amount is decreased to reflect the discounted value of future flows: the decreases in fair value previously recognised in equity are reversed to profit or loss. The impairment losses recognised in prior years are reversed when the reasons behind their recognition cease to exist. This only applies to financial instruments other than equity instruments.

DERIVATIVES

Derivatives are considered as assets held for trading and are measured at fair value through profit or loss, unless they effectively hedge a specific risk underlying the Group's assets or liabilities or commitments.
Specifically, the Group uses derivatives as part of a hedging strategies which mitigate the risk of fair value changes of recognised assets or liabilities or assets or firm commitments (fair value hedges) or changes in cash flows expected from firm commitments or highly probable transactions (cash flow hedges). Reference should be made to Note 25 for information about the recognition of hedges of the currency risk on long-term contracts.
The effectiveness of hedges is documented and tested since the inception of the transaction which is periodically (at least at each annual or interim reporting date) measured by comparing the fair value changes of the hedge to those of the hedged item (dollar offset ratio) or, with respect to more complex financial instruments, through statistical analyses based on risk changes.

FAIR VALUE HEDGES

Fair value gains or losses on derivatives designated as fair value hedges and which qualify as such, are recognised in profit or loss, similarly to fair value changes of hedged assets or liabilities attributable to the risk hedged.

CASH FLOW HEDGES

Fair value gains or losses on derivatives designated as cash flow hedges which qualify as such, are recognised, only to the extent of the "effective" portion, in other comprehensive income in the hedging reserve. They are subsequently reclassified to profit or loss when the underlying hedged item affects profit or loss. Fair value gains or losses related to the ineffective portion are immediately recognised in profit or loss. Should the underlying transaction no longer be considered highly probable, the related portion of the Hedging reserve is immediately reclassified to profit or loss. Conversely, should the derivative be sold, expire or no longer qualify as an effective hedge of the risk for which the transaction was created, the related portion of the Hedging reserve is maintained until the underlying item affects profit or loss. Recognition of the hedge as a cash flow hedge is discontinued prospectively.

FAIR VALUE ESTIMATE

The fair value of instruments quoted on an active market is calculated based on the bid price at the reporting date, while that of instruments not quoted on an active market is determined using financial valuation techniques: specifically, the fair value of interest rate swaps is calculated by discounting expected cash flows, while that of currency forwards considers closing rates and the expected differentials of the relevant currencies.
Financial assets and financial liabilities measured at fair value are classified using the following three levels of the fair value hierarchy, based on the relevance of the inputs used to determine fair value. Specifically:

Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable inputs for the asset or liability.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less. At the reporting date, current account overdrafts are classified in the statement of financial position as financial liabilities under current liabilities. Cash and cash equivalents are measured at fair value through profit or loss.

Loans, trade payables and other financial liabilities

Loans, trade payables and other financial liabilities are initially recognised at fair value, net of directly-attributable costs, and are subsequently measured at amortised cost, applying the effective interest method. When there is a change in the estimated expected cash flows, the carrying amount of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term beyond twelve months after the reporting date and those for which FS Italiane Group has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans, trade payables and other financial liabilities are derecognised when repaid and when FS Italiane Group has transferred all risks and charges related to the instrument.

Inventories

Inventories are recognised at the lower of purchase and/or production cost and net realisable value. Cost is calculated using the weighted average cost method.
Net realisable value corresponds, for finished goods and properties, to the selling price estimated in the ordinary course of business, net of estimated selling costs. Replacement cost is used for raw materials, consumables and supplies.
Purchase cost includes additional charges, while production cost comprises directly-attributable costs and a portion of indirect costs that are reasonably attributable to the products.
Obsolete and/or slow-moving inventories are written down to reflect their estimated possible use or future sale, through the recognition of a specific allowance for inventory write-down. The write-down is derecognised in subsequent years if the reasons therefor no longer apply.
Properties held for trading are recognised under this caption at the lower of purchase cost and fair value, calculated by an independent appraiser. They are recognised net of the allowance for inventory write-down, while costs that enhance the assets are capitalised. The write-down is reversed in subsequent years if the reasons therefor cease to exist.

Construction contracts

Construction contracts (or “contracts”) are recognised at the contractually agreed fees, reasonably accrued, in accordance with the percentage of completion method, considering the progress made and the expected contractual risks. Progress is measured by comparing the contract costs incurred at the reporting date to the total estimated costs for each contract.
When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the economic benefits associated with the contract will flow to the entity, revenue is recognised over the term of the contract. When it is probable that total contract costs exceed total contract revenue, the potential loss is immediately recognised in profit or loss.
Contracts are shown net of allowances, if any, losses to complete contracts and payments on account and advances related to the contract in progress. Differences are recognised under assets when positive, while negative differences are taken to the liability caption Trade payables.

Employee benefits

Short-term benefits comprise wages, salaries, related social security contributions, holidays paid and incentives paid out in the form of bonuses payable in the twelve months after the reporting date. These benefits are accounted for as personnel expense components in the period in which the employees provide their service.

POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS

The companies of FS Italiane Group have both defined contribution and defined benefit plans in place. The defined contribution plans are managed by third-party fund managers, in relation to which there are no legal or any other obligations to pay additional contributions if the fund has no sufficient assets to meet the commitments with employees. With respect to the defined contribution plans, FS Italiane Group pays contributions, either voluntarily or as required by contract, into public and private insurance pension funds. Contributions are recognised as personnel expense on an accruals basis. Advance payments for contributions are recognised as an asset that will be repaid or offset against future payments, if due.
A defined benefit plan is a plan that cannot be classified as a defined contribution plan. Under defined benefit plans, the amount of the benefit to be paid to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, years of service and remuneration. Therefore, defined benefit obligations are determined by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the foreign currency in which the liability will be settled and that takes account of the term of the related pension plan. Actuarial gains and losses are fully recognised in profit or loss in the relevant year, taking account of the related deferred tax effect.
Specifically, FS Italiane Group manages a defined benefit plan that consists of post-employment benefits (Italian "Tfr"). Italian companies are required to accrue a provision pursuant to article 2120 of the Italian Civil Code, which is treated as deferred remuneration and is based on employees' duration of service and the remuneration they receive during that time. Starting from 1 January 2007, Law no. 296 of 27 December 2006, the *2007 Finance Act* and subsequent decrees and regulations introduced significant amendments to Tfr regulations, including the employees' right to choose to transfer the Tfr being accrued either to supplementary pension funds or to the "Treasury Fund" managed by Inps (the Italian Social Security Institute). Consequently, the obligation to Inps and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 Employee benefits, as defined contribution plans, while the amounts recognised under post-employment benefits at 1 January 2007 are still treated as defined benefit plans.
Some companies of FS Italiane Group also have a defined benefit pension plan in place, the "Free Travel Card" (*Carta di libera circolazione*, Clc) that gives current and retired employees and their relatives, the right to use – free of charge or, in some cases, for an admission fee – the trains managed by Trenitalia SpA.
Consequently, in accordance with the above-mentioned actuarial techniques, a provision is recognised which reflects the discounted charge for retired employees entitled to benefits, and the benefits accrued for employees in force to be disbursed at the end of the employment.
The Free Travel Card benefits and the effects arising from actuarial valuations are the same as those of post-employment benefits.

Provisions for risks and charges

Provisions for risks and charges are recognised for certain or probable losses and charges, whose amount and/or due date cannot be determined. They are recognised only when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This amount represents the best estimate of the expenditure required to settle the obligation. The rate used to determine the present value of the liability reflects the current market values and takes account of the specific risk that can be associated to each liability.
Where the effect of the time value of money is material and the settlement dates of obligations can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.
Risks for which a liability is only possible are disclosed in the specific section on contingent liabilities without accruing any provisions.

Revenue

Revenue is recognised when it is probable that future economic benefits will flow to FS Italiane Group and these benefits can be measured reliably, net of returns, rebates, trade discounts and bulk discounts.
Revenue from services is recognised in profit or loss on a percentage of completion basis and only when the outcome of the service can be estimated reliably.
Similarly to that described in relation to construction contracts, revenue from contract work in progress is recognised using the percentage of completion method.
Revenue from the sale of goods is recognised at the fair value of the consideration received or receivable. It is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods and the related costs can be measured reliably.
Interest income is recognised in profit or loss on the basis of the effective rate of return.

Government grants

Government grants, when formally assigned and, in any case, when the right to their disbursement is deemed definitive as it is reasonably certain that FS Italiane Group will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis in direct correlation with the costs incurred.

GRANTS RELATED TO ASSETS

They refer to amounts paid by the Government and other public authorities to FS Italiane Group for the implementation of initiatives aimed at the construction, reconditioning and expansion of property, plant and equipment. They are recognised as a direct reduction in the cost of the assets to which they refer and decrease the depreciation rates.

GRANTS RELATED TO INCOME

They refer to amounts paid by the Government or other public authorities to FS Italiane Group to offset costs and charges incurred. They are recognised under Revenue from sales and services and Other income, as a positive component of income.

Dividends

They are recognised in profit or loss when the Shareholders' right to receive payment thereof arises. The latter usually coincides with the Shareholders' resolution approving dividend distribution.
Dividends distributed to Ferrovie dello Stato Italiane SpA's Shareholders are presented as a change in equity and recognised under liabilities when their distribution is approved by the Shareholders.

Cost recognition

Costs are recognised when they relate to goods and services acquired or consumed in the year or by systematic allocation.

Income taxes

Current taxes are calculated based on estimated taxable income and in accordance with ruling tax legislation.
Deferred tax assets, related to prior tax losses, are recognised when it is probable that future taxable income will be available against which these losses can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the years in which the differences will be realised or settled.
Current taxes, deferred tax assets and liabilities are recognised in profit or loss, except for those relating to items recognised under other comprehensive income and directly taken to equity. In the latter cases, deferred tax liabilities are recognised under the Tax effect caption related to the other comprehensive income or directly in equity, respectively. Deferred tax assets and liabilities are offset when they are levied by the same tax authorities, there is a legally enforceable right to set off the recognised amounts and a settlement on a net basis is expected.
Taxes other than income taxes, such as indirect taxes and duties, are included in profit or loss under Other operating costs.

Assets and liabilities held for sale and disposal groups

Non-current assets and liabilities (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as held for sale and recognised separately from any other assets and liabilities in the statement of financial position. The corresponding prior year statement of financial position figures are not reclassified. A discontinued operation is a component of the company that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Profits or losses of discontinued operations – either disposed of or classified as held for sale and being divested – are recognised separately in profit or loss, net of tax effects. Prior year corresponding figures, where present, are reclassified and presented separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets and liabilities (or disposal groups) classified as held for sale, are firstly recognised in accordance with the specific standard applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and fair value, less costs to sell. Subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale through profit or loss.
Impairment losses are reversed for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been previously recognised.

New standards

FIRST-TIME ADOPTION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following new standards are effective for annual periods beginning after 1 January 2014.

IFRS 10 – Consolidated financial statements

On 12 May 2011, the IASB issued IFRS 10 – Consolidated financial statements, which replaces SIC 12 Consolidation - Special purpose entities and IAS 27 – Consolidated and Separate financial statements, which will be renamed Separate financial statements and will govern the accounting treatment of equity investments in separate financial statements. The new standard identifies a single control model applicable to all companies. Below are the main developments:

- under IFRS 10, there is only one fundamental principle for the consolidation of all types of entities, and this principle is based on control. This change removes the inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);
- a firmer definition of control was introduced, based on three elements: (a) the investor's power over the acquired enterprise; (b) exposure or rights to variable returns from the investor's involvement with the investee; and (c) the ability of the investor to affect those returns through its power over the investee;
- IFRS 10 requires an investor, if it wishes to assess whether it has control over the acquired enterprise, to focus on the activities that significantly affect its returns;
- IFRS 10 requires that only substantive rights be considered in assessing the existence of control, namely those that can be exercised in practice when important decisions are to be taken concerning the acquired enterprise;
- IFRS 10 gives practical guidance in order to help in the assessment of whether there is control in complex situations, such as de facto control, potential voting rights, situations in which it has to be established whether the decision-maker is acting as agent or principal, etc.

The Group has adopted this standard retrospectively starting from 1 January 2014.

IFRS 11 – Joint arrangements

On 12 May 2011, the IASB issued IFRS 11 – Joint arrangements which replaces SIC 13 – Jointly controlled entities – non-monetary contributions by venturers and IAS 31 – Interests in joint ventures. Following the issue of IFRS 11, IAS 28 – Investments in associates and joint ventures, was amended to include jointly controlled entities in its scope at the date the standard becomes effective. Without prejudice to the criteria to identify joint control, IFRS 11 provides that joint arrangements, whereby control over an asset is jointly attributed to one or more operators, be classified as a joint operation or a joint venture based on an analysis of the underlying contractual rights and obligations. Specifically, a joint venture is a joint arrangement whereby the parties, despite having control of main strategic and financial decisions through voting mechanisms which require unanimous decisions, have no legally relevant rights to the individual assets and liabilities of the joint venture. In this case, joint control refers to the net assets of the joint venture. This form of control is presented in separate financial statements using the cost method and in consolidated financial statements by applying the equity method. Conversely, joint operations are joint arrangements in which the participants have rights to the assets and are directly obliged with respect to liabilities. In this case, individual assets and liabilities and the related costs and revenue are recognised by the participant in the financial statements, including the separate financial statements, based on their rights and obligations, regardless of the percentage held. Subsequent to initial recognition, assets, liabilities and costs are measured in accordance with the accounting principles applicable to each category of asset/liability.

The Group has adopted this standard retrospectively starting from 1 January 2014 with no effects on the consolidated financial statements. Indeed, it has already adopted the equity method under IAS 31.

IFRS 12 – Disclosure of interests in other entities

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of interests in other entities, a new comprehensive standard applicable to the additional disclosure to be provided on any types of interests, including in subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles.

The Group has adopted this standard retrospectively starting from 1 January 2014.

IAS 32 – Financial instruments: presentation

On 16 December 2011, the IASB issued some amendments to IAS 32 – Financial instruments: presentation clarifying the application of some criteria to offset the financial assets against financial liabilities included in IAS 32.

The Group has adopted these amendments retrospectively starting from 1 January 2014.

IFRS 10, 11 and 12 – Amendments: transition guidance

On 28 June 2012, the IASB issued some amendments to IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements and IFRS 12 – Disclosure of interests in other entities, as resulting from the proposals contained in the Exposure draft – Transition guidance issued in December 2011. The amendments substantially provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The Group has adopted these amendments retrospectively starting from 1 January 2014.

IFRS 10/IFRS 12/IAS 27/IAS 28 – Investment entity

On 31 October 2012, the IASB issued some amendments to IFRS 10 – Consolidated financial statements, IFRS 12 – Disclosure of interests in other entities and IAS 27 – Separate financial statements. These amendments clarify the definition of "investment entity" and introduce an exception to the consolidation requirements for such entities, allowing them to measure their subsidiaries at fair value. Furthermore, the amendments improve the definition of some disclosure requirements that the investment entities must provide in the notes.

The amendments apply for annual periods beginning on or after 1 January 2014.

IAS 36 – Recoverable amount disclosures for non-financial assets

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable amount disclosures for non-financial assets. The amendment governs recoverable disclosures for assets subject to impairment losses, provided that this amount is based on fair value less costs to sell.

The amendment applies for annual periods beginning on or after 1 January 2014

IAS 39 – Financial instruments: Recognition and measurement

On 27 June 2013, the IASB issued some amendments to IAS 39 – Financial instruments: recognition and measurement, named "Novation of derivatives and continuation of hedge accounting". Under these amendments, there is no need to discontinue hedge accounting if a hedging derivative, designated as a hedge, is novated following the application of laws and regulations, to replace the original counterparty and ensure the success of the obligation, provided that certain conditions are met. The same amendment will be included in IFRS 9 – Financial instruments.

These amendments apply for annual periods beginning on or after 1 January 2014.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT ADOPTED EARLIER BY FS ITALIANE GROUP

IFRIC 21 – Levies

On 20 May 2013, the IASB issued IFRIC 21 – Levies, which is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. The EU endorsed this document with Regulation no. 634 of 13 June 2014. It provides guidance on when to recognise a liability for a levy imposed by a Government, except for those already regulated by other standards (e.g. IAS 12 – Income taxes). One of the requirements laid down under IAS 37 for the recognition of a liability is that the entity must have a present obligation as a result of a past event (obligating event). The interpretation clarifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

IFRIC 21 applies for annual periods beginning on or after 17 June 2014.

Annual Improvements to IFRS: 2011-2013 Cycle

On 12 December 2013, the IASB issued the “Annual improvements to IFRS: 2011-2013 cycle”. The EU endorsed this document with Regulation no. 1361 of 18 December 2014. The following standards were amended.

- The amendment to IFRS 3 clarifies that this standard does not apply to joint ventures or joint operations when they are established. Prior to the amendment, the exception was limited to the set-up of joint ventures.
- The amendment to IFRS 13 clarifies that the *portfolio exception* applies to financial assets and financial liabilities managed on the basis of a net exposure to market and credit risks, although it does not meet the definition of IAS 32; indeed, it falls under the scope of IAS 39.
- The amendments to IAS 40 clarify that an entity shall determine whether the property acquired shall be classified as investment property or owner-occupied property under IAS 40 and subsequently separately establish whether the acquisition of the investment property constitutes the acquisition of a single asset or of a group of assets.

These amendments apply to annual periods beginning on or after 1 January 2015.

Annual Improvements to IFRS: 2010-2012 Cycle

On 12 December 2013, the IASB issued the “Annual improvements to IFRS: 2010-2012 cycle”. The EU endorsed this document with Regulation no. 2015/28 of 17 December 2014. The following standards were amended.

- The amendment to IFRS 2 clarifies the definition of “vesting condition”, separately defining the concepts of “performance condition” and “service condition”.
- The amendments to IFRS 3 clarify that the classification of a contingent consideration, which meets the definition of financial instruments, as a financial liability or as equity must be recognised in accordance with the definitions of financial liability and equity instruments under IAS 32: Financial instruments: presentation. Moreover, fair value gains and losses in a contingent consideration, which are not measurement period adjustments and which are not classified in equity, must be recognised in profit or loss.
- With respect to the amendments to IFRS 8, entities are required to briefly describe the operating segments combined, the criteria applied and the economic indicators that were considered in establishing that the combined operating sectors have similar financial characteristics.
- The amendment to IAS 24 modifies the definition of “related party” to include “management entities”, i.e., those entities (or any member of a group to which it belongs) which provide key management services to the reporting entity or its parent. With respect to “management entities”, the reporting entity shall state the amount of the costs incurred to provide key management services. However, it is not required to state the fees paid or due by the “management entity” to its Directors or employees, pursuant to IAS 24.17.
- The amendments to IAS 16 and 38 clarify that, when the revaluation model is applied, the adjustments to accumulated depreciation/amortisation are not always consistent with the adjustment to the gross carrying amount. Specifically, at the revaluation date, the asset’s carrying amount can be adjusted to the revalued amount either as follows:

a. the asset's gross carrying amount is adjusted in a manner that is consistent with the revaluation and the accumulated amortisation/depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset, net of accumulated impairment losses;
b. accumulated amortisation/depreciation is offset against the asset's gross carrying amount.

These amendments apply to annual periods beginning on or after 1 February 2015.

IAS 19 – Employee benefits

On 21 November 2013, the IASB issued some amendments to IAS 19 – Employee benefits, named "Defined benefit plans: employee contributions". The EU endorsed these documents with Regulation no. 2015/29 of 17 December 2014, with aim of simplifying the accounting treatment of employees' or third-party contributions to defined benefit plans.
These amendments apply to annual periods beginning on or after 1 February 2015.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the preparation date, the competent bodies of the European Union have not yet completed the endorsement process necessary to adopt the following accounting standards and amendments.

IFRS 14 – Regulatory deferral accounts

On 30 January 2014, the IASB issued IFRS 14 – Regulatory deferral accounts, an interim standard applicable to the rate-regulated activities project. IFRS 14 permits only entities which are first-time adopters of IFRS to continue to account for rate regulation balances in accordance with their previous GAAP. In order to improve comparability with the entities that already apply IFRS and that do not recognise these balances, the standard provides that the impact of rate regulation be separately presented in an entity's financial statements.

IFRS 11 – Amendments

On 6 May 2014, the IASB issued Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11). The amendments provides new guidance on how to recognise the acquisition of an interest in a joint operation, specifying the most appropriate suitable accounting treatment for these acquisitions.

IAS 16/IAS 38 – Amendments

On 12 May 2014, the IASB issued Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38), to clarify that the use of revenue-based methods to calculate the depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15 – Revenue from contracts with customers

On 28 May 2014, as part of the IFRS-US GAAP convergence project, the IASB and the FASB issued IFRS 15 – Revenue from contracts with customers. This standard is a unique and comprehensive framework for revenue recognition and sets out the provisions to be applied to all contracts with customers (except for those covered by other standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous standards applicable to revenue: IAS 18 – Revenue and IAS 11 – Construction contracts, as well as the following interpretations: IFRIC 13 – Customer loyalty programmes, IFRIC 15 – Agreements for the construction of real estate, IFRIC 18 – Transfers of assets from customers and SIC 31 – Revenue - Barter transactions involving advertising services.

IFRS 9 – Financial instruments

On 24 July 2014, the IASB issued the definitive version of IFRS 9 – Financial instruments. This standard reflects the various stages covering classification, measurement, derecognition, impairment and hedge accounting within the IASB project to replace IAS 39. The new standard supersedes the previous versions of IFRS 9. In 2008, the IASB began the process to replace IAS 9 which involved a number of stages. In 2009, the first version of IFRS 9 was issued, covering the measurement and classification of financial assets. The provisions governing financial liabilities and derecognition were issued in 2010. In 2013, IFRS 9 was amended to include the general model of hedge accounting. This publication completed IFRS 9.

IAS 27 – Amendments

On 12 August 2014, the IASB issued Equity method in separate financial statements (Amendments to IAS 27). Following these amendments, entities can recognise investments in subsidiaries, joint ventures and associates in the separate financial statements using the equity method.

IFRS 10/IAS 28 – Amendments

On 11 September 2014, the IASB issued Sales or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) to resolve an inconsistency between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or an associate in exchange for an investment in the latter is recognised only to the extent of unrelated investors' interests in the associate or joint venture. Conversely, under IFRS 10, when control is lost, the full amount of the gain or loss is recognised, even if the entity maintains a non-controlling interest in the company, including the sale or contribution of an associate to a joint venture or an associate. The amendments establish that when an asset or subsidiary are transferred/contributed to a joint venture or an associate, the amount of the relevant gain or loss to be recognised in the financial statements of the transferor depends on whether the transferred/contributed assets or subsidiary constitute a business, as defined in IFRS 3. When the transferred/contributed assets or subsidiary constitute a business, the entity shall recognise the gain or loss on the entire investment previously held. Conversely, it shall recognise the portion of gain or loss attributable to share of investment it still holds.

Annual Improvements to IFRS: 2012-2014 Cycle

On 25 September 2014, the IASB issued Annual Improvements to IFRS: 2012-2014 Cycle. The following standards were amended: IFRS 5 – Non-current assets held for sale and discontinued operations, IFRS 7 – Financial instruments: disclosure, IAS 19 – Employee benefits, IAS 34 – Interim financial reporting.

IFRS 10/IFRS 12/IAS 28 – Amendments

On 18 December 2014, the IASB issued Investment entities: applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28) with the aim of clarifying three issues related to the consolidation of investment entities.

IAS 1 – Amendments

On 18 December 2014, the IASB issued some amendments to IAS 1 – Presentation of financial statements to clarify some disclosure issues. The amendment is part of the Disclosure initiative which is aimed at improving the presentation and disclosure of financial information in financial reports and resolving some critical issues identified by operators.

Use of estimates and valuations

In preparing the consolidated financial statements in accordance with IFRS, the Directors applied accounting standards and methods, which in some circumstances rely on difficult and subjective valuations and estimates based on past experience and on assumptions that are from time to time considered to be reasonable and realistic depending on the circumstances. Therefore, the actual amounts of certain financial statements captions calculated according to the above estimates and assumptions may differ in the future, even materially, from those reported in the financial statements, because of the uncertainty that characterises the assumptions and conditions on which the estimates are based. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss when they affect the year only. If the revision affects both current and future years, the change is recognised in the year the revision is made and in the related future years.
Therefore, actual results may differ, even materially, from these estimates following possible changes in the factors considered in the determination of these estimates.
The following accounting standards require the most subjectivity from the Directors in the preparation of estimates and would have a significant impact on the financial figures if there were a change in the conditions underlying the assumptions used.

IMPAIRMENT LOSSES

In accordance with FS Italiane Group's accounting policies, property, plant and equipment and intangible assets with a finite life are tested for impairment. Impairment losses are recognised when there is evidence that it will be difficult to recover the related carrying amount through the use of the asset. Impairment tests require the Directors to make subjective valuations based on the information available within the company and in the market, as well as from past experience. Furthermore, when a potential impairment loss exists, the Group calculates such loss using suitable valuation techniques. The correct identification of impairment indicators and the estimates for calculating them depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

AMORTISATION AND DEPRECIATION

Amortisation and depreciation are a significant cost for the Group. The cost of property, plant and equipment and intangible assets with a finite useful life and of investment property is depreciated and amortised, respectively, over the estimated useful lives of the assets, except for RFI SpA which applies the product unit method. The Directors determine the useful lives of the Group's assets when the assets are purchased. They are based on past experience for similar assets, market conditions and forecasts concerning future events that may have an impact on the useful life. Therefore, the actual economic life may differ from the estimated useful life. The FS Italiane Group assesses any technological and sector changes to update residual useful lives on a regular basis. These updates may entail a change in the amortisation and depreciation period and in the amortisation and depreciation rates of future years.

PROVISIONS FOR RISKS AND CHARGES

Provisions are accrued against legal and tax risks which represent the risk of a negative outcome. The recognised provisions relating to these risks reflect the best estimate made by the Directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have significant effects compared to the current estimates made by the Directors for the preparation of FS Italiane Group's consolidated financial statements.

TAXES

Deferred tax assets are recognised based on the income expected in future years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

FAIR VALUE OF DERIVATIVES

The fair value of derivatives that are not quoted on active markets is measured using valuation techniques. FS Italiane Group applies valuation techniques that use inputs that can be observed in the market, either directly or indirectly, at the reporting date, and that are connected to the assets and liabilities being measured. Even if the estimates of the above fair values are considered reasonable, any possible changes in the estimate factors on which the calculation of the aforesaid amounts is based may generate different valuations.

RESIDUAL VALUE OF THE RAILWAY INFRASTRUCTURE

Under IAS 16, 38 and 40, the depreciable cost of the railway infrastructure (including property, plant and equipment, intangible assets and investment property) is calculated by subtracting its residual value. The residual value of the railway infrastructure is calculated as the estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of the concession. The subsidiary RFI SpA, which operates the railway infrastructure, periodically revises the residual value and measures its recoverability using the best information available at that date. Periodic updates may cause a change in the depreciation rate for future years.

7. Financial and operational risk management

FS Italiane Group is exposed to the following risks arising from the use of financial instruments:
- credit risk;
- liquidity risk;
- market risk, specifically, interest rate and currency risks.

This section provides information on the Group's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These consolidated financial statements also include additional quantitative information.
FS Italiane Group's risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on its financial position and results of operations.

Credit risk

Credit risk mainly arises from loan assets with the public administration, trade receivables and the financial investments of FS Italiane Group.
With regard to credit risk deriving from investing activities, the Group applies a liquidity investment policy which is centrally managed by the Parent and which defines:
- the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds; and
- the types of financial products that can be used.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the Group applies a specific policy that defines concentration thresholds by counterparty and credit rating.
With respect to the assessment of customers' credit risk, each company of FS Italiane Group manages and analyses the risk of all new significant customers, regularly checks their commercial and financial exposure and monitors the collection of receivables from the public administration within the contractually agreed timeframe.
The following table shows FS Italiane Group's exposure to credit risk at 31 December 2014, compared with that at 31 December 2013.

	31.12.2014	31.12.2013
Current trade receivables	2,860	2,964
Allowance for impairment	(464)	(423)
Current trade receivables, net of the allowance for impairment	**2,396**	**2,541**
Other current assets	5,522	4,344
Allowance for impairment	(17)	(14)
Other current assets, net of the allowance for impairment	**5,505**	**4,330**
Non-current financial assets (including derivatives)	3,194	3,917
Allowance for impairment		
Non-current financial assets (including derivatives), net of the allowance for impairment	**3,194**	**3,917**
Other non-current assets	686	1,004
Allowance for impairment	(2)	
Other non-current assets, net of the allowance for impairment	**684**	**1,004**
Cash and cash equivalents	**1,308**	**1,622**
Current financial assets (including derivatives)	598	344
Allowance for impairment	(1)	(1)
Current financial assets (including derivatives), net of the allowance for impairment	**597**	**343**
Non-current trade receivables	111	45
Allowance for impairment	(18)	(18)
Non-current trade receivables, net of the allowance for impairment	**93**	**28**
Construction contracts	44	21
Allowance for inventory write-down	(1)	(1)
Construction contracts, net of the allowance for inventory write-down	**43**	**20**
Total exposure, net of the allowance for impairment*	**13,820**	**13,806**

millions of Euros

* *Tax assets and equity investments are not included*

2013 figures were adjusted to reflect the receivables from the Ministry of the Economy and Finance related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act*, reclassified from Other current and non-current assets to Current and non-current financial assets. For additional information, reference should be made to Note 15.

The tables below show the exposure to credit risks by counterparty, in absolute terms and as a percentage, excluding cash and cash equivalents.

	31.12.2014	31.12.2013
Public administration, Italian Government and Regions	10,899	10,486
Ordinary customers	898	930
Financial institutions	27	41
Other debtors	688	727
Total exposure, net of the allowance for impairment	**12,512**	**12,184**

millions of Euros

	31.12.2014	31.12.2013
Public administration, Italian Government and Regions	87.1%	86.1%
Ordinary customers	7.2%	7.6%
Financial institutions	0.2%	0.3%
Other debtors	5.5%	6%
Total exposure, net of the allowance for impairment	**100%**	**100%**

A significant portion of trade receivables and loan assets relates to Government and public authorities, such as the Ministry of the Economy and Finance ("MEF") and the Regions.
The amount of financial assets whose recoverability is uncertain is negligible. However, an adequate allowance for impairment was accrued in this respect.

The table below gives a breakdown of financial assets and trade receivables at 31 December 2014 by overdue amount, net of cash and cash equivalents.

	Not overdue	Overdue by				
		0-180	180-360	360-720	beyond 720	Total
31.12.2014						
Public administration, Italian Government and Regions (gross)	10,118	216	236	269	114	10,953
Allowance for impairment	(14)			(18)	(22)	(54)
Public administration, Italian Government and Regions (net)	**10,104**	**216**	**236**	**251**	**92**	**10,899**
Ordinary customers (gross)	533	285	239	171	84	1,312
Allowance for impairment	(50)	(14)	(193)	(85)	(72)	(414)
Ordinary customers (net)	**483**	**271**	**46**	**86**	**12**	**898**
Financial institutions	**27**					**27**
Other debtors (gross)	596	32	15	30	45	718
Allowance for impairment	(3)	(1)	(1)	(20)	(5)	(30)
Other debtors (net)	**593**	**31**	**14**	**10**	**40**	**688**
Total exposure, net of the allowance for impairment	**11,207**	**518**	**296**	**347**	**144**	**12,512**

millions of Euros

	Not overdue	Overdue by				
		0-180	180-360	360-720	beyond 720	Total
31.12.2013						
Public administration, Italian Government and Regions (gross)	9,625	550	185	144	40	10,544
Allowance for impairment	(13)			(25)	(20)	(58)
Public administration, Italian Government and Regions (net)	**9,612**	**550**	**185**	**119**	**20**	**10,486**
Ordinary customers (gross)	527	322	212	167	74	1,302
Allowance for impairment	(102)	(5)	(169)	(39)	(58)	(373)
Ordinary customers (net)	**425**	**317**	**43**	**128**	**16**	**929**
Financial institutions	**18**			**23**		**41**
Other debtors (gross)	594	53	15	31	62	755
Allowance for impairment	(8)		(1)	(16)	(2)	(27)
Other debtors (net)	**586**	**53**	**14**	**15**	**60**	**728**
Total exposure, net of the allowance for impairment	**10,641**	**920**	**242**	**285**	**96**	**12,184**

millions of Euros

Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. Cash flows, cash requirements and the liquidity of Group companies are generally monitored and centrally managed by the Parent to ensure efficient and effective management of financial resources.
The Parent adopts asset liability management techniques in collecting debt and loan principal from the Group companies.
The Group's objective is the prudent management of the liquidity risk arising from ordinary operations.
In order to meet potential and temporary cash requirements, the Parent agreed a revolving and committed backup credit facility in 2011 (€1,500 million) for general purposes. FS SpA had access to the liquid funds created by such facility up to February 2014, when the "availability period" expired as per the related cash pool agreement signed with eight banks. In line with purposes of the facility and in order to ensure coverage of the Group's various operating needs, in February 2015, FS SpA began the selection process for the finalisation of a three-year backup facility agreement of between €1 billion and €1.5 billion. The aim of the transaction is to obtain a credit line from banks – which will be selected at the completion of such process – that has the same characteristics as the previous revolving, committed and general purpose line. Furthermore, in addition to the above scheduled transaction, the Group has numerous uncommitted credit lines granted by banks.
The following tables show the due dates of financial liabilities and trade payables at 31 December 2014 and 2013, including interest to be paid.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
31.12.2014							
Non-derivative financial liabilities							
Bonds	4,157	4,816	252	61	625	1,245	2,634
Bank loans and borrowings	5,211	5,852	682	440	748	1,767	2,215
Loans and borrowings from other financial backers	1,721	2,067	132	131	261	783	760
Financial liabilities	228	228	225	1		1	
Non-derivative financial liabilities	**11,317**	**12,964**	**1,291**	**633**	**1,634**	**3,796**	**5,609**
Trade payables	**3,648**	**3,459**	**1,247**	**2,212**			
Derivative financial liabilities	**200**	**201**	**59**	**39**	**49**	**43**	**11**

millions of Euros

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
31.12.2013							
Non-derivative financial liabilities							
Bonds	4,162	4,890	14	58	317	1,439	3,064
Bank loans and borrowings	5,617	6,584	581	410	720	2,093	2,780
Loans and borrowings from other financial backers	1,661	1,960	125	131	244	737	722
Financial liabilities	177	178	174		1	2	
Non-derivative financial liabilities	**11,617**	**13,611**	**894**	**599**	**1,282**	**4,271**	**6,566**
Trade payables	**3,514**	**3,517**	**1,898**	**1,620**			
Derivative financial liabilities	**208**	**195**	**51**	**47**	**75**	**35**	**(13)**

millions of Euros

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. The amounts include both principal and interest.

The following table shows the repayments of financial liabilities and trade payables within one year, 1-5 years and beyond five years.

	Carrying amount	Within one year	1-5 years	Beyond 5 years
31.12.2014				
Non-derivative financial liabilities				
Bonds	4,157	264	1,521	2,372
Bank loans and borrowings	5,211	1,035	2,212	1,964
Loans and borrowings from other financial backers	1,721	199	865	657
Financial liabilities	228	226	1	1
Non-derivative financial liabilities	**11,317**	**1,724**	**4,599**	**4,994**
Trade payables	**3,648**	**3,406**	**52**	

millions of Euros

	Carrying amount	Within one year	1-5 years	Beyond 5 years
31.12.2013				
Non-derivative financial liabilities				
Bonds	4,162	24	1,426	2,712
Bank loans and borrowings	5,617	943	1,979	2,694
Loans and borrowings from other financial backers	1,661	200	784	677
Financial liabilities	177	175	2	
Non-derivative financial liabilities	**11,617**	**1,342**	**4,191**	**6,083**
Trade payables	**3,514**	**3,513**	**1**	

millions of Euros

Amounts due within six months or less are mainly related to trade payables for HS/HC contracts and works which are mainly repaid through Government grants. The residual part is repaid using cash flows from operations.

Market risk

As part of its operations, FS Italiane Group is exposed to several market risks, specifically interest rate risk and, to a lesser extent, currency risk. The objective of market risk management is keeping the Group companies' exposure to these risks within acceptable levels, while optimising returns on investments. FS Italiane Group uses hedging transactions to manage the volatility of the results.

Interest rate risk

The Group is mainly exposed to interest rate risk relating to non-current loans indexed to variable rates. The Group companies which are mainly exposed to this risk (including Trenitalia SpA, RFI SpA and Grandi Stazioni SpA) decided to enter into hedging transactions based on specific risk management polices approved by the relevant Boards of Directors and implemented with the technical and operational support of the Parent.
Despite the various customisations due to the financial and business characteristics of each company, the common objective of the applied policies is to limit cash flow fluctuations in financing transactions in place and, where possible, to exploit the cost of debt optimisation opportunities offered by the indexing of variable-rate debt.
In accordance with the above polices, the Group only uses plain vanillas, such as interest rate swaps, interest rate collars and interest rate caps.
The table below shows variable and fixed rate loans and borrowings:

	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	Beyond 5 years
Variable rate	6,432	6,862	1,212	1,096	2,202	2,352
Fixed rate	4,885	6,101	712	538	1,594	3,257
Balance at 31 December 2014	**11,317**	**12,963**	**1,924**	**1,634**	**3,796**	**5,609**

millions of Euros

	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	Beyond 5 years
Variable rate	6,524	7,133	756	756	2,680	2,941
Fixed rate	5,092	6,479	737	526	1,591	3,625
Balance at 31 December 2013	**11,617**	**13,612**	**1,493**	**1,282**	**4,270**	**6,566**

millions of Euros

The table below shows the impact of variable and fixed rate loans and borrowings, before and after hedging derivatives, which convert variable rates into fixed rates or which hedge against rises in variable rates beyond the maximum levels defined.

	31.12.2014	31.12.2013
Before hedging with derivatives		
Variable rate	57%	56%
Fixed rate	43%	44%
After hedging with derivatives		
Variable rate	7%	5%
Hedged variable rate	35%	35%
Fixed rate	58%	60%

The impact is in line with the above interest rate risk management policy.
The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2014.

	+50 bps shift	-50 bps shift
Interest expense on variable-rate debt	40	(27)
Net cash flow from hedges	(14)	16
Total	**26**	**(11)**

millions of Euros

This table shows the effects of an increase or a decrease of 50 basis points in the Euribor interest rates.

	+50 bps shift	-50 bps shift
Fair value of hedging derivatives	42	(43)
Total	**42**	**(43)**

millions of Euros

Currency risk

FS Italiane Group is mainly active in Italy as well as in countries of the Eurozone. Therefore, the risk arising from the different currencies in which it operates is very limited.
The Group has loans and borrowings in Swiss francs totalling CHF81 million.

Capital management

FS Italiane Group's objective with respect to capital risk management is to safeguard its ability to continue as a going concern, while ensuring returns for Shareholders and benefits for the other stakeholders. FS Italiane Group also intends to maintain an optimal capital structure in order to reduce the cost of debt.

Financial assets and financial liabilities by category

To complete financial risk information, the table below gives a reconciliation between financial assets and financial liabilities as reported in the consolidated statement of financial position and the categories of financial assets and financial liabilities identified pursuant to IFRS 7.

	Loans and receivables	Loans and borrowings	Of which: hedging derivatives
31.12.2014			
Non-current financial assets (including derivatives)	3,194		
Non-current trade receivables	93		
Other non-current assets	684		
Construction contracts	43		
Current trade receivables	2,397		
Current financial assets (including derivatives)	597		
Cash and cash equivalents	1,308		
Tax assets	102		
Other current assets	5,505		
Non-current loans and borrowings		9,591	
Non-current financial liabilities (including derivatives)		155	153
Non-current trade payables		20	
Other non-current liabilities		553	
Current loans and borrowings and current portion of non-current loans and borrowings		1,498	
Current trade payables		3,628	
Tax liabilities		6	
Current financial liabilities (including derivatives)		272	47
Other current liabilities		7,486	

millions of Euros

VAT receivables and equity investments are not included

	Loans and receivables	Loans and borrowings	Of which: hedging derivatives
31.12.2013			
Non-current financial assets (including derivatives)	3,917		1
Non-current trade receivables	28		
Other non-current assets	1,003		
Construction contracts	20		
Current trade receivables	2,541		
Current financial assets (including derivatives)	343		
Cash and cash equivalents	1,622		
Tax assets	91		
Other current assets	4,329		
Non-current loans and borrowings		10,336	
Non-current financial liabilities (including derivatives)		191	188
Non-current trade payables		25	
Other non-current liabilities		559	
Current loans and borrowings and current portion of non-current loans and borrowings		1,104	
Current trade payables		3,490	
Tax liabilities		7	
Current financial liabilities (including derivatives)		194	20
Other current liabilities		6,948	

millions of Euros

VAT receivables and equity investments are not included

The above tables were adjusted to reflect the receivables from the Ministry of the Economy and Finance related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act*, reclassified from Other current and non-current assets to Current and non-current financial assets. For additional information, reference should be made to Note 15.

8. Assets held for sale

At 31 December 2014, assets held for sale amount to €3 million (31 December 2013: €2 million) and mainly relate to assets which will be sold in the near term.

9. Property, plant and equipment

The opening and closing balances of property, plant and equipment and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	79,650	15,134	806	811	24,937	121,338
Depreciation and impairment losses	(24,773)	(7,630)	(488)	(572)	(1,547)	(35,010)
Grants	(24,330)	(509)	(122)	(47)	(16,387)	(41,395)
Balance at 1.1.2013	**30,547**	**6,995**	**196**	**192**	**7,003**	**44,933**
Investments	15	107	1	6	3,813	3,942
Roll-out	4,977	939	14	36	(5,966)	
Depreciation	(113)	(884)	(16)	(33)		(1,046)
Impairment losses		(15)			(8)	(23)
Non-recurring transactions						
Change in consolidation scope						
Exchange rate gains and losses						
Disposals and divestments	(9)	(16)	(1)	(2)	(81)	(109)
Other changes						
Reclassifications from/ to Assets held for sale						
Increases in grants	(3,848)	(11)	(7)	(1)	(12)	(3,879)
Other reclassifications	(121)	(1)		1	78	(43)
Mergers						
Total changes	**901**	**119**	**(8)**	**8**	**(2,176)**	**(1,157)**
Historical cost	84,402	15,917	819	836	22,780	124,754
Depreciation and impairment losses	(24,767)	(8,284)	(502)	(588)	(1,555)	(35,696)
Grants	(28,187)	(519)	(129)	(49)	(16,399)	(45,283)
Balance at 31.12.2013	**31,448**	**7,114**	**188**	**199**	**4,826**	**43,775**
Investments	20	312	4	7	3,610	3,953
Roll-out	1,380	1,033	12	16	(2,441)	
Depreciation	(107)	(916)	(17)	(33)		(1,073)
Impairment losses		(206)			(2)	(208)
Non-recurring transactions*		39	1			40
Disposals and divestments*	(19)	(7)	(1)	(1)	(21)	(49)
Reclassifications from/ to Assets held for sale	1					1
Increases in grants	(1,164)	(109)	(7)	(7)	(1,195)	(2,481)
Other reclassifications*	52	8	2		(18)	44
Total changes	**163**	**154**	**(5)**	**(18)**	**(66)**	**227**
Historical cost	85,943	17,301	835	857	23,912	128,848
Depreciation and impairment losses	(24,968)	(9,397)	(517)	(622)	(1,556)	(37,060)
Grants	(29,363)	(638)	(135)	(55)	(17,595)	(47,786)
Balance at 31.12.2014	**31,612**	**7,266**	**183**	**180**	**4,761**	**44,002**

millions of Euros

** Notes are broken down in the following table*

	Land, buildings, railway and port infrastructure	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Other reclassifications and transfers from/ to Assets held for sale						
Historical cost	167	74	4	11	(21)	235
Depreciation	(59)		(2)	(12)		(73)
Impairment losses	(42)	(65)		1		(106)
Grants	(13)	(1)			3	(11)
Total	**53**	**8**	**2**		**(18)**	**45**
Disposals and divestments						
Historical cost	26	83	6	13	21	149
Depreciation	(5)	(75)	(5)	(12)		(97)
Impairment losses	(1)					(1)
Grants	(1)	(1)				(2)
Total	**19**	**7**	**1**	**1**	**21**	**49**
Non-recurring transactions						
Historical cost		49	1		5	55
Depreciation						
Impairment losses						
Grants		(10)			(5)	(15)
Total		**39**	**1**			**40**

millions of Euros

The increase in investments under Assets under construction and payments on account (€3,610 million) is mainly due to:

- the costs incurred to complete High speed network infrastructures and to design and construct High speed/High capacity and Traditional Network facilities (€2,559 million);
- the costs incurred to purchase, restructure and redevelop rolling stock (€984 million) (specifically, the renewal of the Regional Transport fleet, advances for the projects for the new *Frecciarossa 1000* High-speed electric trains, the refurbishment of *Frecciarossa* and *Intercity* carriages);
- the capitalisation of internal and external costs related to design and works for the redevelopment of the main stations (€46 million);
- the costs incurred to redevelop, restructure and build workshops and rolling stock for German regional transport (€5 million).

The roll-out of Land, buildings, railway and port infrastructure mainly refers to RFI SpA's railway infrastructures (€1,347 million), the main Italian stations (€18 million) and the industrial buildings for rolling stock (€15 million). The roll-out of Plant and machinery mainly relates to new locomotives and new buses (€945 million) and ancillary works for station complexes (€11 million) and plants related to the railway network (€77 million).

Impairment losses of €208 million mainly relate to the impairment loss recognised on the Cargo CGU following the impairment test (€185 million). Reference should be made to the relevant note for an analysis and comment on these impairment losses and the write-down of obsolete rolling stock (€13 million).

Non-recurring transactions refer to the acquisition of Umbria Mobilità Esercizio Srl and its property, plant and equipment as described in the paragraph Change in consolidation scope.

At 31 December 2014, there are no mortgages or privileges on property, plant and equipment, except for part of Trenitalia SpA's rolling stock worth €3,410 million, which was pledged to Eurofima SA in respect of non-current loans and borrowings through the Parent and with the exclusion of the flats owned by RFI SpA to be sold pursuant to Law no. 560/93.

Government grants

During the year, in line with the progress of work on property, plant and equipment, intangible assets and investment property, the following grants related to assets, totalling €2,481 million, were paid.

- €32 million related to the grants from the Ministry of the Economy and Finance for investments in HS/HC infrastructures;
- €1,693 million related to the grants from the Ministry of the Economy and Finance for investments in the Traditional Network;
- €488 million related to the grants from the Ministry of Infrastructure and Transport and other bodies for infrastructural investments in the Traditional Network;
- €22 million related to work in progress concerning Complementary works for station complexes, approved as part of the strategic infrastructure programme (Law no. 443/2001 – the so-called "*Legge Obiettivo*"); and
- €37 million related to the maintenance/renewal of the fleet for railway and road transport.

Other grants (€209 million) mainly refer to the European Union and local bodies.

Finally, contractual constraints, with an average term of 15 years, apply to the grants received in connection with the investments into the bus fleet for the operation of public services in Umbria (€16 million). The repayment obligation, in the event of early sale of the contributed asset, is replaced with the possibility of using the residual grant to purchase a new asset, of the same type and for the same use, replacing the previous asset.

10. Investment property

The following table shows the opening and closing balances of investment property at 31 December 2014 and 2013.

	2014		2013	
	Land	Buildings	Land	Buildings
Balance at 1 January				
Cost	2,529	845	2,398	858
of which:				
- historical cost	2,530	885	2,399	888
- grants	(1)	(40)	(1)	(30)
Accumulated depreciation		(416)		(402)
Allowance for impairment	(1,083)	(119)	(1,063)	(118)
Carrying amount	**1,446**	**310**	**1,335**	**338**
Changes of the year				
Acquisitions/Increases		5		2
Reclassifications	(8)	(37)	134	(5)
Grants		(2)		(9)
Depreciation and impairment losses	(58)	(12)	(19)	(15)
Other changes			(3)	
Total changes	**(66)**	**(47)**	**112**	**(27)**
Balance at 31 December				
Cost	2,508	700	2,529	845
of which:				
- historical cost	2,509	742	2,530	885
- grants	(1)	(42)	(1)	(40)
Accumulated depreciation		(351)		(416)
Allowance for impairment	(1,128)	(86)	(1,083)	(119)
Carrying amount	**1,380**	**263**	**1,446**	**310**

millions of Euros

Investment property includes owner-occupied land and buildings measured at cost, areas to be enhanced and several buildings, workshops and properties leased to third parties.
The reclassifications of the year of both land and buildings are mainly due to a change in the use of certain areas and a better representation thereof.
Impairment losses, totalling approximately €62 million, were recognised to adjust the carrying amounts of land and buildings to their fair value which was lower as determined by accurate appraisals. With respect to one building, this adjustment entailed the reversal of an impairment loss of approximately €4 million.

11. Intangible assets

	Development expenditure	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Other	Goodwill	Total
Historical cost	116	10	899	133	77	94	1,328
Amortisation and impairment losses	(88)	(9)	(579)		(33)		(709)
Grants	(5)		(32)	(19)			(56)
Balance at 1.1.2013	**23**	**1**	**288**	**113**	**44**	**94**	**564**
Investments			3	102	2		107
Roll-out			56	(57)			(1)
Amortisation	(1)	(1)	(53)		(9)		(64)
Disposals and divestments			(1)		(3)		(4)
Non-recurring transactions							
Impairment losses				(2)			(2)
Reclassifications from/ to Assets held for sale							
Increases of grants			(4)				(4)
Other reclassifications			2	(92)	1		(89)
Total changes	**(1)**	**(1)**	**3**	**(49)**	**(9)**		**(56)**
Historical cost	116	10	958	86	75	94	1,339
Amortisation and impairment losses	(89)	(10)	(630)	(2)	(40)		(771)
Grants	(5)		(37)	(19)			(61)
Balance at 31.12.2013	**22**		**291**	**65**	**35**	**94**	**507**
Investments		1	4	198	2		205
Roll-out	2		67	(69)			
Amortisation	(1)		(56)		(10)		(67)
Disposals and divestments							
Non-recurring transactions			1			18	19
Impairment losses				(1)			(1)
Reclassifications from/ to Assets held for sale							
Increases in grants			(1)				(1)
Other reclassifications			1	(16)			(15)
Total changes	**1**	**1**	**16**	**112**	**(8)**	**18**	**140**
Historical cost	118	11	1,034	199	77	112	1,550
Amortisation and impairment losses	(90)	(10)	(686)	(3)	(50)		(838)
Grants	(5)		(41)	(19)			(65)
Balance at 31.12.2014	**23**	**1**	**307**	**177**	**27**	**112**	**647**

millions of Euros

Investments in Assets under development and payments on account and roll-out refer to the software development and implementation costs, measures to improve the efficiency of production processes, the increase in the efficiency and streamlining of sales channels and the Group's information system.
Other reclassifications of assets under development and payments on account match assets under construction and payments on account.
As described in Note 4, the acquisition of the controlling investment (70%) in Umbria Mobilità Esercizio Srl, on 28 February 2014, by Busitalia - Sita Nord Srl from Umbria TPL and Mobilità SpA was carried out against a consideration of €21 million. This transaction generated provisional goodwill of €18 million. The definitive amount will be confirmed by the final allocation process of the difference between the prices paid and the carrying amount of the target company, in accordance with the time frame set out in IFRS 3. The put option for the sale of the residual 30% (again described in detail in Note 4) was exercised at the pre-set price of €11.7 million. The additional difference between the price and the carrying amount of the target company (approximately €11 million), was recognised directly in equity (retained earnings/losses carried forward) and allocated to the owners of the Parent in accordance with IFRS 10.B 96.

Impairment test

In accordance with IAS 36 – Impairment of assets, in line with the previous years, the Group companies tested for impairment non-current assets with an indefinite useful life and tested other non-current assets where necessary (i.e., when there are triggering events such as goodwill or indications of possible impairments).
Specifically, the impairment test focused on the goodwill of Netinera Deutschland GmbH, Ataf Gestioni Srl and FS Logistica SpA.
With respect to these companies, the test was carried out using 2015 forecast figures and the amounts of FS Italiane Group's latest 2014-2017 business plan approved by FS Italiane's Board of Directors on 19 February 2014.
In preparing their financial statements, RFI SpA and Trenitalia SpA tested for impairment the non-current assets related to RFI SpA's "HS/HC network division" and Trenitalia SpA's "Cargo", "Long-haul passenger transport" and "Regional passenger transport" cash generating units (CGUs, i.e., the independent business units which can generate largely independent cash inflows), given the presence of significant trigger events. These events, which are described in detail in the Directors' report, related to:

- the Government's decision not to renew the Cargo Service Contract following the elimination of the costs to use infrastructure in Southern Italy and ferry costs, which are calculated in proportion to the trains-km generated by the railway companies, for transport services originating and/or terminating in Central and Southern Italy ("2015 Stability Act"),
- the Electricity and Gas Regulator's resolution no. 641/2013/R/COM of 27 December 2013 which increased the cost of energy for traction,
- Resolution ART 70/2014 which approved a number of regulations governing universal access to the railway infrastructure and which marked the beginning of the proceedings to define the calculation criteria of the relevant toll.

With respect to the above CGUs, the impairment test was carried out considering the 2015 budget's forecast cash flows and the updated Business plan which was revised based on the best available information about the events summarised above. A specific business plan for the 2015-2022 period, approved by Trenitalia SpA's Board of Directors on 31 March 2015, was considered for the Cargo Division.
The test was carried out by comparing Net Invested Capital to the recoverable amount of each CGU, being the higher of a CGU's fair value and its value in use. The value in use was estimated using the perpetual capitalisation of prospective cash flows in the last year of the explicit projection period, using growth rates similar to those included in the long-term forecasts of the inflation rate (1.5%-2%). The discount rate used is the Weighted Average Cost of Capital ("WACC") for each CGU.

The following table shows the main figures of the test:

CGU	Net invested capital (millions of Euros)	Discount rate (WACC)	Growth rate
Trenitalia SpA			
M/L-haul passenger transport	3,096	4.74%	1.50%
Regional passenger transport	5,325	4.74%	1.50%
Cargo	746	5.92%	1.50%
RFI SpA			
HS/HC Network Division*	5,242	5.50%	2.00%
Netinera Deutschland GmbH	625	5.77%	1.00%
FS Logistica SpA	109	8.67%	1.50%
Ataf Gestioni Srl	21	9.40%	n.a.

* *The carrying amount of the HS/HC Network CGU, equal to €5,242 million, is the difference between Net Invested Capital (NIC) at 31 December 2014 (€8,395 million) and the infrastructure's residual value of €3,153 million*

The comparison between the Cargo CGU's Net Invested Capital and the discounted cash flows, increased by its value in use, shows an impairment loss of €185 million. No impairment losses were identified for the other CGUs of FS Italiane Group.
Furthermore, a sensitivity analysis was conducted on the WACC used to test the Cargo CGU's for impairment. The analysis showed that a 20 bps increase/decrease in WACC would generate an impairment loss of €220 million and €147 million, respectively.

12. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2014 and changes of the year due to the main temporary differences between carrying amounts and the related tax amounts.

	31.12.2013	Incr./(Decr.) through profit or loss	Incr./(Decr.) OCI	Other changes	31.12.2014
Deferred tax assets	287	(148)			139
Deferred tax liabilities	211	(12)			199

millions of Euros

Deferred tax assets and liabilities are mainly related to the misalignment between the carrying amount and the tax value of property, plant and equipment (specifically, the traditional network for the impairment loss recognised on the original cost on IFRS first-time adoption) and inventories (specifically, buildings held for trading, with respect to revaluations not relevant for tax purposes). Furthermore, deferred tax assets reflect the current recoverability of the part of Trenitalia SpA's tax losses, based on the Group's profitability prospects and considering the ruling legislation applicable to the carry-forward of losses and the reference socio-economic scenario.
Changes of the year in deferred tax assets are due to the following factors:

- the increase in the recoverability of the above tax losses (€19 million), as the net effect of the release of the 2014 portion of deferred tax assets on prior year losses (€69 million) and the adjustment of the receivable for losses considered "recoverable" in 2015 and 2016, based on expected positive results (€88 million);
- the decrease (€169 million) which impacted profit or loss as a result of the new legislation introduced in article 1.20 of Law no. 190 of 23 December 2014 (the "2015 Stability Act"), entailing the full deductibility of all personnel expense relating to employees hired under open-ended contracts for Irap purposes. This measure has made it highly unlikely that the deferred tax assets previously recognised by the infrastructure operator will be recovered as it is no longer probable that it will generate future taxable profit.

The decrease in deferred tax liabilities is mainly due to the changes introduced by the "2015 Stability Act" with respect to Irap as described earlier (€6 million). The change in deferred tax liabilities also relates to the prior year losses incurred by the German group Netinera Deutschland (€6 million).

13. Equity-accounted investments

They include the carrying amount of jointly controlled entities and associates.
The following table gives a breakdown of the carrying amount of equity investments at 31 December 2014, together with the percentage of investment and the related carrying amount, net of capital proceeds due, with prior year corresponding figures.

	Carrying amount at 31.12.2014	% of investment	Carrying amount at 31.12.2013	% of investment
Investments in jointly controlled entities				
Cisalpino SA	19.33	50.00	1.15	50.00
ODEG Ostdeutsche Eisenbahngesellschaft mbH	3.14	50.00	2.80	50.00
Trenord Srl	30.93	50.00	32.27	50.00
Verkehrsbetriebe Osthannover GmbH*	2.05	57.45	2.00	57.45
Other**	7.51		5.39	
Investments in associates				
BBT SE SpA	77.96	50.00	71.19	50.00
Ferrovie Nord Milano SpA	49.15	14.74	47.01	14.74
LTF - Lyon Turin Ferroviaire Sas (now TELT Sas)	95.05	50.00	95.05	50.00
Quadrante Europa Terminal Gate SpA	7.67	50.00	7.67	50.00
Other**	8.50		8.20	
Total	**301**		**273**	

millions of Euros

* *Despite holding more than 50% of Verkehrsbetriebe Osthannover GmbH and more than half of the related voting rights, through the subsidiary Netinera Deutschland GmbH, the Group does not control this entity in accordance with an agreement entered into with the other Shareholders*

** *Other equity investments in associates and jointly controlled entities include similar situations which are not broken down as they are not significant*

The following table gives a breakdown of equity investments, grouped by category, and changes therein.

	Closing balance at 31.12.2013	Change in consolidation scope	Capital increases/ (decreases)	Income statement impact	Other	Closing balance at 31.12.2014
Investments in jointly controlled entities	44		1	23	(5)	63
Investments in associates	229		7	4	(2)	238
Total	**273**		**8**	**27**	**(7)**	**301**

millions of Euros

The €1 million capital increase related to jointly controlled entities refers to Terminal Alptransit Srl.
Capital increases for associates refer to the TFB SpA's subscription (€53 million) of the share capital of BBT SE, partly offset by the grants related to assets disbursed by the Ministry of the Economy and Finance to RFI SpA for financial investments (€46 million) as per section 7122, which were recognised as an adjustment to the carrying amount of the investment.
The income statement impact mainly refers to the profits/losses for 2014 and the income earned by Cisalpino SA following the penalties paid by Alstolm SpA, which were suspended in 2009 (€18 million).
Other includes the changes in the Hedging reserve, the Actuarial reserve, exchange rate gains/losses for companies which operate in a currency other than the Euro and dividend distribution.
Finally, the investment in Osthannoversche Umschlagsgesellschaft mbH, which was classified under Assets held for sale and disposal groups in 2013, was reclassified to Investments in associates during the year as it is no longer held for sale. Consequently, 2014 year-end figures were adjusted.

Investments in jointly controlled entities

The following financial information is provided about the most significant investments in jointly controlled entities. The following tables also include a reconciliation between the investment's summarised financial information and its consolidated carrying amount.
Cisalpino SA, whose business object is the preparation and management of high quality train offers connecting Italy and Switzerland and lines related to other networks, is no longer active.
Trenord Srl's business object is the operation of railway local public transport in Lombardy and the various areas defined in the relevant public service contracts.

TRENORD SRL

	31.12.2014	31.12.2013
% of investment	**50%**	**50%**
Cash and cash equivalents	27	24
Current financial assets		
Other current assets	365	318
Non-current financial assets		1
Other non-current assets	235	239
Current financial liabilities	(110)	(73)
Other current liabilities	(327)	(294)
Non-current financial liabilities	(18)	(44)
Other non-current liabilities	(100)	(97)
Equity	**72**	**74**
Equity attributable to the Parent	**36**	**37**
Elimination of gain on business unit contribution	(9)	(9)
Other adjustments	4	4
Carrying amount of the equity investment	**31**	**32**
Revenue	747	760
Operating costs	(689)	(706)
Depreciation and impairment losses	(43)	(35)
Operating profit	**15**	**19**
Financial income	1	
Financial expense	(4)	(5)
Pre-tax profit	**12**	**14**
Tax expense/income	(10)	(14)
Profit for the year	**2**	
Other comprehensive income		
Total comprehensive income	**2**	
Portion of comprehensive income attributable to the Parent	**1**	
Dividends received		

millions of Euros

ODEG Ostdeutsche Eisenbahngesellschaft mbH's business object is passenger transport by rail on the German market, specifically, regional transport in northern Germany.

ODEG OSTDEUTSCHE EISENBAHNGESELLSCHAFT MBH

	31.12.2014	31.12.2013
% of investment	**50%**	**50%**
Cash and cash equivalents	5	3
Current financial assets		
Other current assets	35	53
Non-current financial assets		
Other non-current assets	6	6
Current financial liabilities		
Other current liabilities	(31)	(47)
Non-current financial liabilities	(6)	(6)
Other non-current liabilities	(2)	(3)
Equity	**7**	**6**
Equity attributable to the parent	**3**	**3**
Carrying amount of the equity investment	**3**	**3**
Revenue	176	172
Operating costs	(167)	(163)
Depreciation and impairment losses	(1)	(1)
Operating profit	**8**	**8**
Financial income		
Financial expense	(1)	(1)
Pre-tax profit	**7**	**7**
Tax expense/income	(2)	(2)
Profit for the year	**5**	**5**
Other comprehensive income		
Total comprehensive income	**5**	**5**
Portion of comprehensive income attributable to the Parent	**2**	**3**
Dividends received		

millions of Euros

Investments in associates

The following tables provide summarised financial information about the Group's investments in associates which are deemed individually material. Furthermore, they include a reconciliation between the summarised financial information and the consolidated carrying amount of each investment.
BBT SE creates measures to develop and design a railway tunnel under the Brenner mountain between Innsbruck and Fortezza.

BBT SE

	31.12.2014	31.12.2013
% of investment	**50%**	**50%**
Cash and cash equivalents	42	34
Current financial assets	17	10
Other current assets	1	1
Non-current financial assets	703	547
Other non-current assets		
Current financial liabilities	(42)	(22)
Other current liabilities		
Non-current financial liabilities	(327)	(276)
Other non-current liabilities		
Equity	**394**	**294**
Equity attributable to the Parent	**197**	**147**
Difference arising from the different accounting treatment of grants related to assets*	(130)	(86)
Other adjustments	11	11
Carrying amount of the equity investment	**78**	**71**
Revenue	15	12
Operating costs	(14)	(12)
Depreciation and impairment losses	(1)	(1)
Operating profit		**(1)**
Financial income		1
Financial expense		
Pre-tax profit		
Tax expense/income		
Profit/loss for the year		
Other comprehensive income		
Total comprehensive income		
Portion of comprehensive income attributable to the Parent		
Dividends received		

millions of Euros

* *Reclassification of the MEF's grants related to assets in accordance with the Group's accounting policies (as per IAS 20.27) through the parent Tunnel Ferroviario del Brennero SpA.*
These grants will be used to finance the design and construction of the Brenner Rail base tunnel between Tulfes/Innsbruck and Fortezza. They are presented in equity

Ferrovie Nord Milano SpA negotiates and manages investments in companies, specifically, but not limited to, companies operating in the transport and real estate sectors.
FNM SpA is listed on Borsa Italiana's OTC market. At 30 December 2014, its unit price per share was €0.5575.
The following figures are taken from the consolidated financial statements of FNM group.

FERROVIE NORD MILANO GROUP

	31.12.2014	31.12.2013
% of investment	**14.74%**	**14.74%**
Cash and cash equivalents	47	127
Current financial assets	129	80
Other current assets	97	97
Non-current financial assets	17	21
Other non-current assets	347	291
Current financial liabilities	(19)	(21)
Other current liabilities	(177)	(170)
Non-current financial liabilities	(23)	(24)
Other non-current liabilities	(82)	(79)
Equity	**336**	**322**
Equity attributable to the Parent	**49**	**47**
Carrying amount of the equity investment	**49**	**47**
Revenue	325	296
Operating costs	(289)	(256)
Depreciation and impairment losses	(18)	(21)
Operating profit	**18**	**19**
Financial income	10	9
Financial expense	(1)	(1)
Pre-tax profit	**27**	**27**
Tax expense/income	(6)	(7)
Profit for the year	**21**	**20**
Other comprehensive expense	(2)	
Total comprehensive income	**19**	**20**
Portion of comprehensive income attributable to the Parent	**3**	**3**
Dividends received	**1**	**1**

millions of Euros

The business object of LTF - Lyon Turin Ferroviarie Sas (which, starting from 23 February 2015, has changed its name to Tunnel Euralpin Lyon Turin Sas – TELT) is the construction of the new Turin-Lyon railway line and the performance of studies, surveys and preliminary works in the Italian-French area of the international section.

LTF - LYON TURIN FERROVIAIRE SAS (NOW TELT SAS)

	31.12.2014	31.12.2013
% of investment	**50%**	**50%**
Cash and cash equivalents	13	6
Current financial assets	74	123
Other current assets	1	
Non-current financial assets		
Other non-current assets	750	700
Current financial liabilities	(98)	(134)
Other current liabilities	(1)	(1)
Non-current financial liabilities		
Other non-current liabilities		
Equity	**739**	**694**
Equity attributable to the Parent	**370**	**347**
Difference arising from the different accounting treatment of grants related to assets*	(275)	(252)
Carrying amount of the equity investment	**95**	**95**
Revenue	45	78
Operating costs	(45)	(78)
Depreciation and impairment losses		
Operating profit		
Financial income		
Financial expense		
Pre-tax profit		
Tax expense/income		
Profit for the year		
Other comprehensive income		
Total comprehensive income		
Portion of comprehensive income attributable to the Parent		
Dividends received		

millions of Euros

* *Reclassification of the Government's grants disbursed as of 2007 and related to assets in accordance with the Group's accounting policies (as per IAS 20.27) through the parent RFI SpA.*
These grants will be used to finance the studies and preliminary works for the construction of the international section of the Turin-Lyon railway line. They are presented in equity

14. Financial assets (including derivatives)

The following table gives a breakdown of financial assets at 2014 and 2013 year ends:

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other equity investments	191		191	191		191			
Securities and loans	7	20	27	24	17	41	(17)	3	(14)
Receivables from the Ministry of the Economy and Finance for the fifteenyear grants to be collected	3,075	559	3,634	3,796	276	4,072	(721)	283	(438)
Other financial assets									
Loan assets	112	12	124	96	31	127	16	(19)	(3)
Other loan assets		6	6		19	19		(13)	(13)
Total	**3,385**	**597**	**3,982**	**4,107**	**343**	**4,450**	**(722)**	**254**	**(468)**

millions of Euros

The receivables from the Ministry of the Economy and Finance (MEF) related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act*, chap. 7124, which were included under Other current and non-current assets up to 31 December 2013, have been reclassified to Current and non-current financial assets in 2014 based on the actual nature of the receivable (also in the 2013 corresponding column).

The Receivables from the Ministry of the Economy and Finance for the fifteen-year grants to be collected, of €3,634 million, can be analysed as follows:

- €1,133 million related to the fifteen-year grants pursuant to article 1.84 of the *2006 Finance Act* for the implementation of railway investments. They are recognised against the amounts to be used for the loan agreement entered into by the Parent with Cassa Depositi e Prestiti and authorised by the MEF's specific decree;
- €2,472 million related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act* for the continuation of the projects involving the "High speed/High capacity" system of the Turin-Milan-Naples line.

The €438 million decrease in the receivables from the Ministry of the Economy and Finance is mainly due to:

- the decrease (€152 million) in the grants related to the *2006 Finance Act* which is attributable to the reduction in the corresponding financial liability with Cassa Depositi e Prestiti (Traditional Network and HS/HC Network) due to the combined effect of the additional accrual of €51 million related to the interest accrued in 2014 and the collection of the annual grant pertaining to 2014 (€203 million);
- the net decrease (€286 million) in the grants related to the *2007 Finance Act*, due to the combined effect of the additional accrual of €114 million related to interest accrued in 2014 and the collection of the annual grant pertaining to 2014 (€400 million).

The decrease in Loan assets (€3 million) is mainly due to the increase in the non-current portion (€16 million) caused, in particular, by the increase in the amounts seized in the restricted current accounts with Unicredit and the decrease in the current portion (€19 million) mainly as a consequence of the amount drawn from the restricted current accounts opened in 2013 following the signing of the purchase and sale contract of the areas related to the new Teatro dell'Opera in Florence.

15. Other current and non-current assets

They can be analysed as follows:

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from Group companies		19	19		15	15		4	4
Other VAT receivables	442	300	742	459	174	633	(17)	126	109
Ministry of the Economy and Finance and Ministry of Infrastructure and Transport	605	5,117	5,722	910	3,952	4,862	(305)	1,165	860
Grants related to assets from EU, other Ministries and other		50	50		37	37		13	13
Other Government authorities		50	50		19	19		31	31
Sundry receivables and prepayments and accrued income	82	290	372	95	325	420	(13)	(35)	(48)
Total	**1,129**	**5,826**	**6,955**	**1,464**	**4,522**	**5,986**	**(335)**	**1,304**	**969**
Allowance for impairment	(2)	(17)	(19)		(14)	(14)	(2)	(3)	(5)
Total net of the allowance for impairment	**1,127**	**5,809**	**6,936**	**1,464**	**4,508**	**5,972**	**(337)**	**1,301**	**964**

millions of Euros

The receivables from the Ministry of the Economy and Finance (MEF) and the Ministry of Infrastructure and Transport (MIT) are mainly related to transfers in favour of RFI SpA and, to a minimum extent, of SGT SpA (€6 million). The table below shows the figures related to RFI SpA:

TRANSFERS IN FAVOUR OF RFI SPA

	Carrying amount at 31.12.2013	Increases	Other changes	Decreases	Carrying amount at 31.12.2014
Grants related to income					
Due from MEF as per the Government Programme Contract	**180**	**976**		**(1,076)**	**80**
Grants related to assets					
Due from MEF	3,286	2,197	300	(1,486)	4,298
Due from MIT	1,395	436	(300)	(194)	1,337
Total grants	**4,681**	**2,634**		**(1,680)**	**5,635**
Total	**4,861**	**3,609**		**(2,756)**	**5,715**

millions of Euros

To improve the accounting presentation, two reclassifications were made compared to 31 December 2013:

- the amounts related to the Government Programme Contract, originally to be disbursed as grants related to assets (€262 million), were used to cover extraordinary maintenance in accordance with article 7-ter of Law no. 71 of 24 June 2013;
- the receivables from MEF related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act*, chap. 7124 (31 December 2013: €2,758 million) were reclassified under Current and non-current financial assets.

The receivables related to the "Government Programme Contract" were recognised for an amount of €976 million, equal to that set by Law no. 147 of 27 December 2013, the "2014 Stability Act". During the year, €1,076 million was collected, €100 million in prior year residual receivables and €976 million in receivables pertaining to 2014.
With respect to grants related to assets, the receivables from the MEF related to the "Government Programme Contract" recognised in 2014 amount to €2,197 million. These amounts refer to infrastructural investments and extraordinary maintenance or urgent measures that cannot be postponed concerning the railway network, as permitted by Law no. 147 of 27 December 2013 "2014 Stability Act".
Furthermore, during the year, the receivables from the MIT rose €436 million following the completion of the HS/HC lines and railway network improvement measures.
Finally, the increase in receivables from the MEF and the decrease in those from the MIT (€300 million) is due to the transfer of resources from MIT's chapter 7514 of the 2014 and 2015 annual amounts, related to extraordinary maintenance, to MEF's chapter 7122. Furthermore, during the year, €1,680 million was collected in total.
The receivables for grants related to assets recognised as amounts due from the MEF and the MIT as per the Government Programme Contract refer to work not yet performed. Accordingly, they have a balancing entry in liabilities under payments on account.

VAT receivables rose by €109 million mainly as a consequence of the 2011 VAT repaid by the Tax authorities (€126 million), partly offset by the periodic VAT settlements of 2014 (€15 million). For a better comparison of amounts, following a liquidity analysis, at 31 December 2013, €62 million was reclassified from Other current assets to Other non-current assets.
Sundry receivables and prepayments and accrued income decreased by €48 million mainly as a consequence of lower non-trade receivables of the infrastructure due to the decrease in contributions to the CCSE (Electricity Industry Equalisation Fund).
The following table gives a breakdown of other non-current and current assets by geographical segment:

	31.12.2014	31.12.2013	Change
Italy	6,919	5,959	960
Eurozone countries	34	25	9
United Kingdom			
Other European countries (EU, non-Euro)			
Other non-EU European countries	1	2	(1)
United States			
Other countries	1		1
Total	**6,955**	**5,986**	**969**

millions of Euros

16. Inventories and construction contracts

This caption can be analysed as follows:

	31.12.2014	31.12.2013	Change
Raw materials, consumables and supplies	1,268	1,264	4
Allowance for inventory write-down	(206)	(222)	16
Carrying amount	**1,062**	**1,042**	**20**
Work in progress and semi-finished products	2	5	(3)
Allowance for inventory write-down			
Carrying amount	**2**	**5**	**(3)**
Derecognised assets to be disposed of	21	21	
Allowance for inventory write-down	(10)	(12)	2
Carrying amount	**11**	**9**	**2**
Buildings and land held for trading	1,199	1,192	7
Allowance for inventory write-down	(334)	(331)	(3)
Carrying amount	**865**	**861**	**4**
Total inventories	**1,940**	**1,917**	**23**
Construction contracts	44	21	23
Allowance for inventory write-down	(1)	(1)	
Carrying amount	**43**	**20**	**23**
Total construction contracts	**43**	**20**	**23**

millions of Euros

Raw materials, consumables and supplies comprise the inventories necessary to meet the demand for materials to be used in investments, permanent way material, electrical systems, navigation equipment and maintenance materials. The €20 million increase is mainly due to the infrastructure and is equal to the net balance between €277 million for the purchasing of materials and €52 million for the production of Officine Nazionali Armamento e Apparecchiature Elettriche (Pontassieve and Bologna), offset by the use of materials of €311 million. The allowance for inventory write-down decreased by €16 million mainly as a result of the combined effect of the use of €33 million to cover the scrapping of inventories and the €17 million accrual recognised in respect of the impairment of such materials.
Buildings and land held for trading refer to the properties held by FS Italiane Group which will be sold. The €4 million increase in their carrying amount is due to the reclassification of some real estate complexes held for trading to inventories (€7 million). This reclassification was offset by the impairment losses (€3 million) recognised to align the carrying amount of the assets to their market value.
Construction contracts reflect the gross amount due from customers for contract work in progress whose costs incurred and profit margins recognised (less recognised losses), exceed the invoicing of work progress. The increase is mainly due to the contracts related to the infrastructure (€13 million) and design and engineering contracts (€8 million).

17. Current and non-current trade receivables

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	11	1,259	1,270	13	1,267	1,280	(2)	(8)	(10)
Government authorities and other public authorities	100	180	280	33	183	216	67	(3)	64
Foreign railways		17	17		30	30		(13)	(13)
Railways under concession		6	6		6	6			
Agencies and other transport companies		24	24		25	25		(1)	(1)
Receivables for public service contracts:									
Regions		842	842		1,090	1,090		(248)	(248)
Government		377	377		246	246		131	131
Other receivables from Group companies		154	154		117	117		37	37
Total	**111**	**2,859**	**2,970**	**46**	**2,964**	**3,010**	**65**	**(105)**	**(40)**
Allowance for impairment	(18)	(463)	(481)	(18)	(423)	(441)		(40)	(40)
Total net of the allowance for impairment	**93**	**2,396**	**2,489**	**28**	**2,541**	**2,569**	**65**	**(145)**	**(80)**

millions of Euros

The €105 million decrease in current trade receivables, gross of the allowance for impairment, is mainly due to the reduction in Receivables for public service contracts - Regions (€248 million), for passenger local service contracts, following the combined effect of the payments made during the year and the decrease in the production volumes of local public transport services, and the increase in the receivables from the Ministry of the Economy and Finance (MEF) for the public service contract (€131 million) given the increased payment time of the relevant amounts. Furthermore, the receivables from Ordinary customers – current portion – decreased by €8 million following an improved payment during the year.
Non-current trade receivables increased by €65 million mainly in relation to those due from the Government authorities and other public authorities. This caption includes the receivable related to the services rendered in the past to the Waste emergency Commissioner of the Campania Region for solid waste management in the region. Its nominal amount, net of the allowance for impairment, is €91 million, while its recognised fair value is €81 million comprised as follows: the amount assigned to FS Italiane Group with temporary enforcement, equal to €74 million, which reflects the nominal amount, and the residual €17 million measured using a recoverability estimate of ten and a half years.
The allowance for impairment rose €40 million and is mainly due to the coverage of receivables for travel irregularities.

The following table gives a breakdown of non-current and current trade receivables by geographical segment:

	31.12.2014	31.12.2013	Change
Italy	2,852	2,886	(34)
Eurozone countries	82	88	(6)
United Kingdom			
Other European countries (EU, non-Euro)	8	14	(6)
Other non-EU European countries	17	20	(3)
United States			
Other countries	11	2	9
Total	**2,970**	**3,010**	**(40)**

millions of Euros

18. Cash and cash equivalents

They can be analysed as follows:

	31.12.2014	31.12.2013	Change
Bank and postal accounts	262	450	(188)
Cash and cash on hand	40	41	(1)
Treasury current accounts	1,006	1,131	(125)
Total	**1,308**	**1,622**	**(314)**

millions of Euros

The decrease in cash and cash equivalents on 2013 (a total of €314 million) is mainly due to bank and postal accounts (€188 million), following the repayments of EIB and Cassa Depositi e Prestiti loans in December 2014, and the treasury current account (€125 million) for lower payments made by the Ministry of the Economy and Finance to the Government Programme Contract and public service contracts with the Government, as well as other grants disbursed by the European Commission.

19. Tax assets

Tax assets of €101 million in 2014 rose by €10 million on 2013 (€91 million). They refer to prior year income tax receivables.

20. Equity

Changes in equity in 2013 and 2014 are shown in the statement of changes in equity.

SHARE CAPITAL
At 31 December 2014, the Parent's fully subscribed and paid-up share capital was made up of 38,790,425,485 ordinary shares, with a par value of €1 each, for a total of €38,790 thousand.

LEGAL RESERVE
The legal reserve, of €25 million, rose to the extent related to the profit of the Parent of €4 million and allocated to this caption.

TRANSLATION RESERVE
This reserve include all exchange rate differences arising from the translation of the financial statements of foreign operations. It amounts to €3 million.

HEDGING RESERVE
The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedges relating to transactions that have not yet taken place and the portion of the cumulated reserve with previous financial instruments in relation to which, in 2012, the counterparties exercised the contractually-permitted early termination option. At 31 December 2014, this reserve was negative by €291 thousand (negative by €326 million at 31 December 2013) due to the combined effect of the fair value measurement of hedging instruments at the reporting date (increase of €8 million) and the release of the portion of the year following the above-mentioned early termination of contracts (increase of €27 million).

ACTUARIAL RESERVE
The actuarial reserve, which includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card, is a negative €395 million at the reporting date (31 December 2013: negative by €232 million).

LOSSES CARRIED FORWARD
The negative balance of €1,661 million is mainly due to the retained earnings and losses carried forward of consolidated companies, prior year consolidation adjustments and the change in consolidation scope, following the acquisition of an additional 30% investment in Umbria Mobilità Esercizio Srl by Busitalia - Sita Nord Srl (-€12 million), as commented on in the note to intangible assets.

OTHER COMPREHENSIVE INCOME (NET OF THE TAX EFFECT)
The financial statements include a statement of comprehensive income which shows other comprehensive income net of the tax effect.

21. Equity attributable to non-controlling interests

The following table shows the financial highlights of the each subsidiary with significant non-controlling interests for the Group, gross of infragroup eliminations. Consequently, these figures do not match the information provided by these companies in their financial statements. With respect to Netinera Deutschland group, these figures reflect those of the consolidated financial statements of the German group, gross of the elimination related to FS Italiane Group.

	Grandi Stazioni SpA	Centostazioni SpA	Ataf Gestioni Srl	Cemat SpA	Tunnel Ferroviario del Brennero SpA	Netinera Deutschland Group	Other subsidiaries which are not individually material	Eliminations/Adjustments	Total
Balances at 31.12.2014									
Non controlling interest (%)	40%	40%	30%	46.72%	13.90%	49%			
Current assets	126	41	44	88	42	83			
Non-current assets	335	55	42	73	208	712			
Current liabilities	(162)	(45)	(45)	(81)		(156)			
Non-current liabilities	(146)	(16)	(36)	(35)		(373)			
Net assets	**153**	**35**	**5**	**45**	**250**	**266**			
Net assets pertaining to non-controlling interests	**61**	**14**	**2**	**21**	**35**	**136**	**10**	**(6)**	**272**
Revenue	203	80	80	206		423			
Profit/(Loss) for the year	18	8		1		(3)			
Other comprehensive expense	(2)		(1)						
Total comprehensive income (expense)	**16**	**8**	**(1)**	**1**		**(3)**			
Profit/(Loss) attributable to non-controlling interests	7	3		1		(1)	1		11
Other comprehensive expense attributable to non-controlling interests	(1)								
Net cash flows generated by/(used in) operating activities	46	9	(4)	20		6			
Net cash flows used in investing activities	(25)	(3)	(12)	(9)	(50)	(42)			
Net cash flows generated by/(used in) financing activities	(16)	(7)	15	(2)	53	(2)			
Total net cash flows for the year	5	(1)	(1)	9	3	(38)			
Dividends paid to non-controlling interests	(3)	(2)							

millions of Euros

	Grandi Stazioni SpA	Centostazioni SpA	Ataf Gestioni Srl	Cemat SpA	Tunnel Ferroviario del Brennero SpA	Netinera Deutschland Group	Other subsidiaries which are not individually material	Eliminations/Adjustments	Total
Balances at 31.12.2013									
Non controlling interest (%)	40%	40%	30%	46.72%	14.21%	49%			
Current assets	123	41	25	81	39	114			
Non-current assets	330	54	33	74	158	449			
Current liabilities	(148)	(42)	(30)	(70)		(162)			
Non-current liabilities	(160)	(21)	(22)	(41)		(131)			
Net assets	**145**	**32**	**6**	**44**	**197**	**270**			
Net assets pertaining to non-controlling interests	**58**	**13**	**2**	**21**	**28**	**140**	**7**	**(7)**	**262**
Revenue	200	82	79	208		408			
Profit/(Loss) for the year	8	9	(2)	1		(7)			
Other comprehensive income	2								
Total comprehensive income	**10**	**9**	**(2)**	**1**		**(7)**			
Profit/(Loss) attributable to non-controlling interests	3	4	(1)			(4)	(1)		1
Other comprehensive income attributable to non-controlling interests	1								
Net cash flows generated by operating activities	20	13				38			
Net cash flows generated by/(used in) investing activities	(14)	(2)		(9)	(13)	13			
Net cash flows generated by/(used in) financing activities	(5)	(11)		6	33	(43)			
Total net cash flows for the year	1			(3)	20	8			
Dividends paid to non-controlling interests	(6)	(3)							

millions of Euros

22. Current and non-current loans and borrowings

This caption amounts to €11,089 million and can be analysed as follows:

	31.12.2014	31.12.2013	Change
Non-current loans and borrowings, net of the current portion			
Bonds	3,893	4,138	(245)
Bank loans and borrowings	4,176	4,730	(554)
Loans and borrowings from other financial backers	1,522	1,468	54
Total	**9,591**	**10,336**	**(745)**
Current loans and borrowings and current portion of non-current loans and borrowings			
Bonds (current portion)	263	24	239
Bank loans and borrowings (current portion)	1,035	887	148
Loans and borrowings from other financial backers (current portion)	200	193	7
Total	**1,498**	**1,104**	**394**
Total loans and borrowings	**11,089**	**11,440**	**(351)**

millions of Euros

Bonds comprise:

- twenty-four bonds issued by the Parent and fully subscribed by the Swiss investee, Eurofima SA (private placement). The aim of these bonds is to finance the investments for the plan to renew and upgrade rolling stock. Repayment will take place in one instalment at the expiry date. Coupons accrue every six months at the variable interest rate for twenty bonds and at a fixed rate for the remaining four bonds. They are not listed on “official markets”, domestic or foreign stock exchanges, cannot be traded and will be maintained in Eurofima SA’s financial statements as the sole holder;

- two tranches, for a total of €1,350 million, of the bond related to the Euro Medium Term Notes Programme placed by FS SpA with the Dublin Stock Exchange in 2013. The first tranche, of a nominal amount of €750 million and annual fixed coupon at 4%, expires on 22 July 2020, while the second tranche, of a nominal amount of €600 million and annual fixed coupon at 3.5%, expires on 22 July 2021.

During the year, bonds (both current and non-current portions) decreased by €6 million mainly as a consequence of the repayment of a Eurofima bond.
Bank loans and borrowings (both current and non-current portions) decreased during the year by €406 million following the payment of principal falling due in 2014, €391 million related to the European Investment Bank and €83 million related to Banca infrastrutture innovazione e sviluppo (formerly OPI), partially offset by the increase in current borrowings of €68 million.
Loans and borrowings from other financial backers (both current and non-current portions) include the loans and borrowings from Cassa Depositi e Prestiti for the railway infrastructure (Traditional Network and High speed), repayment of which is ensured by the Government grants be received for the 2007-2021 period, and repaid for €175 million during the year, and those related to Netinera Deuschland group's leases of €239 million, against which 58 pieces of rolling stock were rolled out in December.

23. Post-employment benefits and other employee

	2014	2013
Present value of post-employment benefit obligations	1,912	1,842
Present value of Free Travel Card obligations	52	38
Total present value of obligations	**1,964**	**1,880**

millions of Euros

Changes in the present value of liabilities for defined benefit obligations are shown in the table below.

	2014	2013
Defined benefit obligations at 1 January	1,880	2,099
Service cost	1	
Interest cost*	39	42
Actuarial/(Gains) losses recognised in equity	163	(84)
Advances, utilisations and other changes	(119)	(178)
Total defined benefit obligations	**1,964**	**1,880**

millions of Euros

* *Through profit or loss*

ACTUARIAL ASSUMPTIONS

The main assumptions for the actuarial estimate process are described below:

	2014	2013
Discount rate (post-employment benefits)	0.91%	2.49%
Discount rate (Free Travel Card)	1.49%	3.17%
Annual increase rate of post-employment benefits for 2015	1.95%	3.00%
Annual increase rate of post-employment benefits for 2016	2.40%	
Annual increase rate of post-employment benefits for 2017 and 2018	2.63%	
Annual increase rate of post-employment benefits from 2019 onwards	3.00%	
Inflation rate of post-employment benefits for 2015	0.60%	2.00%
Inflation rate of post-employment benefits for 2016	1.20%	
Inflation rate of post-employment benefits for 2017 and 2018	1.50%	
Inflation rate of post-employment benefits from 2019 onwards	2.00%	
Inflation - Free Travel Card for 2015	0.60%	
Inflation - Free Travel Card for 2016	1.20%	
Inflation rate - Free Travel Card for 2017 and 2018	1.50%	
Inflation rate - Free Travel Card for 2019 onwards	2.00%	
Expected turnover rate for employees - post-employment benefits	2.60%	3.45%
Expected turnover rate for employees - Free Travel Card	3.20%	3.20%
Expected rate of advances	1.97%	1.98%
Death probability	RG48 mortality rate published by the General Accounting Office	
Disability	Inps tables broken down by gender and age	
Retirement age	100% upon meeting the Compulsory general insurance requirements	

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in the present value of liabilities for defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The last table shows the average duration of the defined benefit obligations and the disbursements provided by the plan.

	Post-employment benefits	Free Travel Card	Other employee benefits
Inflation rate +0,25%	1,961	55	2
Inflation rate -0,25%	1,942	49	2
Discount rate +0,25%	1,936	50	2
Discount rate -0,25%	1,968	53	2
Turnover rate +1%	1,946		2
Turnover rate -1%	1,958		
Plan duration	8	11	8
Payment first year	154	3	0.2
Payment second year	137	3	0.2
Payment third year	143	3	0.2
Payment fourth year	158	3	0.2
Payment fifth year	89	3	0.2

millions of Euros

24. Provisions for risks and charges

The opening and the closing balances of, and changes in, the provisions for risks and charges for 2014 are given below, indicating the current and non-current portions. They are deemed adequate to cover the Group's probable charges.

Provisions for risks and charges	31.12.2013	Accruals	Utilisations and other changes	Release of excess provisions	31.12.2014
Provision for taxation	11	1	(1)	(6)	5
Other provisions	1,103	94	(260)	(120)	817
Total non-current portion	**1,114**	**95**	**(261)**	**(126)**	**822**

millions of Euros

Current portion of provisions for risk and charges	31.12.2013	Accruals	Utilisations and other changes	31.12.2014
Other provisions	28	2	(8)	22
Total current portion	**28**	**2**	**(8)**	**22**

millions of Euros

The provision for taxation includes probable future tax charges. It was released by approximately €6 million following greater prior year accruals for the local property tax (ICI) applied to station buildings.
Other provisions is broken down below.
The bilateral fund for income assistance, set up to cover the launch of the Group's production structure rationalisation projects, amounts to €28 million. Approximately €6 million was accrued during the year, while utilisations, of about €165 million, relate to extraordinary services to be paid to employees who entered the fund in 2013 and 2014 in the next few years.
The provision for leaving incentives amounts to €37 million. It was used by approximately €13 million in 2014.
The provision for litigation with employees, which covers the probable charges arising from pending disputes and brought before the competent courts in respect of economic and career claims and compensation for occupational illness, amounts to €86 million. During the year, a total of €31 million was accrued, specifically by RFI SpA and Trenitalia SpA. The prevision was used by a total of €29 million to cover the contribution charges and costs related to disputes with personnel.
The provisions for litigation with third parties of €338 million were accrued to cover probable charges arising from the disputes underway with suppliers for subcontracting, services and supplies, the potential dispute for suppliers' claims and the charges prudently accrued for probable disputes with the Regions about the quality of the transport services rendered as part of the public service contracts. During the year, approximately €32 million was accrued, with several income statement captions as balancing entries. They mainly refer to RFI SpA and Trenitalia SpA for new outstanding disputes. The provision was used by approximately €29 million following the settlement of disputes with an unfavourable outcome for the Group and the payment of penalties to customers and the Regions. Approximately €2 million was released through profit or loss to reflect the smaller needs related to pending disputes.
The provision accrued to cover the charges related to the reclamation of polluted sites and the enhancement of works to be sold (€55 million) was used by approximately €11 million.

Finally, with respect to Other provisions, which include prior year accruals for maintenance, workshop expense, expense related to buildings held for trading and disputes with agents, €111 million of the provision for maintenance, set up by RFI SpA in prior years, was released through profit or loss as the reasons behind its accrual no longer existed (specifically, this provision had been accrued to finance that part of the maintenance work of the infrastructure to be carried which was not covered by the Government budget).

25. Current and non-current financial liabilities (including derivatives)

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Hedging derivatives	153	47	200	188	20	208	(35)	27	(8)
Other financial liabilities	2	225	227	3	174	177	(1)	51	50
Total	**155**	**272**	**427**	**191**	**194**	**385**	**(36)**	**78**	**42**

millions of Euros

Hedging derivatives reflect the total amount of interest rate swaps (IRS) and interest rate collars, calculated using standard market valuation methods (at fair value) in accordance with IFRS 13. They were entered into by FS Italiane Group to cover non-current loans and borrowings at variable rates. The €8 million decrease is due to the decrease (€35 million) in the fair value of non-current hedging derivatives and the increase (€27 million) in current hedging derivatives.
The current portion of Other financial liabilities rose by €51 million mainly for current account overdrafts.

FAIR VALUE MEASUREMENT

The hedging derivatives included in the Group's portfolio are OTC and fall under Level 2.
Financial instruments have been measured at fair value using financial models based on market standards. Specifically, this entailed:

- determining the net present value of future flows for swaps;
- calculating the market value, using the Black & Scholes model, for collars and caps.

The inputs used to feed the above models reflect observable market parametres which are available with the main financial info-providers.
Specifically, the swap vs. three-month Euribor curve figures were used, as well as those related to the swap vs. six-month Euribor curve, the Eur interest rate volatility curve and the credit default swap curve (CDS) of the parties to the derivative contract, which reflect the input widely accepted by market operators to calculate non-performance risk. This risk is calculated using adequate financial valuation techniques and models which include, inter alia, the following factors: *i)* the risk exposure, being the potential mark-to-market exposure throughout the life of the financial instrument, *ii)* adequate CDS curves to reflect their probabilities of default (PD).

26. Other current and non-current liabilities

They can be analysed as follows:

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants		5,979	5,979		5,538	5,538		441	441
Advances to customers									
Social security charges payable	60	278	338	72	269	341	(12)	9	(3)
VAT liabilities		92	92		109	109		(17)	(17)
Other liabilities with Group companies		44	44		81	81		(37)	(37)
Other liabilities and accrued expenses and deferred income	493	1,094	1,587	487	951	1,438	6	143	149
Total	**553**	**7,487**	**8,040**	**559**	**6,948**	**7,507**	**(6)**	**539**	**533**

millions of Euros

The following table shows the changes related to the advances recognised mainly by the Infrastructure operator (RFI SpA) in respect of grants related to assets disbursed by the Government (the MEF and MIT), the European Union and other authorities, for investments to be made in the Traditional and High speed network.

ADVANCES FOR GRANTS

	31.12.2013	Increases	Decreases and grants	31.12.2014
Ministry of the Economy and Finance (MEF)	3,679	2,362	(1,963)	4,078
Ministry of Infrastructure and Transport (MIT)	1,192	436	(488)	1,141
European Regional Development Fund	400	103	(138)	365
Trans-European network	139	67	(4)	202
Other	128	125	(59)	193
Total	**5,538**	**3,093**	**(2,652)**	**5,979**

millions of Euros

The decrease in advances refer to the recognition of grants under Property, plant and equipment, Intangible assets and Equity investments, to which reference should be made for additional information. Furthermore, €141 million refer to grants recognised in profit or loss to cover financial expense.
Other liabilities with Group companies, of €44 million, decreased by €37 million, following the disbursement of grants from the European Union to finance the project for the new Lyon-Turin transalpine railway line, as the party carrying out the works.
The increase in Other liabilities and accrued expenses and deferred income (€149 million) mainly refers to the collection (€74 million), with temporary enforcement, of the amounts related to receivables from the Government and other public authorities for the waste disposal emergency in the Campania region, as described in Note 17. The residual amount is attributable to the change in liabilities with employees for services rendered but not yet paid, liabilities with the bilateral fund for income assistance, guarantee deposits, liabilities with public authorities, other tax liabilities for withholdings at source on employees and free lancers and taxes for the revaluation of post-employment benefits, etc.
Accrued expenses and deferred income, totalling €187 million at 31 December 2014, mainly refer to the portion of revenue pertaining to future years related to the repayment of expense invoiced during the year. This revenue will be released through profit or loss in subsequent years over the term of the relevant contracts and includes the revenue from the 30-year transfer of the rights to use the power lines for the passage of electric cables to Basictel (€68 million) pertaining to future years, Vodafone fees for tunnel access and maintenance (€19 million) and, the sale of the right to use inert fibres to Infostrada (€5 million), including the installation and replacement of fibre separators and other equipment to connect inert fibres to the other parts of the IS network (Train signalling and safety systems).

27. Current and non-current trade payables

They can be analysed as follows:

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Trade payables	20	3,513	3,533	24	3,395	3,419	(4)	118	114
Payments on account		70	70	1	60	61	(1)	10	9
Trade payables to Group companies		34	34		24	24		10	10
Payables for construction contracts		11	11		11	11			
Total	**20**	**3,628**	**3,648**	**25**	**3,490**	**3,515**	**(5)**	**138**	**133**

millions of Euros

The €114 million increase in ordinary trade payables for investing activities is mainly due to the purchase a new rolling stock (€42 million) and the increase in investments in infrastructure works (€45 million). Payments on account refer to advances received. The increase on the previous year is due greater advances received from ordinary customers and public authorities, while payables for construction contracts reflect the gross amount due from customers for contract work in progress whose costs incurred, net of profit margins recognised, exceed the invoicing of work progress. These payables refer to the asset caption Construction contracts and are unchanged.

28. Tax liabilities

The balance at 2014 year end, equal to €5 million (€7 million at 2013 year end), includes the liabilities of Group companies for Irap (regional tax on productivity) (€2 million), Ires (corporate income tax) (€1 million) related to the subsidiaries that do not participate in the tax consolidation scheme and the income taxes of foreign companies (€2 million).

29. Revenue from sales and services

The table and comments below give a breakdown of revenue from sales and services.

	2014	2013	Change
Revenue from transport services	**6,229**	**6,035**	**194**
Market revenue	**3,962**	**3,796**	**166**
Passenger traffic products	3,075	2,945	130
Cargo traffic products	887	851	36
Public service contract fees	**2,267**	**2,239**	**28**
Public service contracts and other contracts	466	491	(25)
Fees from the Regions	1,801	1,748	53
Revenue from infrastructure services	**1,245**	**1,333**	**(88)**
Other service revenue	**225**	**205**	**20**
Capitalisation of work on buildings held for trading and other changes in product inventories		**3**	**(3)**
Revenue for contract work in progress	**35**	**21**	**14**
Total	**7,734**	**7,597**	**137**

millions of Euros

The increase in revenue from Passenger traffic products comprises the results of various passenger service sectors. Indeed, revenue increased in the medium-/long-haul passenger transport (€112 million) and the regional transport sectors, both in Italy (€1 million) and in Germany through Netinera Deutschland group (€4 million) as well as in the road passenger service sector, following the consolidation of Umbria Mobilità Esercizio Srl (€20 million), in which Busitalia - Sita Nord Srl holds an investment. Conversely, revenue from the companies operating in foreign markets, specifically Thello Sas, decreased (-€7 million).
The successful performance of the medium-/long-haul passenger transport arises from different trends based on the various types of services.
Market services grew 6.9% (€108 million), mainly thanks to the increase in the "*Freccia*" products (€113 million), following, in particular, the strengthening of the offers on the High-speed line Turin-Milan-Naples-Salerno. International traffic also increased, up by €3 million. The positive performance of the High-speed market was partly offset by the decrease in revenue from services with few passengers and negative profit margins, such as *Intercity* (down €8 million), which are currently being streamlined.
The Universal service segment confirmed prior year results, with revenue from traffic up by €4 million (+1.3%).

In Italy, the Regional Transport sector recorded substantially stable revenue, with a slight increase of €1 million (+0.1% on the previous year), due to the increase in tariffs (+0.9%), offsetting the decrease in revenue due to the fewer services requested by the Regions (approximately -1.7%).
Revenue from cargo traffic products (€36 million) refers to the offsetting results obtained on the domestic and international market. Indeed, revenue from companies operating in the domestic market in the Traditional business sector decreased by approximately 3.2% on 2013, mainly as a consequence of the crisis which continues to affect some sectors of the Italian industry. Conversely, revenue from the international market, both Traditional and the Combined and inter-modal logistics, increased, mainly following the rise in the volume of activities with third-party customers.
Public service contract fees increased with respect to Fees from the Regions mainly as a consequence of the above-mentioned consolidation of Umbria Mobilità Esercizio Srl (€49 million) and the increase in the fees from Netinera Deutschland group (€7 million), partly offset by the decrease in revenue from "ordinary" Regions due to lower production (€3 million). The decrease in public service contract fees is mainly due to the reduction in the volume of local public transport services purchased by the Government for special-status Regions and the joint services in the Triveneto region (down €25 million).
The table below gives a breakdown of fees by public service contracts with the Government:

	2014	2013	Change
Tariff and service obligations:			
– for passenger transport	368	388	(20)
– for cargo transport	98	103	(5)
Total	**466**	**491**	**(25)**

millions of Euros

Revenue from infrastructure services includes revenue from the Government pursuant to the Government Programme Contract for 2012-2014 services, which decreased by €75 million on 2013, due to the lower accruals provided for by the Government Programme Contract which, during its term, includes the effects of an important review of the maintenance models of the domestic railway network, and revenue from the sale of electrical energy for traction, which increased by €4 million. Conversely, revenue from toll services decreased by approximately €17 million, mainly as a consequence of the reduction in the lines with the highest economic value (HS/HC), following Ministerial decree no. 330/2013 (15% decrease in HS fee) and subsequent Resolution ART no. 70/2014, which was immediately executed (36% decrease in unit toll), as described in detail in the Directors' report.
Other service revenue refers to traffic-related services and services provided to railway companies, specifically Trenord Srl, for rolling stock maintenance (+€26 million), shunting (+€2 million), lease (+€5 million) and other traffic-related services (-€10 million). This caption also includes the negative balance of greater provisions of approximately €3 million for disputes with customers.
The increase in Revenue for contract work in progress is mainly due to the rise in the number of engineering contracts won during the year, specifically on foreign markets.

30. Other income

This caption can be analysed as follows:

	2014	2013	Change
Revenue from property management	**246**	**277**	**(31)**
Leases	185	183	2
Recharging of condominium expense and Ires tax	18	18	
Sale of buildings and land held for trading	15	46	(31)
Sale of advertising spaces	28	30	(2)
Other sundry income	**410**	**455**	**(45)**
Total	**656**	**732**	**(76)**

millions of Euros

Revenue from property management decreased mainly as a consequence of the reduction in the sale of some buildings and land held for trading (down €31 million). Conversely, revenue from leases, recharging of condominium expense and sale of advertising spaces is substantially unchanged.
Other sundry income includes, inter alia, revenue from the charging of penalties and sanctions, insurance compensation, fees on the sale of tickets, health services provided to third parties, work on behalf of third parties and gains on the sale of assets and materials.
It decreased mainly as a consequence of:

- lower gains on the sale of building compared to the previous year (-€41 million), specifically following the recognition, in 2013, of the gain on the sale of Roma Tiburtina (€49 million), partially offset by greater gains from the sale of materials no longer used and buildings to the Bolzano province during the year (€8 million),
- lower gains on the sale of scrapped rolling stock (-€10 million),
- the decrease in revenue from the charging of penalties and sanctions and fees on the sale of tickets (-€12 million),

partly offset by the increase in revenue for work on behalf of third parties (€11 million) and the greater grants related to income disbursed by the Government, the EU and other public authorities, worth €7 million (€33 million in 2014 compared to €26 million in 2013), mainly due to Umbria Mobilità Esercizio Srl joining FS Italiane Group.

31. Personnel expense

This caption can be analysed as follows:

	2014	2013	Change
Employees	**3,812**	**3,812**	
Wages and salaries	2,800	2,822	(22)
Social security charges	769	771	(2)
Other expense for employees	34	4	30
Post-employment benefits	181	185	(4)
Post-employment benefits/Free Travel Card service costs	1		1
Accruals/releases	27	30	(3)
Consultants and collaborators	**9**	**8**	**1**
Wages and salaries	5	3	2
Social security charges	1	1	
Other costs	3	4	(1)
Other costs	**97**	**90**	**7**
Total	**3,918**	**3,910**	**8**

millions of Euros

Personnel expense is substantially stable compared with 2013.
Specifically, despite the increase in personnel expense for permanent employees due to the rise in remuneration following the automatic increases pursuant to collective agreements, with the payment of the last tranche of the increase in minimum wages in October, and the increase in the so-called "consolidation effect", following the consolidation of Umbria Mobilità Esercizio Srl (€33 million), personnel expense did not increase on 2013. This was made possible thanks to the continuation of the production and labour reorganisation process which has constantly reduced the average workforce (from 71,031 in 2013 to 69,487 in 2014, as shown in the table below), including through leaving incentives and the use of the extraordinary benefits under the fund for income assistance.
The table below gives a breakdown the FS Italiane Group's average number of employees by category:

	2014	2013	Change
Managers	742	768	(26)
Junior managers	11,066	11,681	(615)
Other	57,679	58,582	(903)
Total	**69,487**	**71,031**	**(1,544)**

32. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	2014	2013	Change
Raw materials and consumables	637	629	8
Electrical energy and fuel for traction	209	189	20
Lighting and driving force	43	57	(14)
Change in buildings and land held for trading	7	61	(54)
Accruals/Releases	2		2
Total	**898**	**936**	**(38)**

millions of Euros

Raw materials and consumables rose by approximately €8 million following the increase in the consumption of materials in stock, especially for the infrastructure sector, which was characterised by an increase in direct purchases.
Following the Electricity and Gas Regulator's resolution no. 641 of 27 December 2013 which changed the conditions of the energy market, energy costs, net of the adjustments received from the Equalisation fund for the electricity sector (€8.6 million), increased by €19 million. The increase in fuel is substantially due to the consolidation of Umbria Mobilità Esercizio Srl (€1 million).
Lighting and driving force decreased by €14 million mainly as a result of the streamlining measures to reduce operating costs.
The change in buildings and land held for trading is substantially due to lower sales (€19 million) and lower impairment losses of the year (€35 million).
Finally, following the analysis of obsolete and slow-moving items, €2 million was accrued to the allowance for inventory write-down.

33. Services

This caption can be analysed as follows:

	2014	2013	Change
Transport services	**587**	**541**	**46**
Other transport-related services	72	64	8
Toll	174	161	13
Shunting services	27	21	6
Cargo transport services	314	295	19
Maintenance, cleaning and other contracted services	**864**	**944**	**(80)**
Contracted services and work	35	31	4
Contract cleaning and other services	349	354	(5)
Maintenance and repair of intangible assets and property, plant and equipment	591	558	33
Accruals/releases for maintenance	(111)	1	(112)
Property services and utilities	**86**	**88**	**(2)**
Administrative and IT services	**135**	**132**	**3**
External communication and advertising expense	**19**	**18**	**1**
Other	**494**	**455**	**39**
Professional services and consultancies	37	34	3
Prize competitions and fees to other railway companies	11	15	(4)
Insurance	70	81	(11)
Sleeping carriages and catering	89	86	3
Agencies' fees	65	64	1
Engineering services	27	19	8
Other costs for services, accruals/releases	30	(6)	36
Other	165	162	3
Total	**2,185**	**2,178**	**7**

millions of Euros

The increase in Transport services reflects the upward trend of revenue from traffic. Indeed, the increase in the costs for other transport-related services is due to Busitalia Rail Service Srl's greater traffic volumes (€8 million) for the performance of railway replacement services. The increase in toll costs is mainly due to the improved performance of companies operating on the German market (€16 million), offset by the lower costs of Thello Sas (-€4 million). The increase in costs for Cargo transport service is due to the greater operations of the companies active in the inter-modal logistics (€11 million) and the companies operating on the German market (€8 million).

The decrease in Maintenance, cleaning and other contracted services is mainly due to the release of the provision for ordinary maintenance with generated a positive effect of €111 million, as the reasons which led to the accrual ceased to exist (see Note 24), partially offset by greater costs for rolling stock (€33 million).
Other reflects different trends.
Indeed, 2014 was marked by an increase in accruals and a decrease in releases for litigation and disputes (€36 million). Furthermore, costs for Engineering services rose €8 million following the increase in non-captive market activities, while Insurance costs decreased following the smaller number of policies entered into in 2014 (-€11 million).

34. Use of third-party assets

This caption can be analysed as follows:

	2014	2013	Change
Operating lease payments	2	2	
Leases payments, condominium expense and registration tax	60	55	5
Leases and indemnities for rolling stock and other	110	102	8
Total	**172**	**159**	**13**

millions of Euros

The increase in Lease payments, condominium expense and registration tax is mainly due to the consolidation of Umbria Mobilità Esercizio Srl (€2 million) and the increase in third-party leases for Italferr SpA's foreign leases, given the increase in turnover (€2 million).
The increase in Leases and indemnities for rolling stock and other is mainly due to greater leases of rolling stock following the raise in international traffic volumes.

35. Other operating costs

This caption can be analysed as follows:

	2014	2013	Change
Other costs	149	144	5
Losses	2	6	(4)
Accruals/Releases	10	6	4
Total	**161**	**156**	**5**

millions of Euros

Other costs is substantially unchanged compared to the previous year. The €5 million increase is due to the greater local municipal tax (IMU) for 2014, greater expense for membership fees and contributions and sundry bodies, penalties received and compensation, non-deductible VAT and other taxes totalling €5 million, a €4 million accrual for risks related to litigation with third parties and the smaller losses incurred in 2014 related to the sale of rolling stock no longer used (-€4 million).

36. Internal work capitalised

Internal work capitalised mainly relates to the cost of materials, personnel and transport expense capitalised in 2014 against work performed on the infrastructure and value-increasing maintenance of the rolling stock carried out at the FS Italiane Group's workshops.
This caption amounts to €1,058 million balance (2013: €1,043 million). The rise in capitalisations (€15 million) is mainly due to the increase in the internal improvement and modification measures for the infrastructure and the lines and greater value-increasing maintenance of rolling stock.

37. Amortisation and depreciation

This caption can be analysed as follows:

	2014	2013	Change
Amortisation	66	64	2
Depreciation	1,087	1,059	28
Total	**1,153**	**1,123**	**30**

millions of Euros

The increase in the depreciation of property, plant and equipment (approximately €28 million) is due to the consolidation effect of Umbria Mobilità Esercizio Srl (+€7 million), and the roll-out of new assets, specifically following the investments in the requalification of large stations (+€2 million) and the restructuring and value-increasing maintenance of rolling stock (+€27 million). These changes were partly offset by the decrease in the depreciation of the HS/HC Network, mainly as a consequence of the increase in the expected volume of trains/km (approximately -€8 million).

38. Reversal of impairment losses

This caption can be analysed as follows:

	2014	2013	Change
Impairment losses on intangible assets	1		1
Impairment losses on property, plant and equipment	275	50	225
Impairment losses and reversals of impairment losses on receivables	20	18	2
Total	**296**	**68**	**228**

millions of Euros

Impairment losses on property, plant and equipment increased following the impairment losses recognised on the Trenitalia SpA's Cargo CGU (€185 million) based on the results of the impairment test. For additional information in this respect, reference should be made to Note 11. The increase is also attributable to the impairment losses recognised on some real estate complexes (€56 million), based on the appraisal value, net of the reversal of the impairment loss on an individual real estate unit. In 2013, the impairment losses recognised on land and buildings amounted to €21 million.

39. Provisions

Provisions, totalling €6 million (2013: €21 million), include the accruals recognised by FS Italiane Group which began the procedure to adhere to the bilateral fund for income assistance.
For additional information, reference should be made to the note to Other provisions of the statement of financial position.

40. Financial income

This caption can be analysed as follows:

	2014	2013	Change
Financial income from non-current loans and receivables and securities	2	2	
Financial income from derivatives	2	2	
Other financial income	101	62	39
Exchange rate gains	2	21	(19)
Total	**107**	**87**	**20**

millions of Euros

Financial income increased by a total of €20 million.
The increase in Other financial income is mainly due to the offsetting effect of the greater income of the year following the discounting of the receivable from the Prime Minister's Office for the waste disposal emergency in the Campania region related to the amounts collected in 2014 (€63 million) and the decrease in income compared to 2013, when the monetary revaluation of the Cociv award was recognised (-€24 million).
The decrease in Exchange rate gains, totalling €19 million, is due to the recognition of lower income compared to 2013. In the previous year, it included the income from Cisalpino SA's share capital repayment (-€15 million), recognised at the historical exchange rate ruling on acquisition and repaid at the exchange rate prevailing at the transaction date. The 2014 balance is also due to the positive closing exchange rate positive effect related to the Group's receivables in Swiss francs (-€4 million).

41. Financial expense

This caption can be analysed as follows:

	2014	2013	Change
Interest on financial liabilities	195	206	(11)
Financial expense per employee benefits	42	45	(3)
Impairment losses on financial assets		50	(50)
Exchange rate loss	7	1	6
Accruals/releases	1	27	(26)
Total	**245**	**329**	**(84)**

millions of Euros

Financial expense amount to €245 million and show a downward trend.
Interest on financial liabilities, which includes interest expense on bonds, interest on non-current loans and borrowings from banks and other financial backers and sundry interest and fees, decreased by €11 million mainly as a consequence of the drop in interest rates in international markets, specifically the Euribor, and the reduction in average debt for the year.
Financial expense per employee benefits, which relates to the discounting of post-employment benefits and the Free Travel Card, show a slight decrease of €3 million due to the personnel who left the company.
Impairment losses on financial assets decreased on 2013. In the previous year, this caption included the impairment loss on the investee Stretto di Messina SpA (€49 million).
Lower accruals were recognised in 2014, generating an improvement of approximately €26 million compared to the previous year, when accruals for arbitration proceedings were recognised for an amount of €27 million.
The above financial expense is shown net of Government grants of €141 million (reference should also be made to Note 26 Other current and non-current liabilities).

42. Share of profits of equity-accounted investees

This caption, which includes the profits and losses of the Group's associates and jointly controlled companies recognised using the equity method, shows a profit of €27 million, up by €19 million on 2013 (2013: profit of €8 million).
For additional information reference should be made to Note 13 Equity-accounted investees.

43. Current and deferred taxes

Income taxes can be analysed as follows:

	2014	2013	Change
Irap	109	132	(23)
Ires	5	3	2
Foreign current taxes	3	3	
Deferred taxes	143	14	129
Foreign deferred taxes	(5)	(8)	3
Adjustments to prior year income taxes	(10)	(17)	7
Total income taxes	**245**	**127**	**118**

millions of Euros

For additional information about changes in deferred taxes, reference should be made to Note 12 on Deferred tax assets and deferred tax liabilities.

44. Contingent assets and contingent liabilities

Contingent liabilities refer, in particular, to the Directors' report section on Litigation and disputes to which reference should be made for additional information.

45. Audit fees

Pursuant to article 37.16 of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total fees due to the independent auditors PwC SpA and KPMG SpA are shown below. KPMG SpA replaced PwC SpA on 1 October 2014.

	KPMG	PwC	Total
Audit	1,996	579	2,575
Audit-related activities	510	1,101	1,611
Total	**2,507**	**1,680**	**4,187**

thousands of Euros

46. Directors’ and Statutory Auditors’ fees

The following fees were paid to Directors and Statutory Auditors for the performance of their duties:

	2014	2013	Change
Directors	1,310	1,709	(399)
Statutory auditors	100	100	
Total	**1,410**	**1,809**	**(399)**

thousands of Euros

Directors’ fees include the amounts envisaged for the positions of chairman and chief executive officer, as well as any amounts envisaged for the remaining Board members. In addition to the above fees, the 2014 fees of the Supervisory Body (€45 thousand) should also be considered (2013: €52 thousand).

47. Related parties

Related parties were identified in accordance with IAS 24.

Transactions with key managers

The general conditions that govern transactions with key managers and the parties related to them are not more favourable than those applied, or that could have been reasonably applied, to similar transactions with managers other than key managers associated to the same entities at market conditions.
Key managers' fees are as follows:

	2014	2013
Short-term benefits	14.0	15.7
Post-employment benefits	0.8	1.0
Other long-term benefits		
Termination benefits	3.7	1.2
Total	**18.6**	**17.9**

millions of Euros

The benefits relate to the fees paid to the above parties. In addition to short-term benefits of €14 thousand paid out in 2014, a variable portion is to be paid in 2015, for an amount not exceeding €2.4 thousand (€2.6 thousand in 2013).
During the year, the key managers did not carry out any transactions, directly or through close family members, with FS Italiane Group, Group companies or other related parties.

Related party transactions

The main transactions between FS Italiane Group and its related parties, which were all carried out on an arm's length basis, are described below.

TRADE AND OTHER TRANSACTIONS

	Receivables	Payables	Purchases for investments	Guarantees	Revenue	Costs
Enel group	11	6	1	8	5	67
Eni group	7	13		1	16	17
Finmeccanica group	7	148	149	90	29	162
Anas group	2				5	
Cassa Depositi e Prestiti group	8	21		22	17	83
Enav group						
GSE group	2	51		150		344
Poste Italiane group	2	3			1	4
Expo 2015 SpA	1				2	
Eurofer		4				
Previndai		2				1
Other pension funds		2			1	4
Other related parties		1			1	
Total	**40**	**251**	**150**	**271**	**77**	**682**

millions of Euros

FINANCIAL TRANSACTIONS

	Receivables	Payables	Income	Expense
Finmeccanica group			1	
Cassa Depositi e Prestiti group	1	1,386		51
Poste Italiane group	4			
Total	**5**	**1,386**	**1**	**51**

millions of Euros

The nature of the main transactions with independent related parties is described below.
Receivables from Enel group and Eni group mainly refer to lease payments and material transport costs, while payables related to sundry utility payments.
Receivables from Finmeccanica group mainly relate to lease payments, transport costs and lease of rolling stock, while payables refer to sundry maintenance (rolling stock, line, software) and purchase of materials.
Payables to GSE group mainly refer to the purchasing of electricity for train traction.
Receivables from Cassa Depositi e Prestiti group mainly refer to lease and easement payments of land, while payables relate to loans and borrowings and electricity with Terna SpA.
Receivables from Poste Italiane group mainly refer to lease payments, while payables principally relate to postal charges.

48. Guarantees and commitments

Guarantees given mainly refer to:

- collateral on Trenitalia SpA's rolling stock, issued by the company in favour of Eurofima SA, guaranteeing non-current loans and borrowings through Ferrovie dello Stato Italiane SpA (the liability with Eurofima SA at 31 December 2014 amounts to €2,802 million);
- guarantees issued by FS SpA in favour of the European Investment Bank on behalf of RFI SpA and Trenitalia SpA, guaranteeing non-current loans and borrowings granted by the above bank to the companies;
- guarantees issued on behalf of Trenitalia SpA in favour of the Regions, including in relation to the public service contracts agreed, and in favour of other bodies by financial institutions;
- direct guarantees issued on behalf of the Group to the tax authorities;
- direct and bank guarantees issued on behalf of RFI SpA to public authorities (including, but not limited to: good and timely performance of the works related to the High speed/High capacity line, reclamation activities, against the disbursement of financial grants);
- guarantees issued on behalf of RFI SpA and in favour of Terna SpA for the service contract governing electrical energy dispatching by withdrawal points which feed rail traction and for other uses and direct and bank guarantees issued on behalf of RFI SpA and in favour of Acea Distribuzione SpA, Enel Distribuzione SpA, A2A SpA, Hera SpA and Selnet Srl for contracts regulating energy transport services for rail traction and other uses;
- bank sureties issued in favour of other parties such as bid bonds, performance bonds and advance payment bonds.

For additional information about the Parent's guarantees and commitments issued on behalf of Group companies, reference should be made Note 41 of the notes to the separate financial statements.

49. Segment reporting by business segment

The financial highlights of the Group's operating segments for 2014 and 2013 are show below:

	Transport	Infrastructure	Real Estate services	Other services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane Group
2014						
Revenue from third parties	6,491	1,385	200	21	1	8,097
Inter-segment revenue	295	1,142	173	232	(1,549)	293
Revenue	**6,787**	**2,527**	**372**	**253**	**(1,548)**	**8,390**
Personnel expense	(2,248)	(1,517)	(33)	(144)	25	(3,917)
Other costs, net	(3,000)	(562)	(241)	(78)	1,522	(2,359)
Operating costs	**(5,248)**	**(2,079)**	**(274)**	**(222)**	**1,547**	**(6,276)**
Gross operating profit	**1,539**	**448**	**98**	**31**	**(2)**	**2,114**
Amortisation and depreciation	(1,019)	(87)	(32)	(16)		(1,153)
Impairment losses and accruals	(269)	(15)	(8)	(10)		(302)
Operating profit	**251**	**346**	**58**	**5**	**(1)**	**659**
Financial income and expense	(80)	(43)	(19)	32	(1)	(111)
Income taxes	(79)	(175)	(22)	31	(1)	(245)
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**92**	**129**	**17**	**68**	**(3)**	**303**
Net invested capital	**8,867**	**32,897**	**1,977**	**155**	**(181)**	**43,714**

millions of Euros

	Transport	Infrastructure	Real Estate services	Other services	Adjustments and eliminations of operating segments	Ferrovie dello Stato Italiane Group
2013						
Revenue from third parties	6,285	1,513	230	21	17	8,065
Inter-segment revenue	301	1,176	172	237	(1,620)	264
Revenue	**6,586**	**2,689**	**401**	**258**	**(1,603)**	**8,329**
Personnel expense	(2,216)	(1,540)	(32)	(146)	24	(3,910)
Other costs, net	(2,926)	(640)	(307)	(81)	1,566	(2,386)
Operating costs	**(5,142)**	**(2,180)**	**(339)**	**(227)**	**1,590**	**(6,296)**
Gross operating profit	**1,444**	**509**	**62**	**31**	**(13)**	**2,033**
Amortisation and depreciation	(983)	(95)	(29)	(16)		(1,123)
Impairment losses and accruals	(14)	(35)	(31)	(8)		(89)
Operating profit	**446**	**380**	**2**	**6**	**(13)**	**822**
Financial income and expense	(177)	(81)	(5)	28		(234)
Income taxes	(85)	(45)	21	23	(40)	(127)
Segment profit (attributable to the owners of the Parent and non-controlling interests)	**184**	**253**	**18**	**58**	**(53)**	**460**
Net invested capital	**8,871**	**32,338**	**1,996**	**46**	**(176)**	**43.076**

millions of Euros

The net invested capital for 2014 and 2013 of FS Group and the infrastructure segment was adjusted to reflect the receivables from MEF related to the fifteen-year grants pursuant to article 1.964 of the *2007 Finance Act*, reclassified from Other current and non-current assets to Current and non-current financial assets. For additional information, reference should be made to Note 14 Financial assets (including derivatives) and the specific section on operating segments in the Directors' report.

50. Events after the reporting date

Implementing regulation (EU) 2015/10

On 6 January 2015, in its "Implementing regulation (EU) no. 2015/10 on criteria for applicants for rail infrastructure capacity and repealing Implementing Regulation (EU) no. 870/2014", the European Commission set the requirements for the financial guarantees that infrastructure operators are entitled to ask the applicants to protect their legitimate expectations about future cash inflows and the use of the infrastructure.

FS Italiane SpA is LTF Sas's new Shareholder

On 12 January 2015, FS Italiane SpA's Board of Directors, in its decision-making capacity as per the powers entrusted by the by-laws, and RFI SpA's Shareholders called in an extraordinary meeting, approved the partial demerger of RFI SpA to FS Italiane SpA, by partial assignment of equity, based on the financial positions at 31 October 2014. This led to the following:
- the assignment of the 50% interest in Lyon Turin Ferroviaire Sas (LTF) to FS Italiane SpA,
- the decrease in the share capital of the demerged company, RFI SpA, by €95,120,500.00 by cancelling 95,120,500 shares with a nominal amount of €1.00. Consequently, RFI SpA's share capital will be equal to €31,912,512,180.00.

Since RFI SpA is wholly owned by FS SpA, there will be no assignment of new shares of the beneficiary company nor will there be any exchange ratio. On 4 February 2015, the partial demerger agreement was signed, effective from 5 February 2015, leading to the reduction of the share capital of the demerged company, RFI SpA, by €95,120,500.00 (from €32,007,632,680.00 to €31,912,512,180.00).

Launch of the Juncker Plan

On 13 January 2015, the European Commission adopted a proposal for a Regulation which sets up the European Fund for Strategic Investiments (EFSI), the new financial instrument managed by the European Investment Bank and the European Commission in order to implement the so-called Juncker Plan. The aim of the fund is to finance projects in the infrastructure sector by attracting private funds, including transport, research, education, innovation and energy.

FS Italiane SpA, Trenitalia SpA and Eurofima SA sign the Amendment of amendment agreement of deeds of pledge over movables

On 15 January, with respect to the portfolio of rolling stock financial transactions in which Eurofima SA acts as the lender for FS Italiane Group, following the implementation of a plan to scrap rolling stock, FS SpA, Trenitalia SpA and Eurofima SA signed an *Amendment of amendment agreement of deeds of pledge over movables dated 30 October 2009* to replace part of the pledged rolling stock, specifically the series from 1 to 20, for a total amount of approximately €80 million.

Busitalia Veneto SpA is set up

Busitalia Veneto SpA was set up in Padua on 20 January 2015 with an initial share capital of €50 thousand, subscribed by Busitalia - Sita Nord Srl and APS Holding SpA at 55% and 45%, respectively. The deed of incorporation was signed by Busitalia - Sita Nord Srl's CEO and APS Holding SpA's Chairman and CEO. The company's business object is the creation and/or operation, in the Veneto region, of transport activities, of any kind and using any means, of garages and workshops, of tourism projects and activities, and the sale of automotive and similar materials and oil products.

MEF-EIB reach an agreement to finance works for the upgrading of the traditional network

On 30 January 2015, at the Ministry of the Economy and Finance, the MEF and the European Investment Bank reached an agreement to finance RFI SpA's action plan. The agreement, which grants a loan worth almost €1 billion to be used to upgrade traditional railway lines and the regional and local lines from the northern to southern Italy, was signed by the EIB's deputy chairman and the Treasury's Director General.

FS Italiane Group to organise the 2016 edition of the World Congress on Railway Research in Milan

Ferrovie dello Stato Italiane Group, in collaboration with Trenitalia SpA, will organise the eleventh edition of the 2016 World Congress on Railway Research WCRR, the most important global event on railway research, which will be dedicated to the railway transport scenario between now and 2050. The event will be held at the Stella Polare conference centre of Fiera Milano, from 29 May to 2 June 2016. The 2016 edition of the World Congress on Railway Research WCRR will see the participation of 1,000 representatives from over 30 countries and more than 200 speakers. During the congress, some of the world's main railway transport companies, along with infrastructure operators, scientific research institutes, universities and industries, will promote and present the most innovative development projects of this sector.

Regulation (UE) 2015/171

In its "Implementing regulation 2015/171 of 4 February 2015 on certain aspects of the procedure of licensing railway undertakings", the European Commission set a common template for licences and certain aspects of the procedure for granting a licence.

Expo 2015: FS Italiane Group's initiatives

On 7 February 2015, Ferrovie dello Stato Italiane Group implemented a series of initiatives to offer quality railway services during Expo Milano 2015: widespread, effective, cost effective, sustainable and innovative services for passengers, both at the stations and onboard trains, adequate support in promoting the event, including through its communication channels. Ferrovie dello Stato Italiane will be the Official Global Rail Carrier of Expo 2015. During the six months of the Expo, Milan will be served by 236 trains a day, of which 148 *Frecce* trains. Trenitalia SpA has prepared a series of commercial offers to promote the use of Frecce trains, with specific offers for students, tour operators and foreign tourists who intend to visit both Expo 2015 and the rest of Italy. The Expo will open on 1 May 2015 and will also mark the launch of Trenitalia SpA's new High speed train: *Frecciarossa 1000*. This train, which is the jewel of European railway technology, was fully designed and built in Italy by the consortium made up of AnsaldoBreda and Bombardier. It will travel on the Rome-Milan section.
Based on the estimates of the organisers, over 20 million people will visit Expo Milano 2015. Of these, 32% will reach the location by train. In order to meet the mobility needs of Italian and foreign visitors in a competitive and sustainable way, over these six months of the event, the main *Frecciarossa* and *Frecciabianca* trains will stop at the Expo station, Rho-Fiera Milano, 37 times every day. The entire HS system will be strengthened to exploit the possibilities of the main Italian tourist cities. International lines will also increase; specifically, from France, the Expo can be reached directly using the trains of the subsidiary Thello Sas (Paris-Venice), while eight new trains from Switzerland will serve Geneva, Basel and Lugano. Expo tickets can be purchased together with railway tickets. Morever, the intermodality with other means of transport will be facilitated through partnerships and synergies.

RFI SpA-Swiss Federal Railway agreement

The railway lines on the border between Italy and Switzerland became fully interoperable on 12 February 2015 with the launch of the ERTM+S/ETCS (European Rail Traffic Management System/European Train Control System), the latest technological system for train supervision and safe distancing. By the end of 2016, the ERTMS/ETCS system will operate on the Iselle-Domodossola and Ranzo-Sant'Abbondio (Switzerland)-Luino, lines which are part of the Rail Freight Corridor 1 Rhine - Alpine. The cooperation agreement reached by RFI SpA and the Swiss Federal Railway - Infrastructure division is an additional step in the process aimed at improving the technology of the railway infrastructure in line with EU requirements. The ERTMS/ETCS represents a "common language" chosen by the European Union to enable communication among European networks and enable the trains of various countries to travel seamlessly using the same safety standards.

Ferrovie dello Stato Italiane is the first choice of young graduates

On 16 February 2015, FS Italiane Group became the favourite company of young graduates as confirmed by Cesop Communication's survey *Best Employer of Choice 2015*. This survey analyses the preferences of a sample 2,500 young recent graduates, compared to a panel of 100 Italian and multinational companies in order to draw up a list of the most sought-after employers.

Selection process for the finalisation of a backup facility agreement

On 19 February 2015, FS Italiane Group began the selection process for the finalisation of a three-year backup facility agreement for between €1 billion and €1.5 billion. The aim of the transaction is to obtain a revolving committed credit line from banks – which will be selected at the completion of such process. The finalisation of such facility is vital for the building of an important liquidity reserve for FS Group's numerous operating needs, continuing on from the transaction which expired in March 2014.

Turin-Lyon: TELT, Tunnel Euralpin Lyon Turin Sas is set up

TELT, Tunnel Euralpin Lyon Turin Sas, the company in charge of constructing and operating the future Turin-Lyon infrastructure was officially set up on 23 February 2015. The new company replaces LTF Lyon Turin Ferroviaire Sas, which was in charge of the studies and the preliminary works from October 2001 to February 2015. Under the new organisational structure, the company is 50% owned by Ferrovie dello Stato Italiane SpA and the French Government.

FS's Board of Directors approves the bond issue

On 25 February 2015, FS Italiane's Board of Directors approved a bond issue as part of the EMTN Programme listed on the Irish stock exchange for a maximum total of €1.5 billion and a duration of between four to 12 years. The relevant income will be used to finance FS Italiane Group's needs, in line with the forecasts of the 2014-2017 Business plan, specifically with respect to RFI SpA's investments in the High speed/High capacity infrastructural project and Trenitalia SpA's project to purchase rolling stock to be used in the High speed and regional transport sectors.

Law no. 11 of 27 February 2015

This law provides for the following:

- extension of the time limits applicable to public works eligible for financing, as per article 3.2 of the *Sblocca-Italia* ("Get Italy Moving") decree; specifically, with respect to the final section in the Puglia region of the Bologna-Lecce Adriatic railway corridor, the term for the construction was extended to 28 February 2015, while with respect to the additional construction lot of the Verona-Padua HS/HC, the safety assurance of the Cuneo-Ventimiglia railway link and the Third Giovi pass of the Milan-Genoa HS line, the term for contracting and construction was postponed to 28 February 2015 and 31 August 2015, respectively;
- extension of the 10% advance (20% for works not yet tendered) of the contractual amount to the contractor, pursuant to article 26-*ter* of Law decree no. 69 of 21 June 2013, to 31 December 2016;
- introduction of the above article 20.7-*ter* to pursue the efficiency and financial objectives set out in Law decree no. 66 of 24 April 2014, converted, with amendments, by Law no. 89 of 23 June 2014.

Extraordinary appeal to the President of the Republic to annul ART resolutions nos. 70 and 76 of 2014

On 3 March 2015, RFI SpA notified ART of its Extraordinary appeal to the President of the Republic to annul resolutions nos. 70 and 76 and the annexes thereto containing the regulatory measures challenged by the company.
With this appeal, RFI SpA has substantially highlighted a series of procedural, substantive and investigation errors related to both the ART resolutions as a whole and the specific regulatory measures included in said resolutions, specifically those related to HS tolls, infrastructure cleaning, assistance provided to persons with reduced mobility and allocation of areas within stations.

Judicial inquiries

On 16 March 2015, as part of the procedure recorded under no. 15144/13 of the Registered of acknowledged crimes of the Florence Public Prosecutor's Office, RFI SpA's registered office and its purchasing department were subject to searches and seizures in order to obtain digital and paper documents related to the inquiry underway. The notification of the measures authorising the above seizures and other measures at the addresses of the suspects revealed that RFI SpA's CEO, two RFI SpA officers as well as three parties unrelated to FS Italiane Group, were recorded in the Register of acknowledged crimes pursuant to article 353-bis of the Criminal Code (Interference with the freedom to select the contracting party in respect of an assumed tender that never took place). At present, the only information available to RFI SpA can be drawn from the deeds served to the company and its officers. In this respect, the company is carrying out internal analyses and checks to assess any measures that may be taken.

Annexes

Annexes

Scope of consolidation and the Group's equity investments

1. PARENT AND LIST OF SUBSIDIARIES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Parent							
Ferrovie dello Stato Italiane SpA	Rome	Italy	38,790,425,485				
Operating segment: Transport							
In Italy							
Ataf Gestioni Srl	Florence	Italy	5,927,480	Busitalia - Sita Nord Srl	70.00		
				Non-controlling interests	30.00	70.00	Line-by-line
Bluferries Srl	Messina	Italy	20,100,000	Rete Ferroviaria Italiana - RFI SpA	100.00	100.00	Line-by-line
Busitalia - Sita Nord Srl	Rome	Italy	25,510,500	FS SpA	100.00	100.00	Line-by-line
Busitalia Rail Service Srl	Rome	Italy	3,497,788	Busitalia - Sita Nord Srl	100.00	100.00	Line-by-line
Cemat SpA	Milan	Italy	7,000,000	FS Logistica SpA	53.28		
				Non-controlling interests	46.72	53.28	Line-by-line
Firenze City Sightseeing Srl	Florence	Italy	200,000	Ataf Gestioni Srl	60.00		
				Non-controlling interests	40.00	42.00	Line-by-line
FS Logistica SpA	Rome	Italy	143,095,524	FS SpA	100.00	100.00	Line-by-line
FS Jit Italia Srl	Rome	Italy	500,000	FS Logistica SpA	100.00	100.00	Line-by-line
I-Mago SpA	Florence	Italy	510,000	Ataf Gestioni Srl	58.00		
				Non-controlling interests	42.00	40.60	Line-by-line
Savit Srl	Terni	Italy	1,000,000	Umbria Mobilità Esercizio Srl	72.25		
				Non-controlling interests	27.75	72.25	Line-by-line
Servizi Ferroviari - Serfer Srl	Genoa	Italy	5,000,000	Trenitalia SpA	100.00	100.00	Line-by-line
Società Gestione Terminali Ferro Stradali-SGT	Pomezia-Rome	Italy	200,000	FS Logistica SpA	43.75		
				Cemat SpA	43.75		
				Non-controlling interests	12.5	67.06	Line-by-line
Terminali Italia Srl	Rome	Italy	7,345,686	Rete Ferroviaria Italiana - RFI SpA	89.00		
				Cemat SpA	11.00	94.86	Line-by-line
Trenitalia SpA	Rome	Italy	1,654,464,000	FS SpA	100.00	100.00	Line-by-line
Umbria Mobilità Esercizio Srl	Perugia	Italy	4,161,816	Busitalia - Sita Nord Srl	100.00	70.00	Line-by-line

1. PARENT AND LIST OF SUBSIDIARIES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Abroad							
Autobus Paproth GmbH	Mainz-Kastel (Germany)	Germany	25,565	Autobus Sippel GmbH	100.00	51.00	Line-by-line
Autobus Sippel GmbH	Hofheim am Taunus (Germany)	Germany	50,000	Netinera Deutschland GmbH	100.00	51.00	Line-by-line
Erixx GmbH	Celle (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Kraftverkehr Osthannover GmbH	Celle (Germany)	Germany	256,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Lausitzer Nahverkehrsgesellschaft mbH	Senftenberg (Germany)	Germany	26,000	Südbrandenburger Nahverkehrs GmbH	100.00	51.00	Line-by-line
Metronom Eisenbahngesellschaft mbH	Uelzen (Germany)	Germany	500,000	NiedersachsenBahn GmbH & Co. KG	69.90	37.18	Line-by-line
Neißeverkehr GmbH	Guben (Germany)	Germany	1,074,000	Prignitzer Eisenbahngesellschaft mbH	80.00	40.80	Line-by-line
Netinera Bachstein GmbH	Celle (Germany)	Germany	150,000	Netinera Deutschland GmbH	95.33	51.00	Line-by-line
Netinera Deutschland GmbH	Berlin (Germany)	Germany	1,025,000	FS SpA	51.00		
				Non-controlling interests	49.00	51.00	Line-by-line
Netinera Immobilien GmbH	Berlin (Germany)	Germany	240,000	Netinera Deutschland GmbH	100.00	51.00	Line-by-line
Netinera Werke GmbH	Neustrelitz (Germany)	Germany	25,000	Prignitzer Eisenbahngesellschaft mbH	100.00	51.00	Line-by-line
NiedersachsenBahn GmbH & Co. KG	Celle (Germany)	Germany	100,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	44.63	Line-by-line
NiedersachsenBahn Verwaltungsgesellschaft mbH	Celle (Germany)	Germany	25,000	Osthannoversche Eisenbahnen Aktiengesellschaft	60.00	26.78	Line-by-line
OHE Cargo GmbH	Celle (Germany)	Germany	26,000	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Osthannoversche Eisenbahnen Aktiengesellschaft	Celle (Germany)	Germany	21,034,037	Netinera Bachstein GmbH	87.51	44.63	Line-by-line
Prignitzer Eisenbahngesellschaft mbH	Berlin (Germany)	Germany	200,000	Netinera Deutschland GmbH	100.00	51.00	Line-by-line
Regentalbahn AG	Viechtach (Germany)	Germany	2,444,152	Netinera Deutschland GmbH	100.00	51.00	Line-by-line

1. PARENT AND LIST OF SUBSIDIARIES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Regental Bahnbetriebs-GmbH	Viechtach (Germany)	Germany	1,023,000	Regentalbahn AG	100.00	51.00	Line-by-line
Regental Fahrzeugwerkstätten-GmbH	Viechtach (Germany)	Germany	132,936	Regentalbahn AG	100.00	51.00	Line-by-line
Sippel-Travel GmbH	Frankfurt am Main (Germany)	Germany	127,950	Autobus Sippel GmbH	100.00	51.00	Line-by-line
Südbrandenburger Nahverkehrs GmbH	Senftenberg (Germany)	Germany	1,022,584	Netinera Deutschland GmbH	100.00	51.00	Line-by-line
Thello Sas	Paris (France)	France	1,500,000	Trenitalia SpA	66.67		
				Non-controlling interests	33.33	66.67	Line-by-line
Trenitalia Logistics France Sas	Paris (France)	France	43,420	Trenitalia SpA	100.00	100.00	Line-by-line
TX Logistik AG	Bad Honnef (Germany)	Germany	286,070	Trenitalia SpA	100.00	100.00	Line-by-line
TX Consulting Gmbh	Bad Honnef (Germany)	Germany	25,000	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik Austria GmbH	Schwechat (Austria)	Germany	35,000	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik A/S	Padborg (Denmark)	Germany	500,000[1]	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik AB	Helsingborg (Sweden)	Germany	400,000[1]	TX Logistik AG	100.00	100.00	Line-by-line
TX Logistik GmbH	Basel (Switzerland)	Germany	50,000[1]	TX Logistik AG	100.00	100.00	Line-by-line
TX Service Management GmbH	Bad Honnef (Germany)	Germany	50,000	TX Logistik AG	100.00	100.00	Line-by-line
Uelzener Hafenbetriebs- und Umschlaggesellschaft mbH	Uelzen (Germany)	Germany	102,258	Osthannoversche Eisenbahnen Aktiengesellschaft	74.00	33.02	Line-by-line
UNIKAI Hafenbetrieb Lüneburg GmbH	Lüneburg (Germany)	Germany	25,600	Osthannoversche Eisenbahnen Aktiengesellschaft	100.00	44.63	Line-by-line
Verkehrsbetriebe Bils GmbH	Sendenhorst (Germany)	Germany	25,000	Netinera Deutschland GmbH	100.00	51.00	Line-by-line
Vlexx GmbH	Mainz (Germany)	Germany	25,000	Regentalbahn AG	100.00	51.00	Line-by-line
Vogtlandbahn GmbH	Neumark (Germany)	Germany	1,022,584	Regentalbahn AG	100.00	51.00	Line-by-line

1. *Figures expressed in local currency*

1. PARENT AND LIST OF SUBSIDIARIES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Operating segment: Infrastructure							
In Italy							
Rete Ferroviaria Italiana - RFI SpA	Rome	Italy	32,007,632,681	FS SpA	100.00	100.00	Line-by-line
Italferr SpA	Rome	Italy	14,186,000	FS SpA	100.00	100.00	Line-by-line
Tunnel Ferroviario del Brennero SpA	Rome	Italy - Austria	195,790,910	Rete Ferroviaria Italiana - RFI SpA	86.09		
				Non-controlling interests	13.91	86.09	Line-by-line
Abroad							
Infrastructure Engineering Services doo Beograd	Belgrade (Serbia)	Serbia	39,626,684[1]	Italferr SpA	100.00	100.00	Line-by-line
Operating segment: Real estate services							
In Italy							
Centostazioni SpA	Rome	Italy	8,333,335	FS SpA	59.9999		
				Non-controlling interests	40.01	59.99	Line-by-line
FS Sistemi Urbani Srl	Rome	Italy	532,783,501	FS SpA	100.00	100.00	Line-by-line
Grandi Stazioni SpA	Rome	Italy	4,304,201	FS SpA	59.9999		
				Non-controlling interests	40.01	59.99	Line-by-line
Metropark SpA	Rome	Italy	3,016,463	FS Sistemi Urbani Srl	100.00	100.00	Line-by-line
Società Elettrica Ferroviaria – Self Srl	Rome	Italy	34,535	FS SpA	100.00	100.00	Line-by-line
Abroad							
Grandi Stazioni Ceska Republika Sro	Prague	Czech Republic	240,000,000[1]	Grandi Stazioni SpA	51.00		
				Non-controlling interests	49.00	30.59	Line-by-line
Operating segment: Other services							
In Italy							
Fercredit - Servizi Finanziari SpA	Rome	Italy	32,500,000	FS SpA	100.00	100.00	Line-by-line
Ferservizi SpA	Rome	Italy	8,170,000	FS SpA	100.00	100.00	Line-by-line
FS Telco Srl	Rome	Italy	20,000	FS SpA	100.00	100.00	Line-by-line
Italcertifer SpA	Florence	Italy	480,000	FS SpA	66.66	66.66	Line-by-line

1. *Figures expressed in local currency*

2. LIST OF JOINT VENTURES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Operating segment: Transport							
In Italy							
Terminal Alptransit Srl	Milan	Italy	1,500,000	FS Logistica SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Trenord Srl	Milan	Italy	76,120,000	Trenitalia SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Abroad							
Cisalpino SA	Berna (Switzerland)	Switzerland	100,750[1]	Trenitalia SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Berchtesgardener Land Bahn GmbH	Freilassing (Germany)	Germany	25,000	Regental Bahnbetriebs-GmbH	50.00		
				Non-controlling interests	50.00	25.50	Equity
Kraftverkehr - GMBH - KVG Lüneburg	Lüneburg (Germany)	Germany	25,565	KVG Stade GmbH & Co. KG	100.00	13.75	Equity
Kraftverkehr Celle Stadt und Land GmbH	Celle (Germany)	Germany	1,099,278	Verkehrsbetriebe Osthannover GmbH	61.00		
				Non-controlling interests	39.00	13.98	Equity
KVG Stade GmbH & Co. KG	Stade (Germany)	Germany	4,600,000	Verkehrsbetriebe Osthannover GmbH	60.00		
				Non-controlling interests	40.00	13.75	Equity
KVG Stade Verwaltungs GmbH	Stade (Germany)	Germany	25,000	Verkehrsbetriebe Osthannover GmbH	60.00		
				Non-controlling interests	40.00	13.75	Equity
ODEG Ostdeutsche Eisenbahngesellschaft mbH	Parchim (Germany)	Germany	500,000	Prignitzer Eisenbahngesellschaft mbH	50.00		
				Non-controlling interests	50.00	25.50	Equity
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH	Eberswalde (Germany)	Germany	250,000	ODEG Ostdeutsche Eisenbahngesellschaft mbH	100.00	25.50	Equity
Verkehrsbetriebe Osthannover GmbH	Celle (Germany)	Germany	590,542	Osthannoversche Eisenbahnen AG	100.00	22.92	Equity

1. *Figures expressed in local currency*

3. LIST OF ASSOCIATES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
Operating segment: Transport							
In Italy							
Alpe Adria SpA	Trieste	Italy	120,000	Trenitalia SpA	33.33		
				Non-controlling interests	66.67	33.33	Equity
Eurogateway Srl	Novara	Italy	99,000	Cemat SpA	37.00		
				Trenitalia SpA	11.00		
				Non-controlling interests	52.00	30.71	Equity
FNM SpA (formerly Ferrovie Nord Milano SpA)	Milan	Italy	230,000,000	FS SpA	14.74		
				Non-controlling interests	85.26	14.74	Equity
La Spezia Shunting Railways SpA	La Spezia	Italy	966,250	Serfer Srl	15.50		
				Trenitalia SpA	4.50		
				Non-controlling interests	80.00	20.00	Equity
Li-Nea SpA	Scandicci (Florence)	Italy	2,340,000	Ataf Gestioni Srl	34.00		
				Non-controlling interests	66.00	23.80	Equity
Pol Rail Srl	Rome	Italy	2,000,000	Trenitalia SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Quadrante Europa Terminal Gate SpA	Verona	Italy	16,876,000	Rete Ferroviaria Italiana - RFI SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Terminal Tremestieri Srl	Messina	Italy	450,000	Bluferries Srl	33.33		
				Non-controlling interests	66.67	33.33	Equity
Abroad							
Cesar Information Services - CIS Scrl	Bruxelles (Belgium)	Belgium	100,000	Cemat SpA	25.10		
				Non-controlling interests	74.90	13.37	Equity
CeBus GmbH & Co. KG	Celle (Germany)	Germany	25,000	Kraftverkehr Celle Stadt und Land GmbH	34.50		
				Celler Straßenbahn-gesellschaft mbH	1		
				Non-controlling interests	64.50	4.82	Equity
CeBus Verwaltungs-gesellschaft mbH	Celle (Germany)	Germany	25,000	Kraftverkehr Celle Stadt und Land GmbH	34.40		
				Celler Straßenbahn-gesellschaft mbH	1		
				Non-controlling interests	64.60	4.81	Equity
Celler Straßenbahn-gesellschaft mbH	Celle (Germany)	Germany	571,450	Kraftverkehr Celle Stadt und Land GmbH	34.70		
				Non-controlling interests	65.30	4.85	Equity

3. LIST OF ASSOCIATES

Name	Registered office	Main office	Share/quota capital	Investor	% of voting rights	Equity ratio	Consolidation method
EVG Euregio - Verkehrs-gesellschaft mbH & Co.KG	Münster (Germany)	Germany	60,000	Verkehrsbetriebe Bils GmbH	33.33		
				Non-controlling interests	66.66	17.00	Equity
EVG Euregio Verwaltungs- und Beteiligungs GmbH	Münster (Germany)	Germany	25,500	Verkehrsbetriebe Bils GmbH	33.33		
				Non-controlling interests	66.66	17.00	Equity
GVB Gifhorner Verkehrsbetriebe GmbH	Gifhorn (Germany)	Germany	25,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100.00	5.78	Equity
Hafen Lüneburg GmbH	Lüneburg (Germany)	Germany	1,750,000	Osthannoversche Eisenbahnen AG	0.70		
				UNIKAI Hafenbetrieb Lüneburg GmbH	29.30		
				Non-controlling interests	70.00	13.39	Equity
KVB Kraftverkehrsbetriebe GmbH	Isenbüttel (Germany)	Germany	50,000	Verkehrsgesellschaft Landkreis Gifhorn mbH	100.00	5.78	Equity
Logistica SA	Levallois (France)	France	37,000	Trenitalia SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity
Osthannoversche Umschlagsgesellschaft mbH	Wittingen (Germany)	Germany	153,600	Osthannoversche Eisenbahnen AG	33.33		
				Non-controlling interests	66.66	14.88	Equity
Verkehrsgesellschaft Landkreis Gifhorn mbH	Gifhorn (Germany)	Germany	25,565	Verkehrsbetriebe Osthannover GmbH	25.20		
				Non-controlling interests	74.80	5.78	Equity

Operating segment: Infrastructure

In Italy

Brenner base tunnel – Brenner Basistunnel BBT SE	Bolzano	Italy - Austria	10,240,000	Tunnel Ferroviario del Brennero SpA	50.00		
				Non-controlling interests	50.00	43.04	Equity

Abroad

Tunnel Euralpin Lyon Turin - TELT Sas (formerly Lyon-Turin Ferroviaire - LTF Sas)	Chambery (France)	Italy - France	1,000,000	Rete Ferroviaria Italiana - RFI SpA	50.00		
				Non-controlling interests	50.00	50.00	Equity

Operating segment: Other services

In Italy

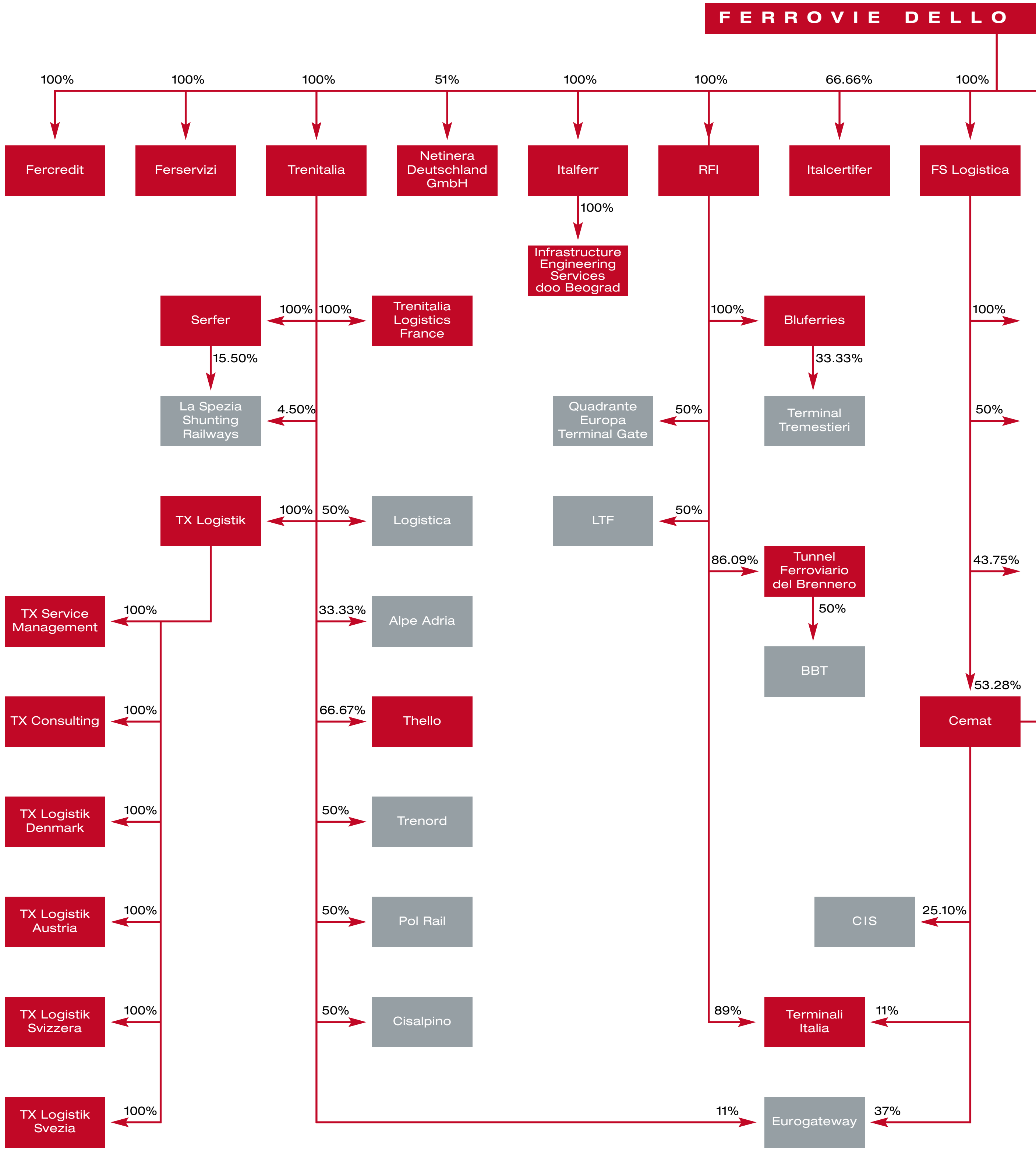
ItaliaCamp Srl	Rome	Italy	10,000	FS SpA	20.00		
				Non-controlling interests	80.00	20.00	Equity

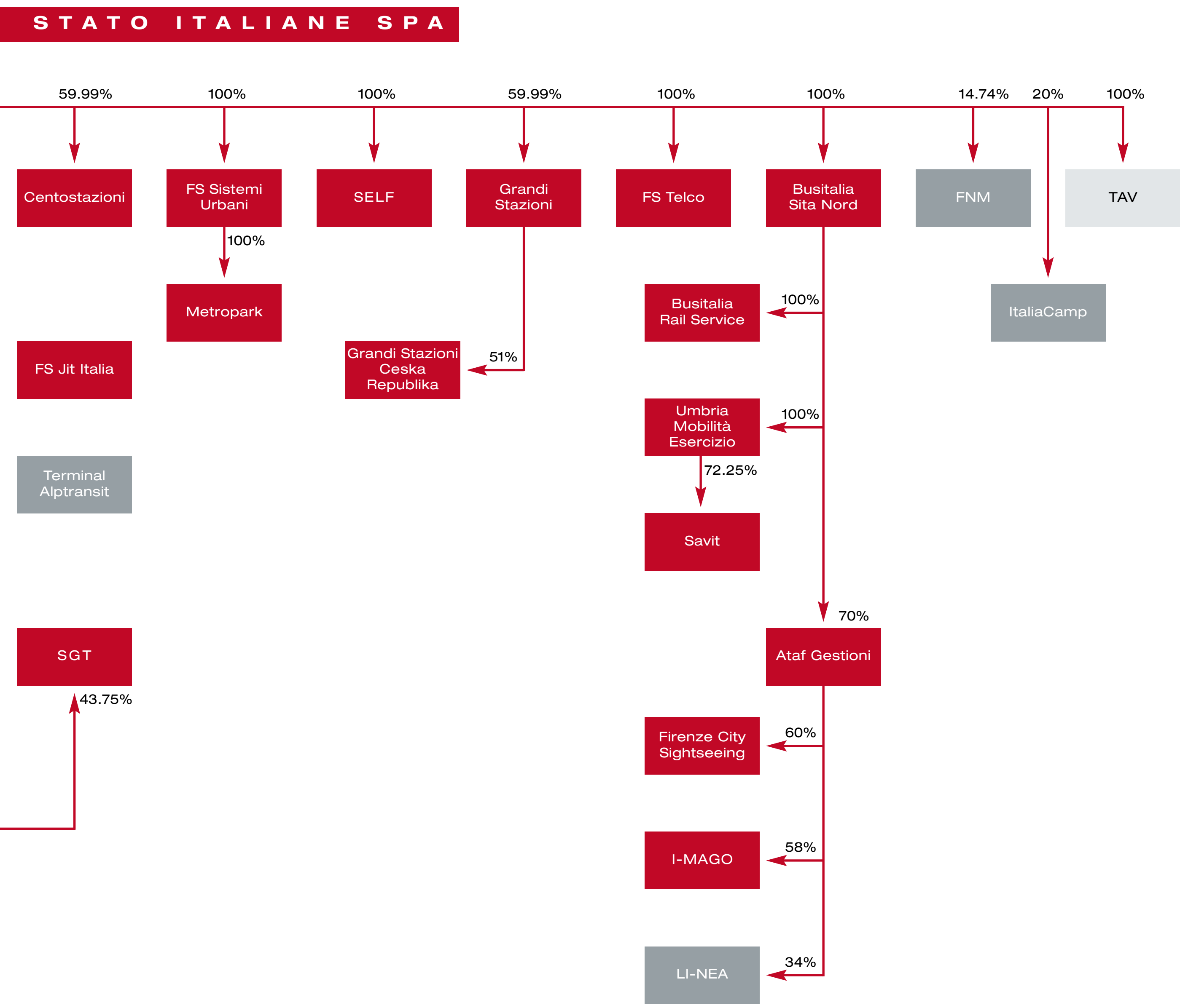
4. LIST OF OTHER UNCONSOLIDATED EQUITY INVESTMENTS

Name	Registered office	Share/quota capital	Investor	% of voting rights
TAV Srl	Rome	50,000	FS SpA	100.00
East Rail Srl in liquidation	Trieste	130,000	Trenitalia SpA	32.00
Network Terminali Siciliani SpA in liquidation	Catania	65,272	RFI SpA	50.00
Nord Est Terminal - NET SpA in liquidation	Padua	200,000	RFI SpA	51.00
Port railway services - Ferport Genova Srl in liquidation	Genoa	712,000	Serfer Srl	51.00
Siger Srl in liquidation	Florence	100,000	Ataf Gestioni Srl	100.00
Sinter Inland Terminal SpA in liquidation	Milan	2,550,000	FS Logistica SpA	21.27
Sita SpA in liquidation	Rome	200,000	FS SpA	55.00

Consolidation map
of Ferrovie dello Stato Italiane Group

5. CONSOLIDATION MAP OF FERROVIE DELLO STATO ITALIANE GROUP AT 31 DECEMBER 2014



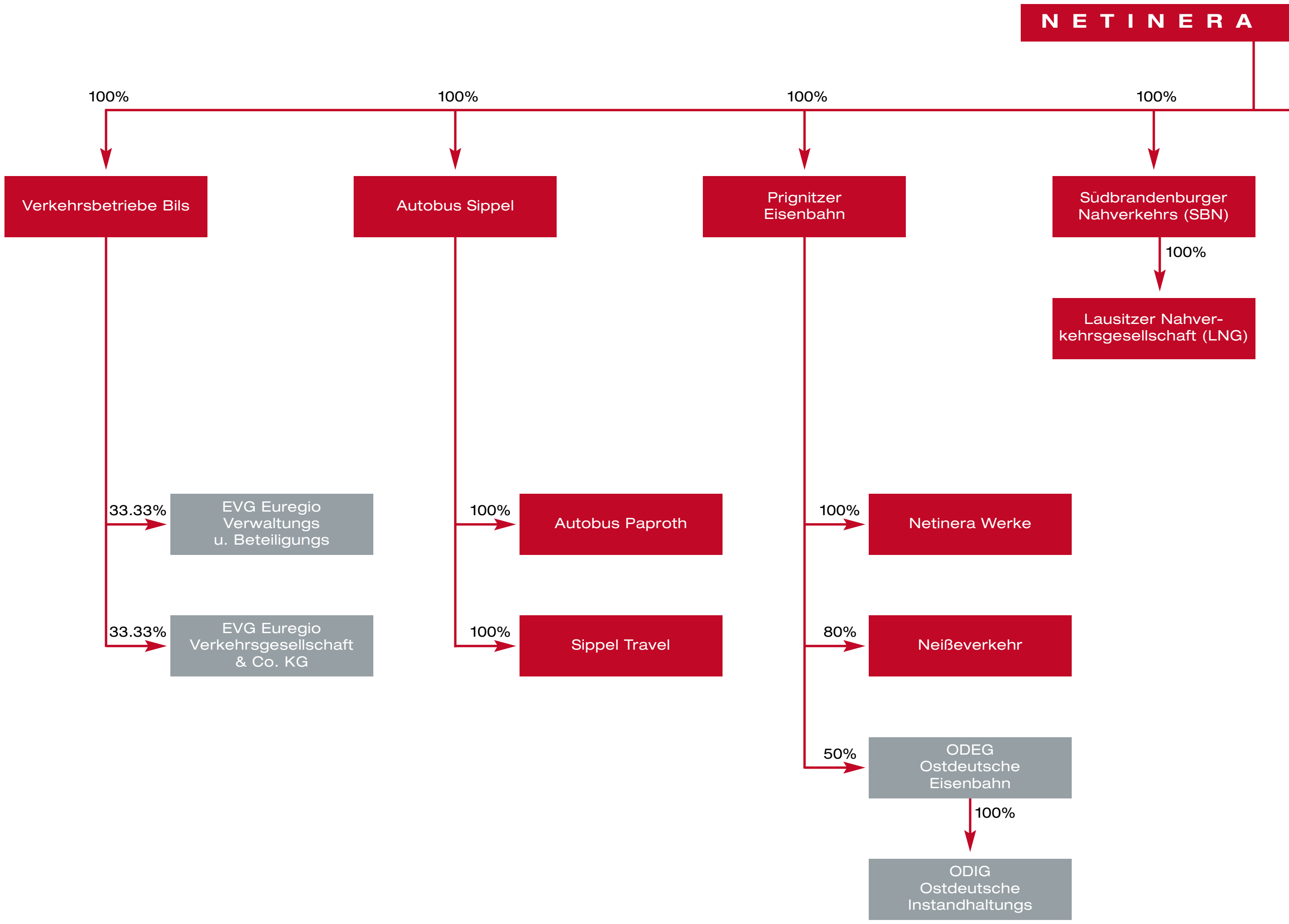


Parent and Group's subsidiaries

Equity-accounted investees

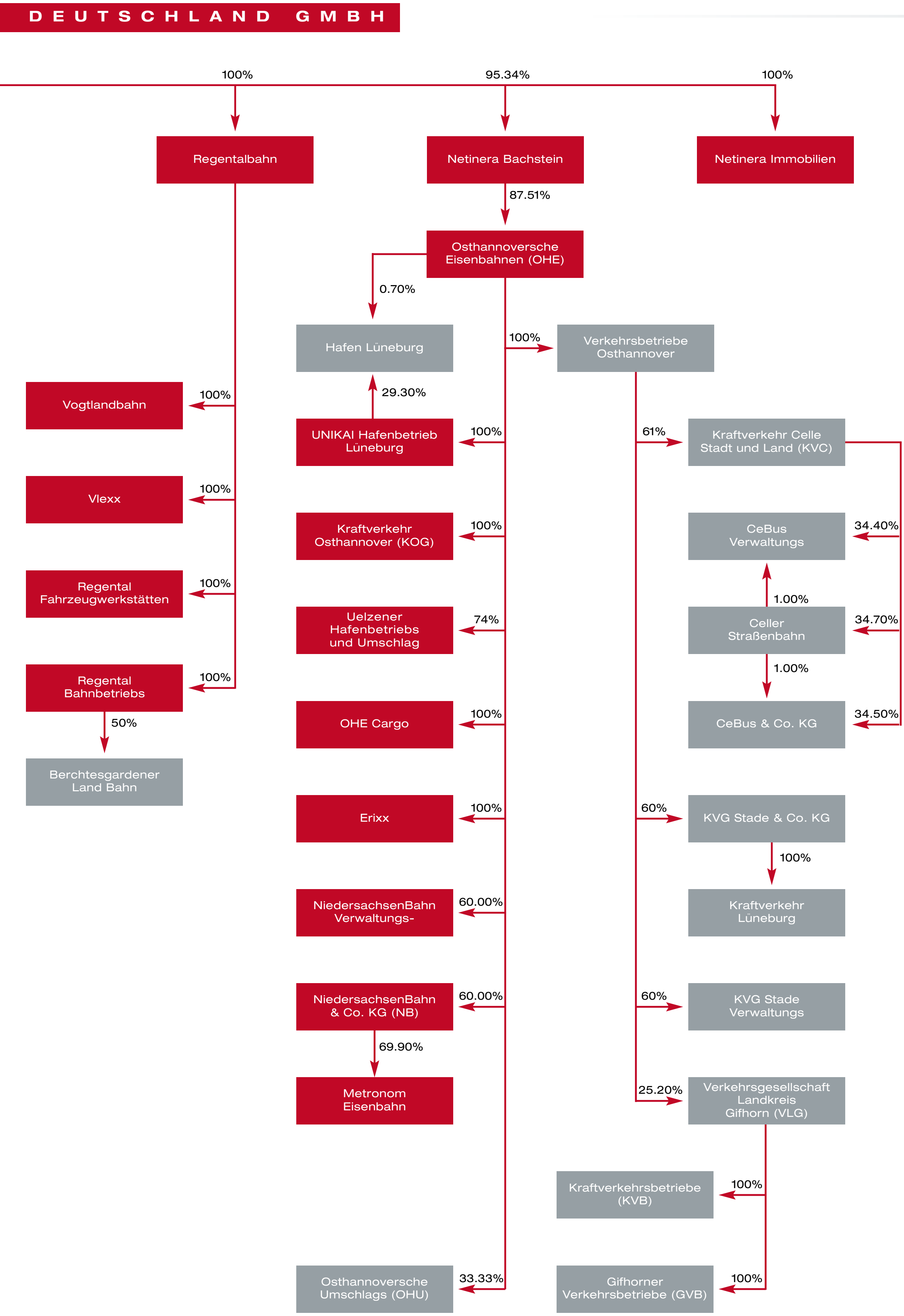
Subsidiaries measured at cost

CONSOLIDATION MAP OF NETINERA GROUP AT 31 DECEMBER 2014



Parent and Group's subsidiaries

Equity-accounted investees


DEUTSCHLAND GMBH
100%
95.34%
100%
Regentalbahn
Netinera Bachstein
Netinera Immobilien
87.51%
Osthannoversche Eisenbahnen (OHE)
0.70%
Hafen Lüneburg
100%
Verkehrsbetriebe Osthannover
Vogtlandbahn
100%
29.30%
UNIKAI Hafenbetrieb Lüneburg
100%
61%
Kraftverkehr Celle Stadt und Land (KVC)
Vlexx
100%
Kraftverkehr Osthannover (KOG)
100%
CeBus Verwaltungs
34.40%
Regental Fahrzeugwerkstätten
100%
1.00%
Uelzener Hafenbetriebs und Umschlag
74%
Celler Straßenbahn
34.70%
Regental Bahnbetriebs
100%
1.00%
50%
OHE Cargo
100%
CeBus & Co. KG
34.50%
Berchtesgardener Land Bahn
Erixx
100%
60%
KVG Stade & Co. KG
100%
NiedersachsenBahn Verwaltungs-
60.00%
Kraftverkehr Lüneburg
NiedersachsenBahn & Co. KG (NB)
60.00%
60%
KVG Stade Verwaltungs
69.90%
Metronom Eisenbahn
25.20%
Verkehrsgesellschaft Landkreis Gifhorn (VLG)
Kraftverkehrsbetriebe (KVB)
100%
Osthannoversche Umschlags (OHU)
33.33%
Gifhorner Verkehrsbetriebe (GVB)
100%

Official Global Rail Carrier

EXPO MILANO 2015

Certification of the consolidated financial statements
of Ferrovie dello Stato Italiane Group at 31 December 2014
pursuant to article 154-bis, paragraph 5 of Legislative decree no. 58/1998

1. The undersigned Michele Mario Elia and Roberto Mannozzi, as Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., respectively, also pursuant to article 154-bis, paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, confirm:

   - the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane Group and
   - the effective application of

   the administrative and accounting procedures in preparing the consolidated financial statements at 31 December 2014.

2. In this regard, we report that:

   a. the adequacy and effective application of the administrative and accounting procedures used to prepare the consolidated financial statements of the Ferrovie dello Stato Italiane Group were assessed based on the *"Internal Controls – Integrated Framework"* issued by the *"Committee of Sponsoring Organizations of the Treadway Commission"* which represents an internationally-accepted framework for the internal control system;

   b. this assessment did not identify any significant issues.

Piazza della Croce Rossa, 1 - 00161 Roma

Ferrovie dello Stato Italiane S.p.A. - Società con socio unico
Sede legale: Piazza della Croce Rossa, 1 - 00161 Roma
Cap. Soc. Euro 38.790.425.485,00

3. In addition, we confirm that:

   3.1. the consolidated financial statements:

      a. have been prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;

      b. correspond to the entries in the books and accounting records;

      c. give a true and fair view of the financial position and results of operations of the companies included in the Ferrovie dello Stato Italiane Group's consolidation scope.

   3.2. the directors' report provides a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane S.p.A. and the consolidated companies as a whole, together with a description of the main risks and uncertainties to which they are exposed.

24 April 2015

Michele Mario Elia

Chief Executive Officer

Roberto Mannozzi

Manager in charge of the company's accounting documents preparation

(Translation from the Italian original which remains the definitive version)

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FERROVIE DELLO STATO ITALIANE GROUP AT 31 DECEMBER 2014

To the sole shareholder of Ferrovie dello Stato Italiane S.p.A.

Dear Shareholder,

the consolidated financial statements of Ferrovie dello Stato Italiane group (the "FS group") at 31 December 2014, which have been submitted to you, comprise the required consolidated schedules and the notes thereto. They have been prepared in accordance with IFRS (which include International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)), endorsed by the European Union, and are accompanied by a directors' report and the statement of the CEO and the manager in charge of financial reporting related to the consolidated financial statements of the FS group, as well as a schedule describing the group's consolidation scope and equity investments.

They also include the reconciliation at 31 December 2014 and 31 December 2013 between profit for the year and equity in the separate financial statements of Ferrovie dello Stato Italiane S.p.A., and the consolidated financial statements of FS Group.

The consolidated financial statements show a profit for the year of €303 million, compared to €460 million in 2013.

In the directors' report, which the independent auditors KPMG S.p.A. checked for consistency with the consolidated financial statements, the directors have described the group's overall financial position and results of operations as well as the parent's, and provided detailed information about the specific operations of consolidated companies and the outlook.

Pursuant to article 41 of Legislative decree no. 127/1991, we did not check the results of the legally-required audit of the group's consolidated financial statements and the separate financial statements of the subsidiaries of Ferrovie dello Stato Italiane S.p.A., at 31

December 2014. Consequently, we are not liable for their correctness.

The 2014 directors' report adequately provides a general description of the group's financial position and results of operations, the performance of operations during the year and the events after the reporting date. To the best of our knowledge, the directors' report is consistent with the consolidated financial statements at 31 December 2014.

We have analysed in detail some significant issues which affected the group during the year, using, *inter alia*, the information prepared by the CEO for the board's decision-making process, and with meetings with the independent auditors. Additional elements were obtained as part of the regular exchange of information with the heads of the organisational units and the boards of statutory auditors of the main subsidiaries, including pursuant to article 2403-*bis* of the Italian Civil Code.
In this respect, we focused on the following issues.

2015 – 2017 business plan

The business plan approved by the previous board of directors covered the four-year period 2014-2017. In 2014, this board analysed this plan first in October 2014, and then in February 2015, also in order to define the new time horizon covering the 2015-2018 period, focussing new projects in terms of the impact on profit or loss and, specifically, considering the development of the privatisation process, while identifying suitable actions to minimise the effects of the legal and regulatory changes introduced.
In this respect, we identified the need to assess the related cash flow impacts in order to align cash flows with the strategic plan. Furthermore, given the importance of the privatisation issue, we highlighted the need to include this issue in the update of the 2015-2018 business plan.
We also stressed the need for the company to periodically update the board of directors on the progress of the business plan with respect to the implementation process and the group's enhancement projects.

Grandi Stazioni privatisation

We repeatedly stressed the possibility – in view of the potential privatisation of the Grandi Stazioni ("GS") retail business segment and in order to assess the cost-effectiveness of the transaction – of: (i) comparing the economic value arising from the discounting of the cash flows of the three hypothetical companies (GS, Rail and Retail) against that of GS, in its current status as a single legal entity; (ii) obtaining information about the future development up to the expiry of the concession; (iii) setting the discount rates for the calculation of the economic value of the hypothetical companies resulting from the de-merger; (iv) checking the value of the "rail" unit in terms of liabilities, investments, personnel, analysing the potential risk profiles of the transaction and the investments that the group, after the potential de-merger, should make, along with the related debt sustainability.

Enhancing the electricity transmission grid

With respect to the enhancement of the group's electricity transmission grid, we analysed in detail its rights in terms of competition and taxes.

The transaction is based on the *ratio legis* underlying the provisions of article 1.193 of Law no. 190 of 23 December 2014 (the "2015 Stability Act"), whereby, "*in order to improve the efficiency of the national electricity transmission grid and ensure the development of the national railway network* (…)", the electricity transmission grid owned by the FS group should become part of the National Transmission Grid, through acquisition by the national operator (Terna S.p.A.).

With respect to the transaction's compliance with the anti-trust principles, we note that, in its meeting of 24 April 2015, the board of directors was in favour of requesting that the Ministry of the Economy and Finance ("MEF") involve the Italian Anti-trust Authority (the "Anti-trust Authority") in order to obtain an opinion on the anti-trust aspects of the transaction. Accordingly, the parent acted in order to obtain a prompt reply. Also in respect of the tax aspects of the transaction, we stressed the possibility of requesting a specific opinion thereon.

Resolution of the Italian Transport Regulator reducing tolls

Resolution no. 70 of the Italian Transport Regulator ("ART") reduced high speed tolls from €13.1 to €8.2 for train-km with an impact of approximately €126 million on profit or loss (approximately €110 million and €16 million on 2015 and 2014, respectively).

Following the decrease, an impairment test was carried out which, according to the independent auditors, confirmed the recoverability of the carrying amount of the business segment, assuming that the ART resolution is provisional.

However, following ART's reply that the resolution's tariff might not be provisional, RFI filed an extraordinary appeal to the President of the Republic on 3 March 2015.

K2 discount

Discussions between the Ministry of Infrastructure and Transport ("MIT"), ART and RFI are being arranged to adequately calculate the amounts to be paid to applicant companies.

Pending the definition of these criteria, in view of a possible settlement procedure and considering the activities undertaken by the Acting Commissioner, in accordance with IFRS and with the prior year financial statements, no costs or charges related to the railway companies involved nor the corresponding revenue, if any, to be received from the government, were recognised in RFI financial statements at 31 December 2014 or the FS group consolidated financial statements at the same date as any estimate would be arbitrary and therefore generate the risk of indicating unreliable amounts subject to significant change.

Cargo contract and evolution of the Cargo Division

Following the new regulation introduced by Law no. 190/2014 (the 2015 Stability Act) for rail freight companies, the Cargo Service Contract could no longer be renewed. This led to a decrease in Trenitalia's revenue of approximately €105 million which was offset, only in part, by the elimination of the costs to use infrastructure in Southern Italy and ferry costs for transport services originating and/or terminating in Central and Southern Italy.

This required a revision of the Cargo Division's business plan in order to check whether the amount of capital invested in this division is recoverable. The impairment test led to the recognition of an impairment loss of approximately €185 million on its assets which had a negative effect on Trenitalia's operating profit and profit for the year.

Real estate valuations

Grandi Stazioni and FS Logistica own some buildings whose fair value, because of their specific nature and the current conditions, could be lower than their carrying amount. Consequently, the FS group (*i*) requested that independent professionals prepare specific real estate appraisals and, based on the outcome, (*ii*) recognised an impairment loss of €62 million to align the carrying amount of such land and buildings to their fair value.

EU litigation and violations

On 28 March 2014, the European Commission's General Anti-Trust Department notified Italy of a decision to begin a formal investigation in connection with two potential government assistance programmes relating to:

- certain infragroup asset allocation operations (case SA 32179);
- the required offsetting of cargo services (SA 32953).

The first measure being investigated (case SA 32179) relates to four asset allocation operations within the FS group, in which assets were allocated to Trenitalia and FS Logistica, respectively. In particular, these transfers include assets that do not constitute railway infrastructure and are, in any case, no longer functional for the infrastructure operator.

The second measure being investigated (SA 32953) relates to the offsetting that Italy allowed Trenitalia to perform for the public transport of cargo from 2000 to 2014 under three consecutive public service contracts.

The Commission is currently considering the Italian authorities' and FS group's remarks. According to the company, these procedures will have no potential financial effects. However, we believe that the procedures underway and the related effects should be duly monitored.

Searches, seizures and fraud risks on large scale works

Following investigations by certain Public Prosecutor's offices, the independent auditors assessed the financial statements for potential material misstatements in accordance with ISA 240. Their specific procedures did not highlight any elements which would indicate that the consolidated financial statements include any material misstatements due to fraud.

Rome, 11 May 2015

THE BOARD OF STATUTORY AUDITORS

Alessandra dal Verme

(Chairwoman)

____

(signed on the original)

Claudia Cattani

(Standing statutory auditor)

____

(signed on the original)

Tiziano Onesti

(Standing statutory auditor)

____

(signed on the original)

KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
Ferrovie dello Stato Italiane S.p.A.

1 We have audited the consolidated financial statements of the Ferrovie dello Stato Italiane group as at and for the year ended 31 December 2014, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report of other auditors dated 30 April 2014 for their opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Ferrovie dello Stato Italiane group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union. Therefore, they are clearly stated and give a true and fair view of the financial position of the Ferrovie dello Stato Italiano group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
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Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

4 The directors of Ferrovie dello Stato Italiane S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on corporate governance and shareholding structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98, with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the consolidated financial statements of the Ferrovie dello Stato Italiane group as at and for the year ended 31 December 2014.

Rome, 11 May 2015

KPMG S.p.A.

(signed on the original)

Stefano Bandini
Director of Audit


Partenze Departures
TRENITALIA
FRECCIAROSSA
SCELTA VINCENTE

Separate financial statements of Ferrovie dello Stato Italiane SpA

Separate financial statements of Ferrovie dello Stato Italiane SpA

Financial statements

Financial statements

Statement of financial position

ASSETS

	Note	31.12.2014	31.12.2013
Property, plant and equipment	5	44,801,369	41,540,337
Investment property	6	519,273,412	533,156,206
Intangible assets	7	38,439,199	39,022,954
Deferred tax assets	8	213,966,058	220,080,419
Equity investments	9	35,562,960,772	35,552,437,702
Non-current financial assets (including derivatives)	10	5,438,794,498	5,922,540,311
Non-current trade receivables	13	6,096,509	6,826,518
Other non-current assets	11	442,598,611	459,979,029
Total non-current assets		**42,266,930,428**	**42,775,583,476**
Inventories	12	491,166,892	494,799,580
Current trade receivables	13	121,529,987	129,052,885
Current financial assets (including derivatives)	10	1,342,170,011	1,269,624,318
Cash and cash equivalents	14	183,086,063	420,967,362
Tax assets	15	81,909,893	84,915,489
Other current assets	11	400,277,255	186,837,657
Total current assets		**2,620,140,101**	**2,586,197,291**
Total assets		**44,887,070,529**	**45,361,780,767**

Euros

TOTAL EQUITY AND LIABILITIES

	Note	31.12.2014	31.12.2013
Equity			
Share capital	16	38,790,425,485	38,790,425,485
Reserves	16	307,602,382	303,763,867
Reserves for unrealised gains and losses	16	(1,869,832)	(1,161,089)
Losses carried forward	16	(2,844,937,242)	(2,917,869,021)
Profit for the year	16	89,212,009	76,770,293
Total equity		**36,340,432,802**	**36,251,929,535**
Liabilities			
Non-current loans and borrowings	17	5,438,641,624	5,920,356,480
Post-employment benefits and other employee benefits	18	13,905,651	15,518,950
Provisions for risks and charges	19	77,897,585	81,696,655
Deferred tax liabilities	8	437,741,502	393,914,451
Other non-current liabilities	21	873,860,400	868,179,929
Total non-current liabilities		**6,842,046,762**	**7,279,666,465**
Current loans and borrowings and current portion of non-current loans and borrowings	17	701,887,360	382,676,267
Current trade payables	22	76,023,115	71,130,043
Tax liabilities			291,173
Current financial liabilities (including derivatives)	20	489,518,719	978,613,424
Other current liabilities	21	437,161,771	397,473,860
Total current liabilities		**1,704,590,965**	**1,830,184,767**
Total liabilities		**8,546,637,727**	**9,109,851,232**
Total equity and liabilities		**44,887,070,529**	**45,361,780,767**

Euros

Income statement

	Note	2014	2013
Revenue			
Revenue from sales and services	23	141,582,415	152,576,142
Other income	24	6,432,633	7,833,431
Total revenue		**148,015,048**	**160,409,573**
Operating costs			
Personnel expense	25	(50,066,354)	(51,785,973)
Raw materials, consumables, supplies and goods	26	(6,347,152)	(44,320,376)
Services	27	(52,604,103)	(53,368,950)
Use of third-party assets	28	(5,041,227)	(7,268,465)
Other operating costs	29	(28,478,694)	(24,692,044)
Internal work capitalised	30	231,908	202,670
Total operating costs		**(142,305,622)**	**(181,233,138)**
Amortisation and depreciation	31	(21,638,745)	(22,111,619)
Reversals of impairment losses	32	(6,227,977)	(21,877,807)
Operating loss		**(22,157,296)**	**(64,812,991)**
Financial income and expense			
Gains on equity investments	33	113,022,859	124,809,426
Other financial income	33	167,340,955	153,331,393
Losses on equity investments	34	(348,363)	(32,659,596)
Other financial expense	34	(164,977,046)	(136,211,405)
Pre-tax profit		**92,881,109**	**44,456,827**
Income taxes	35	(3,669,100)	32,313,466
Profit from continuing operations		**89,212,009**	**76,770,293**
Profit for the year		**89,212,009**	**76,770,293**

Euros

Statement of comprehensive income

	Note	2014	2013
Profit for the year		**89,212,009**	**76,770,293**
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses)	16/18	(970,854)	623,068
Tax effect on actuarial gains/(losses)	16/18	262,111	(172,641)
Total other comprehensive income/(expense), net of the tax effect		**(708,743)**	**450,427**
Comprehensive income		**88,503,266**	**77,220,720**

Euros

Statement of changes in equity

		Reserves							
		Other			Reserves for unrealised gains and losses				
	Share capital	Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve	Total reserves	Losses carried forward	Profit for the year	Total equity
Balance at 1 January 2013	**38,790,425,485**	**17,603,169**	**27,896,982**	**254,599,169**	**(1,611,516)**	**298,487,804**	**(2,987,495,412)**	**73,290,939**	**36,174,708,816**
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,664,547				3,664,547	69,626,392	(73,290,939)	
Other changes									
Recognised profits/(losses) of which:									
Gains/(losses) recognised directly in equity					450,427	450,427			450,427
Profit for the year								76,770,293	76,770,293
Balance at 31 December 2013	**38,790,425,485**	**21,267,716**	**27,896,982**	**254,599,169**	**(1,161,089)**	**302,602,778**	**(2,917,869,021)**	**76,770,293**	**36,251,929,535**
Capital increase									
Dividend distribution									
Allocation of profit for the previous year		3,838,515				3,838,515	72,931,778	(76,770,293)	
Other changes									
Recognised profits/(losses) of which:									
Gains/(losses) recognised directly in equity					(708,743)	(708,743)			(708,743)
Profit for the year								89,212,009	89,212,009
Balance at 31 December 2014	**38,790,425,485**	**25,106,231**	**27,896,982**	**254,599,169**	**(1,869,832)**	**305,732,551**	**(2,844,937,242)**	**89,212,009**	**36,340,432,802**

Euros

Statement of cash flows

	2014	2013
Profit for the year	**89,212,009**	**76,770,293**
Income taxes	3,669,100	(32,313,466)
Net financial income	(6,667,832)	(7,499,556)
Amortisation and depreciation	21,638,746	22,111,619
Accruals to the provisions for risks		95,539
Impairment losses	1,444,747	52,563,721
Accruals for employee benefits	297,414	356,592
Accruals and impairment losses	**1,742,161**	**53,015,852**
Change in inventories	4,393,294	25,017,270
Change in trade receivables	8,252,907	(14,354,260)
Change in trade payables	1,828,072	(18,602,469)
Change in other assets	(188,633,170)	162,811,209
Change in other liabilities	39,001,934	(100,225,060)
Utilisation of the provisions for risks and charges	(1,793,631)	(1,097,637)
Payment of employee benefits	(2,881,566)	(2,338,234)
Financial income collected/financial expense paid	6,667,832	2,209,082
Change in tax assets/liabilities	49,248,846	27,475,099
Net cash flows generated by operating activities	**25,678,702**	**192,979,742**
Increase in property, plant and equipment	(466,355)	(897,356)
Increase in investment property	(765,835)	(898,169)
Increase in intangible assets	(12,367,196)	(12,309,485)
Increase in equity investments	(10,571,434)	(38,250,000)
Investments, before grants	**(24,170,820)**	**(52,355,010)**
Grants for intangible assets	1,008,071	4,417,745
Grants	**1,008,071**	**4,417,745**
Divestments of property, plant and equipment	1,098	2,307
Divestments of investment property		23,207
Divestments	**1,098**	**25,514**
Net cash flows used in investing activities	**(23,161,651)**	**(47,911,751)**
Disbursement and repayment of non-current loans	(232,297,467)	58,183,543
Disbursement and repayment of current loans	69,227,703	99,966,643
Change in financial assets	224,637,968	(409,901,719)
Change in financial liabilities		(3,332,103)
Net cash flows generated by/(used in) financing activities	**61,568,204**	**(255,083,636)**
Total cash flows	**64,085,255**	**(110,015,645)**
Opening cash and cash equivalents	**223,812,802**	**333,828,447**
Closing cash and cash equivalents	**287,898,057**	**223,812,802**
of which infragroup	104,811,993	(197,154,560)

Euros

Notes to the separate financial statements

Notes to the separate financial statements

1. Company business

Ferrovie dello Stato Italiane SpA was set up in accordance with Italian law and is based in Italy. Its registered office is in Piazza della Croce Rossa 1, Rome.
Due to its significant controlling investments and in compliance with IFRS 10, the Company prepares consolidated financial statements which show equity and profit attributable to the owners of the Parent of €37,046 million and €292 million, respectively.

2. Basis of preparation

These separate financial statements have been prepared in accordance with IFRS (which include International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and in effect at the reporting date ("EU-IFRS"). Specifically, the Company consistently applies the IFRS to all periods presented in these financial statements.
The separate financial statements have been prepared and presented in Euro, which is the Company's functional currency, i.e. the currency of the primary economic environment in which the Company operates. All amounts included in the tables of the following notes, except as otherwise specified, are expressed in thousands of Euros.
The financial statements format applied and the related classification criteria adopted by the Company in accordance with the options provided for in IAS 1 – Presentation of Financial Statements are set out below:

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current";
- the income statement has been prepared by classifying operating costs by nature;
- the statement of comprehensive income includes the profit for the year, as well as any other changes in equity captions attributable to transactions that are not carried out with owners in their capacity as owners. Furthermore, as a result of amendment to IAS 1 – Presentation of Financial Statements, the Company shows other comprehensive income (expense) separately, depending on whether it can be subsequently reclassified to profit or loss;
- the statement of cash flows has been prepared by reporting cash flows arising from operating activities using the indirect method.

These separate financial statements have been prepared on a going-concern basis, as the Directors established that there are no financial, operational or any other indications of critical issues about the Company's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months. Reference should be made to Note 12 *Financial risk management* for a description of the Company's financial risk management procedures.
The separate financial statements have been prepared on the historical cost basis, except for financial assets and liabilities where fair value measurement is mandatory.
The reclassifications made to certain captions at 31 December 2014 in order to better represent the Company's financial position were also made to the corresponding amounts at 31 December 2013. The notes to the individual financial statements captions specify the amount of the individual reclassifications made to 2013 balances.
On 24 April 2015, the Directors approved the draft separate financial statements at 31 December 2014 which were submitted to the Shareholder within the term set out in article 2429 of the Italian Civil Code. These separate financial statements will be presented for the Shareholder's approval within the term set out in article 2364 of the Italian Civil Code, and will be filed within the term established by article 2435 of the Italian Civil Code. The Shareholders are entitled to amend these separate financial statements. For the purposes of IAS 10.17, the Directors authorised these separate financial statements for issue on 24 April 2015, which is the date when the Board of Directors approved these separate financial statements.
KPMG SpA was assigned the engagement to carry out the legally-required audit pursuant to Legislative decree no. 39/2010.

3. Accounting policies

The accounting policies and measurement criteria are the same as those applied in preparing the consolidated financial statements, to which reference should be made, except for the recognition and measurement of investments in subsidiaries, associates and joint ventures, which are recognised at acquisition or construction cost. In cases of impairment losses, their reversal is checked by comparing the carrying amount and the higher between the value in use, calculated by discounting forecast cash flows, where possible, of the investment and the assumed sales value, calculated on the basis of recent or multiple market transactions. The amount of loss exceeding the carrying amount is recognised in a specific provision under liabilities to the extent that the Company deems necessary to meet legal or inherent obligations to cover the loss and, in any case, within the limits of the reported equity. Should the subsequent performance of the impaired investment improve to the point that the reasons for the impairment losses no longer apply, such losses are reversed within the limits of the impairments in previous years, under "Gains (losses) on equity investments". Other equity investments, not listed in an active market and for which a suitable measurement model would not be reliable, are measured at cost.
Dividends from subsidiaries and associates are taken to profit or loss the year they are deliberated.

New standards

Reference should be made to the consolidated financial statements.

Use of estimates and valuations

Reference should be made to the consolidated financial statements.

4. Financial risk management

The activities carried out by the Company expose it to various types of risks that include market risk (interest rate, price and currency risk), liquidity risk and credit risk.
This section provides information on the Company's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These financial statements also include additional quantitative information. The Company's risk management focuses on the volatility of financial markets and is aimed at minimising potential undesired effects on its financial position and results of operations.

Credit risk

Credit risk is the risk that a customer or one of the counterparties of a financial instrument may cause a financial loss by not complying with an obligation. It mainly arises from trade receivables and the Company's financial investments with third parties. However, the Company's financial assets mainly relate to loans granted to FS Italiane Group companies; therefore, they do not generate credit risk.
The main trade receivables relate to sales of property held for trading, with the payments made in instalments or deferred payments backed by bank guarantees. Accordingly, there is a very low credit risk involved.

The recoverability of trade receivables is forecast considering each individual position, taking account of the instructions given by the heads of department and by the internal and external legal advisors who handle recovery procedures. Accordingly, trade receivables whose recovery is uncertain at the reporting date are impaired.
With regard to credit risk deriving from investing activities, the Company applies a liquidity investment policy which defines *(i)* the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds and *(ii)* the types of financial products that can be used.
The table below shows the Company's exposure to the credit risk:

	31.12.2014	31.12.2013
Current trade receivables	145,286	148,024
Allowance for impairment	(23,756)	(18,971)
Current trade receivables, net of the allowance for impairment	**121,530**	**129,053**
Other current assets	152,627	54,089
Allowance for impairment		(153)
Other current assets, net of the allowance for impairment	**152,627**	**53,936**
Non-current financial assets (including derivatives)	5,438,794	5,922,540
Allowance for impairment		
Non-current financial assets (including derivatives), net of the allowance for impairment	**5,438,794**	**5,922,540**
Other non-current assets	1,244	1,243
Allowance for impairment	(1,073)	
Other non-current assets, net of the allowance for impairment	**171**	**1,243**
Cash and cash equivalents	**183,086**	**420,967**
Current financial assets (including derivatives)	1,342,035	1,269,489
Allowance for impairment		
Current financial assets (including derivatives), net of the allowance for impairment	**1,342,035**	**1,269,489**
Non-current trade receivables	6,243	6,973
Allowance for impairment	(146)	(146)
Current trade receivables, net of the allowance for impairment	**6,097**	**6,827**
Total exposure, net of the allowance for impairment*	**7,244,340**	**7,804,055**

thousands of Euros

* *Tax assets and equity investments are not included*

The tables below show its exposure to credit risks by counterparty, in absolute terms and as a percentage, excluding cash and cash equivalents.

	31.12.2014	31.12.2013
Public administration, Italian Government and Regions	5,076	7,526
Ordinary customers	19,017	25,527
Other debtors	3,012	4,225
Group companies	7,034,149	7,345,810
Total exposure, net of the allowance for impairment	**7,061,254**	**7,383,088**

thousands of Euros

The table below gives a breakdown of financial assets at 31 December 2014 and 2013 by overdue amounts, net of the allowance for impairment.

	Not overdue	Overdue by				
		0-180	180-360	360-720	beyond 720	Total
31.12.2014						
Public administration, Italian Government and Regions (gross)	1,502	287	564	2,608	1,704	6,666
Allowance for impairment	(1,104)	(44)	(16)	(108)	(318)	(1,590)
Public administration, Italian Government and Regions (net)	**398**	**243**	**548**	**2,500**	**1,386**	**5,076**
Ordinary customers (gross)	19,756	3,729	2,116	2,968	12,760	41,329
Allowance for impairment	(10,470)	(295)	(439)	(1,062)	(10,046)	(22,312)
Ordinary customers (net)	**9,286**	**3,434**	**1,677**	**1,906**	**2,714**	**19,017**
Other debtors (gross)	4,085					4,085
Allowance for impairment	(1,073)					(1,073)
Other debtors (net)	**3,012**					**3,012**
Group companies (gross)	7,005,641	12,804	3,276	2,562	9,866	7,034,149
Allowance for impairment						
Group companies (net)	**7,005,641**	**12,804**	**3,276**	**2,562**	**9,866**	**7,034,149**
Total exposure, net of the allowance for impairment	**7,018,337**	**16,481**	**5,501**	**6,968**	**13,966**	**7,061,254**

thousands of Euros

	Not overdue	Overdue by				
		0-180	180-360	360-720	beyond 720	Total
31.12.2013						
Public administration, Italian Government and Regions (gross)	4,838	764	797	512	1,643	8,554
Allowance for impairment	(403)	(81)	(59)	(156)	(329)	(1,028)
Public administration, Italian Government and Regions (net)	**4,435**	**683**	**738**	**356**	**1,314**	**7,526**
Ordinary customers (gross)	27,330	1,921	1,409	2,190	10,767	43,617
Allowance for impairment	(7,009)	(384)	(431)	(1,102)	(9,164)	(18,090)
Ordinary customers (net)	**20,321**	**1,537**	**978**	**1,088**	**1,603**	**25,527**
Other debtors (gross)	4,378					4,378
Allowance for impairment	(153)					(153)
Other debtors (net)	**4,225**					**4,225**
Group companies (gross)	7,343,054	2,071	156	331	198	7,345,810
Allowance for impairment						
Group companies (net)	**7,343,054**	**2,071**	**156**	**331**	**198**	**7,345,810**
Total exposure, net of the allowance for impairment	**7,372,035**	**4,291**	**1,872**	**1,775**	**3,115**	**7,383,088**

thousands of Euros

Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset.
The Company's financial debt is mainly due to the payment of loans to FS Italiane Group companies. The Parent adopts asset liability management techniques in collecting debt and loan principal from the Group companies. Currently, the loans received and bonds issued offer the subsidiaries the technical features of the underlying debt in order to enable the cash inflows and outflows deriving from interest and principal repayments to occur at the same time.
In order to meet potential and temporary cash requirements, the Parent agreed a revolving and committed backup credit facility in 2011 (€1,500 million) for general purposes. FS SpA had access to the liquid funds created by such facility up to February 2014, when the "availability period" expired as per the related cash pool agreement signed with eight banks. In line with purposes of the facility and in order to ensure coverage of the Group's various operating needs, in February 2015, FS SpA began the selection process for the finalisation of a three-year backup facility agreement of between €1 billion and €1.5 billion. The aim of the transaction is to obtain a credit line from banks – which will be selected at the completion of such process – that has the same characteristics as the previous revolving, committed and general purpose line.

Furthermore, again to meet temporary cash requirements, the Company has numerous uncommitted credit lines granted by banks.
The following table shows the due dates of financial liabilities, including interest to be paid:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
31 DECEMBER 2014							
Non-derivative financial liabilities							
Bonds	4,157,384	4,816,730	251,841	60,655	624,842	1,245,327	2,634,066
Bank loans and borrowings	850,041	975,810	200,001	110,830	110,830	332,490	221,660
Loans and borrowings from other financial backers	1,133,104	1,300,000	100,000	100,000	200,000	600,000	300,000
Trade payables	76,023	76,023	76,023				
Loans and borrowings to Group companies	489,519	489,519	489,519				
Total	**6,706,071**	**7,658,082**	**1,117,384**	**271,485**	**935,672**	**2,177,817**	**3,155,726**

thousands of Euros

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Beyond 5 years
31 DECEMBER 2013							
Non-derivative financial liabilities							
Bonds	4,162,841	4,891,376	13,945	57,905	316,797	1,439,158	3,063,571
Bank loans and borrowings	857,246	1,016,847	130,208	110,830	110,830	332,490	332,490
Loans and borrowings from other financial backers	1,282,946	1,500,000	100,000	100,000	200,000	600,000	500,000
Trade payables	71,130	71,130	71,130				
Loans and borrowings to Group companies	978,613	978,613	978,330	283			
Total	**7,352,776**	**8,457,966**	**1,293,613**	**269,018**	**627,627**	**2,371,647**	**3,896,061**

thousands of Euros

Derivative and non-derivative financial liabilities

	Carrying amount	Within one year	1-5 years	Beyond 5 years
31 DECEMBER 2014				
Non-derivative financial liabilities				
Bonds	4,157,384	264,161	1,521,340	2,371,883
Bank loans and borrowings	850,041	281,791	361,248	207,002
Loans and borrowings from other financial backers	1,133,104	155,935	689,783	287,386
Trade payables	76,023	76,023		
Loans and borrowings to Group companies	489,519	489,519		
Total	**6,706,071**	**1,267,429**	**2,572,371**	**2,866,271**

thousands of Euros

	Carrying amount	Within one year	1-5 years	Beyond 5 years
31 DECEMBER 2013				
Non-derivative financial liabilities				
Bonds	4,162,841	24,277	1,426,026	2,712,538
Bank loans and borrowings	857,246	208,557	345,081	303,608
Loans and borrowings from other financial backers	1,282,946	149,842	662,829	470,275
Trade payables	71,130	71,130		
Loans and borrowings to Group companies	978,613	978,613		
Total	**7,352,776**	**1,432,420**	**2,433,936**	**3,486,421**

thousands of Euros

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. The amounts include both principal and interest.
Furthermore, amounts due within six months are mainly related to loans and borrowings covered by the funds as per the *Finance acts* and the carrying amount of the infragroup current account of companies with net loans in the Parent's cash pooling system.

Market risk, specifically interest rate and currency risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or prices of equity instruments. The objective of the market risk management is the management and control of the Company's exposure to this risk within acceptable levels.
Within market risks, the Company's exposure to interest rate and currency risk is limited.

Interest rate risk

The Company is not exposed to any interest rate risk as variable rate financial liabilities are fully offset by the related financial assets with subsidiaries.
The table below shows the Company's non-current debt, including the current portion, and the current and non-current variable and fixed rate financial liabilities.

	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	Beyond 5 years
Variable rate	3,424,940	3,754,112	949,231	561,661	1,069,318	1,173,902
Fixed rate	3,205,108	3,827,948	363,615	374,011	1,108,499	1,981,824
Balance at 31.12.2014	**6,630,048**	**7,582,060**	**1,312,846**	**935,672**	**2,177,817**	**3,155,726**

thousands of Euros

	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	Beyond 5 years
Variable rate	3,845,034	4,188,294	1,119,364	264,049	1,252,642	1,552,239
Fixed rate	3,436,612	4,198,542	372,136	363,578	1,119,006	2,343,822
Balance at 31.12.2013	**7,281,646**	**8,386,836**	**1,491,501**	**627,627**	**2,371,647**	**3,896,061**

thousands of Euros

The following sensitivity analysis shows the effects that would have been recorded in terms of changes in interest expense had an increase or a decrease of 50 basis points in the Euribor interest rates affected loans in 2014, along with the offsetting deriving from the simultaneous increase or decrease in financial income following the same change in the interest rates.

	+ 50 bps shift	- 50 bps shift
Interest expense on variable-rate debt	13,864	(13,864)
Interest income from loans	(13,864)	13,864
Total		

thousands of Euros

Currency risk

The Company is mainly active in Italy as well as in countries of the Eurozone. Therefore, its currency risk is limited to just one liability.
The Company is not exposed to any currency risk on the bonds in Swiss francs as they are covered by the related intercompany loans granted to the subsidiary Trenitalia SpA at the same amount and in the same currency.

Capital management

The Company's main objective with respect to capital risk management is to safeguard its ability to continue as a going concern, while ensuring returns for Shareholders and benefits for the other stakeholders. The Company also intends to maintain an optimal capital structure in order to reduce the cost of debt.

Financial assets and financial liabilities by category

To complete financial risk information, the table below gives a reconciliation between financial assets and financial liabilities as reported in the statement of financial position and the categories of financial assets and financial liabilities identified pursuant to IFRS 7.

	Loans and receivables	Loans and borrowings
31 December 2014		
Non-current financial assets (including derivatives)	5,438,794	
Non-current trade receivables	6,097	
Other non-current assets	442,599	
Current trade receivables	121,530	
Current financial assets (including derivatives)	1,342,170	
Cash and cash equivalents	183,086	
Tax assets	81,910	
Other current assets	400,277	
Non-current loans and borrowings		5,438,642
Current loans and borrowings and current portion of non-current loans and borrowings		701,887
Other non-current liabilities		873,860
Current trade payables		76,023
Current financial liabilities (including derivatives)		489,519
Other current liabilities		437,162
31 December 2013		
Non-current financial assets (including derivatives)	5,922,540	
Non-current trade receivables	6,827	
Other non-current assets	459,979	
Current trade receivables	129,053	
Current financial assets (including derivatives)	1,269,624	
Cash and cash equivalents	420,967	
Tax assets	84,915	
Other current assets	186,838	
Non-current loans and borrowings		5,920,356
Current loans and borrowings and current portion of non-current loans and borrowings		382,676
Other non-current liabilities		868,180
Current trade payables		71,130
Tax liabilities		291
Current financial liabilities (including derivatives)		978,613
Other current liabilities		397,474

thousands of Euros

5. Property, plant and equipment

Property, plant and equipment at 31 December 2014 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	51,879	523	12,963	1,455	66,820
Depreciation and impairment losses	(11,872)	(369)	(12,119)		(24,360)
Balance at 1.1.2013	**40,007**	**154**	**844**	**1,455**	**42,460**
Investments				897	897
Roll-out			376	(376)	
Depreciation	(722)	(85)	(371)		(1,179)
Disposals and divestments			(2)		(2)
Other reclassifications				(636)	(636)
Total changes	**(722)**	**(85)**	**3**	**(115)**	**(920)**
Historical cost	51,879	523	13,236	1,340	66,978
Depreciation and impairment losses	(12,595)	(453)	(12,390)		(25,438)
Balance at 31.12.2013	**39,284**	**70**	**846**	**1,340**	**41,540**
Investments				466	466
Roll-out	456		152	(608)	
Depreciation	(806)	(70)	(276)		(1,152)
Disposals and divestments*			(1)		(1)
Other reclassifications*	4,376			(428)	3,948
Total changes	**4,026**	**(70)**	**(125)**	**(570)**	**3,261**
Historical cost	58,098	523	13,316	770	72,707
Depreciation and impairment losses	(14,788)	(523)	(12,595)		(27,906)
Balance at 31.12.2014	**43,310**		**721**	**770**	**44,801**

thousands of Euros

** Notes are broken down in the following table*

	Land and buildings	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Disposals and divestments					
Decreases in historical cost from disposals and divestments			(72)		(72)
Decreases in accumulated depreciation for divestments			71		71
Total disposals and divestments			**(1)**		**(1)**
Reclassifications					
Change in historical cost for reclassifications	5,763			(428)	5,335
Changes in accumulated depreciation for reclassifications	(1,033)				(1,033)
Change in impairment losses for reclassifications	(354)				(354)
Total reclassifications	**4,376**			**(428)**	**3,948**

thousands of Euros

Land and buildings refer to a portion of the Villa Patrizi building where the Company has its registered office. The remaining portion is included under investment property.
Following the expansion of the space used by the Company inside Villa Patrizi (+2.45% compared to 31 December 2013), the net amount of €4,376 thousand was reclassified from investment property to land and buildings. The other reclassifications (€428 thousand) refer to software (€396 thousand) and various types of investment projects (€32 thousand) under investment property, which were suitably reclassified under the related captions when transferred to assets.

6. Investment property

Investment property at 31 December 2014 and changes therein are shown in the table below. The assets' estimated useful lives did not change during the year.

	2014		2013	
	Land	Buildings	Land	Buildings
Balance at 1 January				
Cost	502,895	440,006	452,188	393,894
Accumulated depreciation	(11,926)	(191,901)	(9,966)	(161,634)
Allowance for impairment	(173,058)	(32,860)	(138,147)	(21,367)
Carrying amount	**317,911**	**215,245**	**304,075**	**210,893**
Changes				
Increases		766		898
Reclassifications	(2,026)	(3,078)	32,631	13,783
Depreciation	(1,960)	(6,256)	(1,960)	(7,238)
Impairment losses	(1,210)	(119)	(16,834)	(3,070)
Divestments				(21)
Total changes	**(5,196)**	**(8,687)**	**13,837**	**4,352**
Balance at 31 December				
Cost	500,364	435,550	502,895	440,006
Accumulated depreciation	(13,972)	(196,552)	(11,926)	(191,901)
Allowance for impairment	(173,677)	(32,440)	(173,058)	(32,860)
Carrying amount	**312,715**	**206,558**	**317,911**	**215,245**
Reclassifications				
Cost	(2,531)	(5,184)	50,708	45,271
Accumulated depreciation	(86)	1,605		(23,065)
Allowance for impairment	591	501	(18,077)	(8,423)
Total	**(2,026)**	**(3,078)**	**32,631**	**13,783**
Divestments				
Cost		(23)		(57)
Accumulated depreciation				36
Allowance for impairment		23		
Total				**(21)**

thousands of Euros

Investment property includes the land and buildings leased to Group companies and third parties or not used by the Company, but not held for sale. The net decrease related to reclassifications is due to the €4,376 thousand transfer to property, plant and equipment of the portion of the Villa Patrizi building directly used by the Company and the €761 thousand transfer to inventories of property included in sales plans offset by €32 thousand by the above-mentioned reclassification of various types of works in progress from property, plant and equipment.
During the year, in line with 2013, the Company carried out an analysis on its real estate assets. These resulted in the recognition of impairment losses totalling €1,329 thousand, in order to adjust the book value of the assets at the related market value.

7. Intangible assets

This caption exclusively comprises costs incurred for software development related mainly to the Group's IT system.
Opening and closing balances are shows in the table below.

	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	111,727	6,898	118,625
Amortisation and impairment losses	(76,395)		(76,395)
Balance at 1.1.2013	**35,332**	**6,898**	**42,230**
Investments		12,309	12,309
Roll-out	14,394	(14,394)	
Amortisation	(11,735)		(11,735)
Increases	(4,418)		(4,418)
Other reclassifications		636	636
Total changes	**(1,759)**	**(1,449)**	**(3,208)**
Historical cost	126,121	5,450	131,571
Depreciation and impairment losses	(88,130)		(88,130)
Grants	(4,418)		(4,418)
Balance at 31.12.2013	**33,573**	**5,450**	**39,023**
Investments		12,367	12,367
Roll-out	14,776	(14,776)	
Amortisation	(12,271)		(12,271)
Impairment losses	(68)		(68)
Increases	(1,008)		(1,008)
Other reclassifications		396	396
Total changes	**1,429**	**(2,013)**	**(584)**
Historical cost	140,897	3,437	144,334
Depreciation and impairment losses	(100,469)		(100,469)
Grants	(5,426)		(5,426)
Balance at 31.12.2014	**35,002**	**3,437**	**38,439**
Reclassifications			
Change in historical cost for reclassifications		396	396
Total reclassifications		**396**	**396**

thousands of Euros

The Company received grants related to assets of €1,008 thousand under the 2007-2013 Network and Mobility National Operating Programme (PON).

8. Deferred tax assets and deferred tax liabilities

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2014 and changes of the year due to the main temporary differences between carrying amounts and the related tax amounts.

	31.12.2013	Incr./(Decr.) through profit or loss	Other changes	31.12.2014
Deferred tax assets				
Differences related to intangible assets and PPE	105,800	(3,585)		102,215
Provisions per risks and charges and impairment losses with deferred tax deductibility	29,385	(547)		28,838
Differences related to property held for trading - Inventories	84,895	(1,983)		82,912
Total	**220,080**	**(6,114)**		**213,966**
Deferred tax liabilities				
Differences related to intangible assets and PPE	84,248	(4,401)		79,847
Differences related to property held for trading - Inventories	34,571	(1,693)		32,878
Other	442	(88)		354
Total	**119,261**	**(6,182)**		**113,079**
Provision for Ires tax consolidation scheme	274,654		50,009	324,663
Total	**393,915**	**(6,182)**	**50,009**	**437,742**

thousands of Euros

Deferred tax assets and the provision for deferred tax liabilities are mainly related to the misalignment between the carrying amount and the tax effects of property, plant and equipment and intangible assets, on which depreciation and amortisation are calculated, and property held for trading, in addition to the deferred deductibility applied to provisions for risks and charges and impairment losses on non-current assets. The changes in the year basically refer to the release of deferred tax assets and liabilities due to the difference between the carrying amount and tax value of amortisation and depreciation for the year and the gains on disposal of assets.

The provision for Ires tax consolidation scheme includes taxes related to the Company and its subsidiaries that participate in the tax consolidation scheme not due to the tax authorities as they are offset by the tax losses transferred from other companies. At year end, the Parent offsets the related results of the companies transferring taxable income and those transferring tax losses. The net increases and decreases amount to €50,009 thousand. The provision reflects the changes mainly related to the estimated current taxes of the companies participating in the Ires tax consolidation scheme, net of the utilisations needed to remunerate the same companies for the tax losses previously transferred. The latter also include the contractual effects related to the recalculation of the tax (for 2007 to 2011) due to the higher Irap deduction, introduced by article 2.1-quater of Legislative decree no. 201/2011, which led to the provision being used for an amount equal to the credit allocated to the related company.

9. Equity investments

The tables below show equity investments' opening and closing balances, broken down by category, and changes therein in 2014 and 2013.

	Carrying amount at 31.12.2014	Carrying amount at 31.12.2013	Cumulative allowance for impairment
Equity investments in:			
- subsidiaries	35,406,388	35,395,878	74,264
- associates	23,084	23,061	
- other companies	133,489	133,499	
Total	**35,562,961**	**35,552,438**	**74,264**

thousands of Euros

CHANGES IN 2014

	Carrying amount at 31.12.2013	Acquisitions/ Subscriptions	Impairment losses/ Reversals of impairment losses	Reclassi- fications	Other changes	Carrying amount at 31.12.2014	Cumulative allowance for impairment
Investments in subsidiaries							
Centostazioni SpA	3,050					3,050	
Fercredit SpA	31,413					31,413	
Ferservizi SpA	8,378					8,378	
FS Logistica SpA	110,436					110,436	32,659
FS Sistemi Urbani Srl	534,094					534,094	
Grandi Stazioni SpA	17,601					17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	144,355					144,355	
FS Telco Srl	5					5	15
Italcertifer SpA	883					883	
Italferr SpA	8,047					8,047	
RFI SpA	32,896,721					32,896,721	
Self Srl	35					35	
Sita SpA in liquidation	562					562	
Trenitalia SpA	1,612,874					1,612,874	41,590
Busitalia - Sita Nord Srl	27,374	10,510				37,884	
Tav Srl	50	38	(38)			50	
Total	**35,395,878**	**10,548**	**(38)**			**35,406,388**	**74,264**
Investments in associates							
Ferrovie Nord Milano SpA	23,061					23,061	
ItaliaCamp Srl		23				23	
Total	**23,061**	**23**				**23,084**	
Other companies							
BCC Bureau Central de Clearing	6					6	
E.T.L. Consortium	10				(10)		
Eurofima SA	133,325					133,325	
Hit Rail B.V.	97					97	
Isfort SpA	61					61	
Total	**133,499**				**(10)**	**133,489**	
Total	**35,552,438**	**10,571**	**(38)**		**(10)**	**35,562,961**	**74,264**

thousands of Euros

The changes during to the year, totalling €10,523 thousand, relate to:

- quota capital injection made into the subsidiary Busitalia - Sita Nord Srl (€10,510 thousand);
- acquisition of 20% of ItaliaCamp Srl (€23 thousand);
- termination of the Company's participation in the E.T.L. consortium (€10 thousand).

CHANGES IN 2013

	Carrying amount at 31.12.2012	Acquisitions/ Subscriptions	Impairment losses/ Reversals of impairment losses	Other changes	Decreases	Carrying amount at 31.12.2013	Cumulative allowance for mpairment
Investments in subsidiaries							
Centostazioni SpA	3,050					3,050	
Fercredit SpA	31,413					31,413	
Ferservizi SpA	8,378					8,378	
FS Logistica SpA	143,095		32,659			110,436	32,659
FS Sistemi Urbani Srl	534,094					534,094	
Grandi Stazioni SpA	17,601					17,601	
Netinera Deutschland GmbH (formerly FS2Move GmbH)	89,594	54,761				144,355	
FS Telco Srl	5					5	15
Italcertifer SpA	883					883	
Italferr SpA	8,047					8,047	
RFI SpA	32,896,721					32,896,721	
Self Srl	35					35	
Sita SpA in liquidation	562					562	
Trenitalia SpA	1,612,874					1,612,874	41,590
Busitalia - Sita Nord Srl	27,374					27,374	
Tav Srl	50					50	
Total	**35,373,776**	**54,761**	**32,659**			**35,395,878**	**74,264**
Investments in associates							
Ferrovie Nord Milano SpA	23,061					23,061	
Total	**23,061**					**23,061**	
Other companies							
BCC Bureau Central de Clearing	6					6	
E.T.L. Consortium	10					10	
Eurofima SA	133,325					133,325	
Hit Rail B.V.	97					97	
Isfort SpA	61					61	
Total	**133,499**					**133,499**	
Total	**35,530,336**	**54,761**	**32,659**			**35,552,438**	**74,264**

thousands of Euros

In the following table, the carrying amounts of equity investments in subsidiaries and associates are compared with the corresponding portions of equity.

	Registered	Share/ quota capital	Profit/(loss) for the year	Equity at 31.12.2014	% of investment	Attributable equity (a)	Carrying amount at 31.12.2014 (b)	Difference (b) - (a)
Investments in subsidiaries								
Busitalia - Sita Nord Srl	Rome	25,511	2,168	39,505	100.00%	39,505	37,884	(1,621)
Centostazioni SpA	Rome	8,333	8,364	34,704	59.99%	20,819	3,050	(17,769)
Fercredit SpA	Rome	32,500	10,141	90,351	100.00%	90,351	31,413	(58,938)
Ferservizi SpA	Rome	8,170	18,319	26,149	100.00%	26,149	8,378	(17,771)
FS Logistica SpA	Rome	143,096	3,365	113,758	100.00%	113,758	110,436	(3,322)
FS Sistemi Urbani Srl	Rome	532,783	261	547,026	100.00%	547,026	534,094	(12,932)
Grandi Stazioni SpA	Rome	4,304	17,623	152,650	59.99%	91,575	17,601	(73,974)
Netinera Deutschland GmbH formerly FS2Move GmbH)	Berlin	1,025	(2,175)	253,259	51.00%	129,162	144,355	15,193
FS Telco Srl*	Rome	20	(17)	38	100.00%	38	5	(33)
Italcertifer SpA	Florence	480	109	3,158	66.66%	2,105	883	(1,222)
Italferr SpA	Rome	14,186	3,802	45,859	100.00%	45,859	8,047	(37,812)
RFI SpA	Rome	32,007,633	140,089	33,279,808	100.00%	33,279,808	32,896,721	(383,087)
Self Srl	Rome	35		35	100.00%	35	35	
Sita SpA in liquidation	Florence	200		(602)	55.00%	(331)	562	893
Trenitalia SpA	Rome	1,654,464	59,509	1,949,901	100.00%	1,949,901	1,612,874	(337,027)
TAV Srl	Rome	50	(15)	35	100.00%	35	50	15
Total						**36,335,795**	**35,406,388**	**(929,407)**
Investments in associates								
Ferrovie Nord Milano SpA	Milan	230,000	21,715	288,599	14.74%	42,539	23,061	(19,478)
ItaliaCamp Srl	Rome	10		10	20.00%	2	23	21
Total						**36,378,336**	**35,429,472**	**(948,864)**
Total						**36,378,336**	**35,429,472**	**(948,864)**

thousands of Euros

* *The subsidiary's equity includes the injection for future capital increases (€135 thousand) which Ferrovie dello Stato Italiane recognises as receivables for injections for future capital increases.*

No impairment loss is recognised on the difference between the carrying amount of Netinera Deutschland and the related portion of equity, considering the related expected performance and the results of the impairment test.
There is no impairment loss recognised on TAV Srl as the company is not operational or for Sita SpA in liquidation.

The following table summarises the main statement of financial position and income statement captions of the associate Ferrovie Nord Milano SpA:

INVESTMENTS IN ASSOCIATES

	% of investment	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit/ (loss)
2014										
FNM SpA	14.74%	107,639	316,720	424,359	84,687	31,355	116,042	57,309	42,626	18,724
2013										
FNM SpA	14.74%	157,635	265,808	423,443	93,909	34,716	128,625	54,960	41,523	17,048

thousands of Euros

10. Non-current and current assets (including derivatives)

Financial assets are broken down below compared with prior year corresponding figures.

FINANCIAL ASSETS

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Non-current loans and borrowings	5,438,565	504,934	5,943,499	5,922,301	256,243	6,178,544	(483,736)	248,691	(235,045)
Injections for future capital increase		135	135		135	135			
Current loan assets		242,770	242,770		231,741	231,741		11,029	11,029
Other loan assets	229	594,331	594,560	239	781,505	781,744	(10)	(187,174)	(187,184)
Total	**5,438,794**	**1,342,170**	**6,780,964**	**5,922,540**	**1,269,624**	**7,192,164**	**(483,746)**	**72,546**	**(411,200)**

thousands of Euros

Financial assets decreased by €411,200 overall in 2014.
Non-current loans and borrowings at 31 December 2014 relate to loans granted to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA and Fercredit SpA totalling €5,943,499 thousand, of which €1,354,267 thousand related to the Euro Medium Term Notes programme. The €235,045 thousand decrease is mainly due to repayments of loans during the year totalling €238,381 thousand, offset by higher receivables for accrued income of €3,336 thousand.
Current loan assets relate to loans granted to subsidiaries.
The decrease in other loan assets is due to lower funds in infragroup joint current accounts with Group companies.

11. Other current and non-current assets

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other receivables from Group companies		150,014	150,014		51,071	51,071		98,943	98,943
VAT receivables	442,427	247,618	690,045	458,732	132,877	591,609	(16,305)	114,741	98,436
Other Government authorities					13	13		(13)	(13)
Sundry receivables and prepayments and accrued income	1,245	2,645	3,890	1,247	3,029	4,276	(2)	(384)	(386)
Total	**443,672**	**400,277**	**843,949**	**459,979**	**186,990**	**646,969**	**(16,307)**	**213,287**	**196,980**
Allowance for impairment	(1,073)		(1,073)		(153)	(153)	1,073	(153)	920
Total net of the allowance for impairment	**442,599**	**400,277**	**842,876**	**459,979**	**186,837**	**646,816**	**(17,380)**	**213,440**	**196,060**

thousands of Euros

The increase in VAT receivables by €98,436 thousand is basically due to the difference due to VAT reimbursements received from the tax authorities following the claim made for 2011 (€132,877 thousand) and the VAT receivable for the current year (€226,715 thousand).
For a better comparison of the amounts recognised as VAT receivables under the VAT consolidation scheme, following an analysis of their liquidity, €61,683 thousand was reclassified from other current assets to other non-current assets at 31 December 2013.
Receivables broken down by geographical area are as follows:

	31.12.2014	31.12.2013	Change
Italy	843,763	646,852	196,911
Eurozone countries	138	68	70
United Kingdom	48	48	
United States		1	(1)
Total	**843,949**	**646,969**	**196,980**

thousands of Euros

12. Inventories

	31.12.2014	31.12.2013	Change
Land and property held for trading	738,620	743,882	(5,262)
Allowance for inventory write-down	(247,453)	(249,082)	(1,629)
Total inventories	**491,167**	**494,800**	**(3,633)**

thousands of Euros

Inventories comprise property held for sale. The decrease on the previous year (€3,633 thousand) is mainly attributable to disposals made during the year (€8,607 thousand), net of the utilisation of the allowance for inventory write-down (€2,976 thousand) offset by the increases for extraordinary maintenance carried out on property (€1,360 thousand) and the net reclassifications of land and buildings held for sale from investment property (€761 thousand, of which €1,986 historical cost and €1,225 thousand allowance for inventory write-down).

13. Non-current and current trade receivables

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	6,243	35,087	41,330	6,973	36,644	43,617	(730)	(1,557)	(2,287)
Government authorities and other public authorities		6,666	6,666		8,158	8,158		(1,492)	(1,492)
Other receivables from Group companies		103,533	103,533		103,561	103,561		(28)	(28)
Other receivables					(339)	(339)		339	339
Total	**6,243**	**145,286**	**151,529**	**6,973**	**148,024**	**154,997**	**(730)**	**(2,738)**	**(3,468)**
Allowance for impairment	(147)	(23,756)	(23,903)	(147)	(18,971)	(19,118)		4,785	4,785
Total net of the allowance for impairment	**6,096**	**121,530**	**127,626**	**6,826**	**129,053**	**135,879**	**(730)**	**(7,523)**	**(8,253)**

thousands of Euros

Current and non-current trade receivables net of the allowance for impairment fell €8,253 thousand in 2014, mainly due to the decrease in receivables from ordinary customers and public administration and following financial regulations applied during the year and higher impairment losses on doubtful debts. The maximum exposure to credit risk, broken down by geographical area, is as follows:

	31.12.2014	31.12.2013	Change
Italy	149,610	153,719	(4,109)
Eurozone countries	1,519	878	641
Other countries	400	400	
Total	**151,529**	**154,997**	**(3,468)**

thousands of Euros

14. Cash and cash equivalents

The item is broken down as follows:

	31.12.2014	31.12.2013	Change
Bank and postal accounts	135,201	285,276	(150,075)
Cheques	61		61
Cash and cash on hand	22	30	(8)
Treasury current accounts	47,802	135,661	(87,859)
Total	**183,086**	**420,967**	**(237,881)**

thousands of Euros

The caption fell by €237,881 thousand compared to the previous year, mainly due to the decrease in current liquid funds (€150,075 thousand) due to repayments made on the EBI and Cassa Depositi e Prestiti loans in December 2014 and the €87,859 thousand reduction in the treasury current accounts due to lower contributions received.

15. Tax assets

Tax assets at 31 December 2014 amount to €81,910 thousand (€84,915 thousand at 31 December 2013) and relate to Ires and Irap tax credits. The decrease during the year is basically due to the reduction of credits for taxes paid abroad by a Group company.

16. Equity

Changes in the main equity captions in 2013 and 2014 are shown in the statement of changes in equity.

SHARE CAPITAL

At 31 December 2014, the Company's share capital fully subscribed and paid up by the sole Shareholder, the Ministry of the Economy and Finance, was made up of 38,790,425,485 ordinary shares, with a par value of €1 each, for a total of €38,790,425,485.

LEGAL RESERVE

At 31 December 2014, it amounted to €25,106 thousand, following the allocation of a portion of the profit for 2013, equal to €3,839 thousand.

ACTUARIAL RESERVE

The actuarial reserve includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card. An actuarial loss of €709 thousand, net of the tax effect, was recognised in 2014.

LOSSES CARRIED FORWARD

Losses carried forward fell €72,932 thousand at 31 December 2014, mainly due to the allocation of the profit for 2013.

PROFIT FOR THE YEAR

2014 ended with a profit of €89,212 thousand.
The origin, availability and distributability of equity captions are shown below.

Origin	Balance at 31.12.2014	Unavailable portion	Possibility of use	Available portion	Available portion of (b)
	(a+b)	(a)		(b)	
Share capital	**38,790,425**	**38,790,425**			
Equity-related reserves					
Negative goodwill	254,599		A B	254,599	
Income related reserve					
Legal reserve	25,106	25,106	B		
Extraordinary reserve	27,897		A B	27,897	
Reserves for unrealised gains and losses					
Actuarial reserve	(1,870)	(1,870)			
Total	**39,096,157**	**38,813,661**		**282,496**	

thousands of Euros

A Capital increase
B Coverage of losses

17. Current and non-current loans and borrowings

Details on the amounts and terms and conditions of the Company's loans measured at amortised cost:

LOANS AND BORROWINGS

	31.12.2014	31.12.2013	Change
Non-current loans and borrowings, net of the current portion			
Bonds	3,893,223	4,138,564	(245,341)
Bank loans and borrowings	568,250	648,688	(80,438)
Loans and borrowings from other financial backers	977,169	1,133,104	(155,935)
Total	**5,438,642**	**5,920,356**	**(481,714)**
Current loans and borrowings and current portion of non-current loans and borrowings			
Bonds (current)	264,161	24,277	239,884
Bank loans and borrowings (current)	281,791	208,558	73,233
Loans and borrowings from other financial backers (current)	155,935	149,842	6,093
Total	**701,887**	**382,677**	**319,210**
Total loans and borrowings	**6,140,529**	**6,303,033**	**(162,504)**

thousands of Euros

The caption decreased €162,504 thousand on the previous year, mainly due to the repayment of the Cassa Depositi e Prestiti loan (€149,842 thousand), the EIB loan (€76,839 thousand) and the Eurofima bond (€7,700 thousand), partially offset by the increase in current borrowings (€70,000 thousand).

The terms and conditions of all non-current loans and borrowings, including the current portion, are summarised in the table below:

LOANS AND BORROWINGS' TERMS AND CONDITIONS

Creditor	Currency	Nominal interest rate	Year of maturity	31.12.2014		31.12.2013	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
Eurofima	EUR	6 m Euribor + spread	2018	200,000	200,003	200,000	200,005
Eurofima	EUR	6 m Euribor + spread	2018	200,000	200,004	200,000	200,005
Eurofima	EUR	6 m Euribor + spread	2018	149,400	149,402	149,400	149,403
Eurofima	EUR	6 m Euribor - spread	2019	160,000	160,013	160,000	160,030
Eurofima	EUR	6 m Euribor - spread	2019	183,000	183,013	183,000	183,029
Eurofima	EUR	6 m Euribor - spread	2016	194,000	194,007	194,000	194,024
Eurofima	EUR	6 m Euribor - spread	2016	32,300	32,300	32,300	32,304
Eurofima	EUR	6 m Euribor - spread	2015	83,000	83,005	83,000	83,013
Eurofima	EUR	6 m Euribor - spread	2018	62,700	62,701	62,700	62,701
Eurofima	EUR	6 m Euribor - spread	2020	62,700	62,700	62,700	62,701
Eurofima	EUR	6 m Euribor - spread	2015	165,300	165,379	165,300	165,431
Eurofima	EUR	6 m Euribor - spread	2016	310,000	310,088	310,000	310,204
Eurofima	EUR	6 m Euribor - spread	2026	190,000	190,029	190,000	190,066
Eurofima	EUR	6 m Euribor - spread	2026	100,000	100,016	100,000	100,035
Eurofima	EUR	6 m Euribor - spread	2027	128,700	128,744	128,700	128,795
Eurofima	EUR	6 m Euribor - spread	2026	116,000	116,019	116,000	116,041
Eurofima	EUR	6 m Euribor - spread	2022	120,000	120,025	120,000	120,073
Eurofima	EUR	6 m Euribor - spread	2024	122,200	122,215	122,200	122,234
Eurofima	EUR	6 m Euribor - spread	2027	65,700	65,724	65,700	65,750
Eurofima	EUR	6 m Euribor - spread	2020	47,400	47,400	47,400	47,401
Eurofima	CHF	fixed rate 2.57%	2020	37,425	37,679	36,657	36,905
Eurofima	EUR	fixed rate 3.7795%	2014			7,700	7,969
Eurofima	CHF	fixed rate 2.501%	2016	10,396	10,587	10,182	10,369
Eurofima	CHF	fixed rate 2.795%	2017	19,544	19,951	19,143	19,541
Eurofima	EUR	6 m Euribor + spread	2025	42,500	42,632	42,500	42,640
Emtn Progr. Tr. 1	EUR	fixed rate 4.00%	2020	742,558	755,955	741,389	754,786
Emtn Progr. Tr. 2	EUR	fixed rate 3.50%	2021	596,699	597,793	596,293	597,386
				4,141,522	**4,157,384**	**4,146,264**	**4,162,841**
EIB	EUR	fixed rate 4.685%	2021	648,689	650,039	725,528	727,038
Cassa Depositi e Prestiti	EUR	fixed rate 4.026%	2021	1,133,104	1,133,104	1,282,946	1,282,946
Total loans and borrowings*				**5,923,315**	**5,940,527**	**6,154,738**	**6,172,825**

thousands of Euros

* *The carrying amount of loans and borrowings does not include current borrowings at 31 December 2014 (€200,002 thousand) and 31 December 2013 (€130,208 thousand).*

18. Post-employment benefits and other employee benefits

	31.12.2014	31.12.2013
Present value of post-employment benefit obligations	13,708	15,332
Present value of Free Travel Card obligations	198	184
Present value of other employee benefit obligations		3
Total	**13,906**	**15,519**

thousands of Euros

Changes in the present value of liabilities for defined benefit obligations for post-employment benefits and the Free Travel Card (excluding other employee benefits) are shown in the table below.

	2014	2013
Opening balance	15,516	18,120
Service costs	3	3
Interest cost*	295	354
Actuarial (gains)/losses recognised in equity**	971	(623)
Advances, utilisations and other changes	(2,879)	(2,338)
Total	**13,906**	**15,516**

thousands of Euros

** Through profit or loss*

*** Net of the tax effects*

The use of the provision for post-employment benefits and Free Travel Card (€2,879 thousand) mainly refers to the benefits paid to the personnel who left the Company during the year (€2,067 thousand) and transfers of employees to and from other Group companies (€611 thousand).
The difference between the expected accrued amount at the end of the observation period and the expected present value of the benefits payable in the future as recalculated at the end of the period and of the updated valuation assumptions, represents actuarial gains/(losses). This calculation generated an actuarial loss of €971 thousand during the year, compared to the actuarial gain of €623 thousand in 2013.

ACTUARIAL ASSUMPTIONS

The following are described in the tables below:
- main assumptions for the actuarial estimate process;
- sensitivity analysis for each significant actuarial assumption at year end, showing the effects of reasonably possible changes in actuarial assumptions at such date in absolute terms;
- contribution expected for the subsequent year and the average term of the defined benefit obligation;
- the payments scheduled by the plan for the next five-year period.

	2014	2013
Discount rate (post-employment benefits)	0.91%	2.50%
Discount rate (Free Travel Card)	1.49%	3.17%
Annual increase rate of post-employment benefits (year x+1)	1.95%	3.00%
Annual increase rate of post-employment benefits (year x+2)	2.40%	
Annual increase rate of post-employment benefits (year x+3)	2.63%	
Annual increase rate of post-employment benefits (year x+4)	3.00%	
Inflation rate of post-employment benefits (year+1)	0.60%	2.00%
Inflation rate of post-employment benefits (year+2)	1.20%	
Inflation rate of post-employment benefits (year+3)	1.50%	
Inflation rate of post-employment benefits (year+4	2.00%	
Inflation rate of Free Travel Cards (year+1)	0.60%	2.00%
Inflation rate of Free Travel Cards (year+2)	1.20%	
Inflation rate of Free Travel Cards (year+3)	1.50%	
Inflation rate of Free Travel Cards (year+4)	2.00%	
Expected turnover rate for employees	3.00%	3.00%
Expected rate of advances	2.00%	2.00%

Mortality	RG48 mortality table published by the General Accounting Office
Disability	Inps tables broken down by gender and age
Retirement age	100% upon meeting the Compulsory general insurance requirements

		2014
Inflation rate	+0.25%	14,067
Inflation rate	-0.25%	13,748
Discount rate	+0.25%	13,666
Discount rate	-0.25%	14,153
Turnover rate	+1%	13,622
Turnover rate	-1%	13,804
Total		**83,060**

thousands of Euros

	31.12.2014
Service cost*	3
Term of the plan - Post-employment benefits	7
Term of the plan - Free Travel Card	12

* *thousands of Euros*

	Estimated future payments
First year	1,925
Second year	987
Third year	1,462
Fourth year	1,230
Fifth year	567
Total	**6,171**

thousands of Euros

19. Provisions for risks and charges

The opening and the closing balance of and changes in the provisions for risks and charges for 2014 are given below.

	31.12.2013	Provisions	Utilisations	Other changes	Release of excess provisions	31.12.2014
Taxation	302					302
Litigation with personnel and third parties	16,835		(367)			16,468
Other minor risks	64,560		(3,432)			61,128
Total non-current portion	**81,697**		**(3,799)**			**77,898**

thousands of Euros

The provision for taxation was mainly accrued to cover probable expenses for the preliminary assessment report received from the Genoa tax office in 2011 in relation to the sale of a real estate complex located in the municipality of Levanto (SP). The Company submitted an appeal against the assessment.
The provision for litigation with personnel and third parties was accrued to cover probable charges due to the third-party litigation related to sales contracts (price reductions, compensation for damage incurred during sales negotiations), non-compliance with agreements or disputes on lease agreements, claims on assessments of ownership rights, pre-emptions etc., as well as disputes with personnel. The provision in question was used for €367 thousand in 2014, essentially for disputes with personnel and in the segment of Real Estate Services.
The provision for other minor risks covers estimated expenses to be incurred for personnel and contractual costs borne by the former Ferrovie Real Estate SpA connected to specific sales, so-called "income package and high buildings" (pacchetto a reddito e palazzi alti), reclamation costs for certain sites and tax-related items. Utilisations of the provision relate to costs incurred for contractual obligations (€1,426 thousand) and personnel costs of the Bilateral management fund – extraordinary component as at 31 December 2014 (€2,006 thousand).

20. Current and non-current financial liabilities (including derivatives)

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Other financial liabilities		489,519	489,519		978,613	978,613		(489,094)	(489,094)
Total		**489,519**	**489,519**		**978,613**	**978,613**		**(489,094)**	**(489,094)**

thousands of Euros

Other financial liabilities mainly comprise payables to subsidiaries for the balance of the infragroup current accounts. The decrease in the caption is mainly due to the reduction in payables to Rete Ferroviaria Italiana SpA.

21. Other current and non-current liabilities

	31.12.2014			31.12.2013			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Social security charges payable		5,309	5,309		6,450	6,450		(1,141)	(1,141)
Other liabilities with Group companies	550,592	364,705	915,297	548,309	310,691	859,000	2,283	54,014	56,297
Tax consolidation liabilities		5,086	5,086		18,810	18,810		(13,724)	(13,724)
Other liabilities and accrued expenses and deferred income	323,268	62,062	385,330	319,871	61,523	381,394	3,397	539	3,936
Total	**873,860**	**437,162**	**1,311,022**	**868,180**	**397,474**	**1,265,654**	**5,680**	**39,688**	**45,368**

thousands of Euros

The increase in other liabilities with Group companies (€56,297 thousand) is mainly due to reimbursements of VAT receivables from previous years by Rete Ferroviaria Italiana SpA (€281,944 thousand) and Trenitalia SpA (€4,155 thousand). This is offset by the increase in liabilities for the transfer of VAT receivables during the year by Rete Ferroviaria Italiana SpA (€351,878 thousand) and interest accrued on VAT receivables during the year (€4,876 thousand).
For a better comparison of the amounts recognised as VAT receivables under the VAT consolidation scheme, following an analysis of their liquidity, €281,415 thousand was reclassified from other current assets to other non-current assets at 31 December 2013.
Down €13,724 thousand, tax consolidation liabilities are mainly due to the Company's transfer of withholding taxes that were not offset by payables for withholdings or taxes due and higher advances paid than taxes due.
The increase in other liabilities and accrued expenses and deferred income (€3,936 thousand) is mainly due to the exchange rate loss following the reporting date adjustment in relation to capital proceeds due to the investee Eurofima SA, expressed in Swiss francs (€3,998 thousand).

22. Current trade payables

The item is broken down as follows:

	31.12.2014	31.12.2013	Change
Trade payables	21,499	25,885	(4,386)
Payments on account	8,555	5,225	3,330
Trade payables to Group companies	45,969	40,020	5,949
Total	**76,023**	**71,130**	**4,893**

thousands of Euros

The increase in current trade payables (€4,893 thousand) is mainly due to the combined effect of the drop in trade payables following payments made during the year, the increase in advances for collections received for expropriations not yet completed and the increase in loans and borrowings with Group companies.
There are no non-current trade payables.

23. Revenue from sales and services

The tables and comments below give a breakdown of revenue from sales and services.

	2014	2013	Change
Revenue from property management	**74,476**	**83,740**	**(9,264)**
Fee income from the use of trademarks	**26,082**	**26,721**	**(639)**
Services	**37,292**	**37,318**	**(26)**
Finance	2,437	3,234	(797)
Tax and financial statements	632	686	(54)
Management administration	594	623	(29)
Company secretary office	1,299	1,212	87
Legal/labour office	5,743	5,738	5
Industrial relations	3,671	3,428	243
Development and organisation	1,603	2,044	(441)
Public relations	7,757	6,693	1,064
Communication	1,836	2,546	(710)
Institutional business	1,650	1,785	(135)
Strategies	1,001	960	41
Legal	1,127	1,472	(345)
Organisation and processes	265	278	(13)
Information systems	3,518	3,144	374
Audit	416	252	164
Corporate protection (formerly Facilities)	3,743	3,223	520
Capitalisation of work on property held for trading	**1,360**	**563**	**797**
Other services	**2,372**	**4,234**	**(1,862)**
Total	**141,582**	**152,576**	**(10,994)**

thousands of Euros

Revenue from sales and services decreased €10,994 thousand on 2013, mainly due to lower revenue from property management, basically comprising lease instalments and sales of land and property held for trading. The drop is mainly attributable to lower volumes of property sales and lower revenue from lease instalments due to less building space being occupied by Group companies.
Land and property held for trading were sold during the year for a total of approximately €12 million, generating a gain of over €6 million.

24. Other income

This caption can be analysed as follows:

	2014	2013	Change
Surety fee income	**2,760**	**2,805**	**(45)**
Repayments	**1,487**	**2,547**	**(1,060)**
Managers at FS Italiane Group companies	1,094	2,029	(935)
From personnel	34	43	(9)
Other repayments	359	475	(116)
Other income	**2,186**	**2,481**	**(295)**
Total	**6,433**	**7,833**	**(1,400)**

thousands of Euros

The decrease in the caption is mainly due to lower repayments to managers (€935 thousand) and lower revenue for penalties (€187 thousand) and contributions to the Italian Antitrust Authority (€176 thousand).

25. Personnel expense

This caption can be analysed as follows:

	2014	2013	Change
Employees	**46,264**	**48,357**	**(2,093)**
Wages and salaries	32,984	37,053	(4,069)
Social security charges	9,005	9,895	(890)
Other expense for employees	2,136	(764)	2,900
Post-employment benefits	2,141	2,384	(243)
Accruals and releases	(2)	(211)	209
Consultants and freelancers	**244**	**145**	**99**
Wages and salaries	155	100	55
Social security charges	89	45	44
Other costs	**3,558**	**3,284**	**274**
Temporary workers, seconded employees and trainees	848	1,862	(1,014)
Other costs	2,710	1,422	1,288
Total	**50,066**	**51,786**	**(1,720)**

thousands of Euros

Personnel expense, which totals €50,066 thousand, decreased by €1,720 thousand on the previous year.
The decrease is due to:
- a reduction in personnel expense for permanent employees (€2,093 thousand), mainly due to the combined effect of the reduction in wages and salaries and social security charges (€4,959 thousand) and the increase in costs for leaving incentives (€3,049 thousand) for the Company's ongoing, gradual production and work reorganisation process;
- an increase in other costs (€274 thousand), mainly due to increased costs for professional training courses (€1,331 thousand), offset by a reduction in costs for employees seconded to Group companies (€995 thousand).

Accruals and releases includes those related to labour disputes. The net decrease on the previous year is attributable to the decrease in litigation.

The table below gives a breakdown of the Company's average number of employees by category:

AVERAGE NUMBER OF EMPLOYEES

	2014	2013	Change
Managers	83	87	(5)
Junior managers	209	231	(22)
Other	183	216	(33)
Total	**475**	**534**	**(59)**

26. Raw materials, consumables, supplies and goods

The item is broken down as follows:

	2014	2013	Change
Raw materials and consumables	492	633	(141)
Lighting and driving force	102	107	(5)
Change in land and property held for trading	5,753	43,580	(37,827)
Total	**6,347**	**44,320**	**(37,973)**

thousands of Euros

The caption amounts to €6,347 thousand (2013: €44,320 thousand). The fall is basically due to lower impairment losses recorded in 2014 (€31,354 thousand).

27. Services

This caption can be analysed as follows:

	2014	2013	Change
Transport services	**14**	**14**	
Cargo transport services	14	14	
Maintenance, cleaning and other contracted services	**5,730**	**5,583**	**147**
Contracted services and work	540	377	163
Contract cleaning and other services	338	205	133
Maintenance and repair of intangible assets and property, plant and equipment	4,852	5,000	(148)
Property services and utilities	**23,106**	**23,642**	**(536)**
Administrative and IT services	**7,072**	**9,311**	**(2,239)**
External communication and advertising expense	**3,140**	**3,175**	**(35)**
Other	**13,542**	**11,644**	**1,898**
Professional services	2,443	1,675	768
Insurance	1,549	1,668	(119)
Consultancies	1,384	1,765	(381)
Facilities management	4,738	2,178	2,560
Travel and accommodation	525	542	(17)
Other administrative services	431	440	(9)
Other	2,472	3,376	(904)
Total	**52,604**	**53,369**	**(765)**

thousands of Euros

For some of the various services listed above, there is a balancing entry for the costs charged to Ferrovie dello Stato Italiane SpA under other income for the recharge to Group companies, limited to the portions related thereto.
The increase in facilities management is mainly due to the outsourcing of access control services to Ferservizi SpA.

28. Use of third-party assets

This caption can be analysed as follows:

	2014	2013	Change
Lease payments and condominium expenses	4,802	7,154	(2,352)
Leases and indemnities for rolling stock and other	239	114	125
Total	**5,041**	**7,268**	**(2,227)**

thousands of Euros

The decrease is mainly due to the reduction in building lease instalment costs as less building space was occupied during the year.

29. Other operating costs

This caption can be analysed as follows:

	2014	2013	Change
Membership fees and contributions	6,702	5,136	1,566
Non-deductible VAT (pro rata)	5,909	3,839	2,070
Taxes and duties	14,195	14,143	52
Other sundry expense	1,673	1,574	99
Total	**28,479**	**24,692**	**3,787**

thousands of Euros

The €3,787 thousand increase in other operating costs is mainly due to higher membership fees for contributions to Fondazione FS Italiane (€1,280 thousand), non-deductible VAT matured during the year (€2,070 thousand) and the new TASI municipal tax (€562 thousand).
In order to improve presentation, the Government concession tax and waste disposal tax amounting to €1,355 thousand were reclassified in 2013 from other sundry expense to taxes and duties.

30. Internal work capitalised

Internal work capitalised amounting to €232 thousand (2013: €203 thousand) refer to personnel expense attributable to investments, linked to software production and development.

31. Amortisation and depreciation

This caption can be analysed as follows:

	2014	2013	Change
Amortisation of intangible assets	12,271	11,735	536
Depreciation of property, plant and equipment	9,368	10,377	(1,009)
Total	**21,639**	**22,112**	**(473)**

thousands of Euros

The €473 thousand decrease on the previous year is mainly due to the effect of impairment losses made in 2013 and ordinary amortisation and depreciation trends.

32. Impairment losses (reversals of impairment losses)

This caption can be analysed as follows:

	2014	2013	Change
Impairment losses on intangible assets	68		68
Impairment losses on property, plant and equipment and investment property	1,330	19,930	(18,600)
Impairment losses and reversals of impairment losses on receivables	4,830	1,948	2,882
Total	**6,228**	**21,878**	**(15,650)**

thousands of Euros

The caption decreased by €15,650 thousand on 2013, mainly as a result of lower depreciation of investment property (€18,600 thousand) and the opposite effect of the reversal of impairment losses on receivables based on realisation estimates (€2,882 thousand).

33. Financial income

This caption can be analysed as follows:

	2014	2013	Change
Financial income from non-current loans and receivables and securities	151,462	122,458	29,004
Other financial income	15,863	27,654	(11,791)
Dividends	113,023	124,809	(11,786)
Exchange rate gains	15	3,220	(3,205)
Total	**280,363**	**278,141**	**2,222**

thousands of Euros

Financial income amounted to €280,363 thousand, up €2,222 thousand on 2013 due to the combined effect of:

- higher interest accrued on receivables for non-current loans granted to Trenitalia SpA (€14,614 thousand) and Rete Ferroviaria Italiana SpA (€14,411 thousand), mainly relayed to bond issues on the EMTN programme;

- lower other financial income totalling €11,791 thousand, mainly as a result of the combined effect of:
  - the decrease in interest accrued on loans to subsidiaries (€3,059 thousand);
  - the zeroing of interest following the settlement of the backup facility (€5,280 thousand);
  - the zeroing of interest on the Shareholder loan granted to Netinera Deutschland Gmbh for the acquisition of the former Arriva Deutschland group (€4,827 thousand);
  - higher fee income on sureties granted to subsidiaries (€1,345 thousand);
- lower dividends distributed by subsidiaries and associates (€11,786 thousand overall), mainly due to lower dividends received from Grandi Stazioni SpA (€4,274 thousand) and Italferr SpA (€9,356 thousand) and higher dividends received from FS Sistemi Urbani SpA (€3,199 thousand).

34. Financial expense

This caption can be analysed as follows:

	2014	2013	Change
Financial expense on payables	160,656	135,818	24,838
Employee benefits	317	388	(71)
Impairment losses on financial assets	348	32,659	(32,311)
Exchange rate loss	4,004	6	3,998
Total	**165,325**	**168,871**	**(3,546)**

thousands of Euros

Financial expense decreased by €3,546 thousand on 2013, mainly due to:

- the overall decrease in expense on loans from Cassa Depositi e Prestiti and EIB (€10,541 thousand), lower interest accrued on VAT receivables to be reimbursed (€1,072 thousand) and lower interest due to the zeroing of the backup facility in 2013 (€6,295 thousand), partially offset by the higher interest on the infragroup current account (€6,333 thousand) and higher expense on two bond issues related to the Euro Medium Term Notes programme and to Eurofima SA (€35,968 thousand);
- the impairment loss on the investment in FS Logistica SpA in 2013 (€32,659 thousand);
- the increase in exchange rate losses in relation to capital proceeds due to the investee Eurofima SA, expressed in Swiss francs.

35. Current and deferred taxes

Income taxes can be analysed as follows:

	2014	2013	Change
Irap	2,589	4,086	(1,497)
Ires	4,368	11,387	(7,019)
Income from the tax consolidation scheme	(3,495)	(9,110)	5,615
Deferred taxes	195	(38,772)	38,967
Adjustments for income taxes related to prior year	12		12
Accruals and releases		96	(96)
Total adjustments for income taxes related to prior years	12	96	(84)
Total income taxes	**3,669**	**(32,313)**	**35,982**

thousands of Euros

Income taxes increased by €35,982 thousand overall on 2013, as follows:

- current income taxes decreased by €2,889 thousand overall following less dividends received and lower impairment losses recorded in 2014 compared to the previous year;
- deferred taxes increased by €38,967 thousand due to the recognition of deferred tax assets in 2013 related to impairment losses for the year.

The table below shows the reconciliation of the effective tax rate:

	2014		2013	
	Euros	%	Euros	%
Profit for the year	89,212		76,770	
Total income taxes	3,669		(32,313)	
Pre-tax profit	92,881		44,457	
Ires theoretical tax (national tax rate)		**27.5%**		**27.5%**
Lower taxes				
Investment dividends	(107,372)		(118,569)	
Utilisation of provisions	(4,435)		(5,892)	
Other decreases	(2,267)		(5,564)	
Higher taxes				
Accruals			1,901	
Impairment losses on equity investments	38		32,660	
Prior year expense	155		643	
Exchange rate losses	3,987			
Amortisation and depreciation	6,326		60,409	
Variation in inventories	(1,171)		6,677	
Non-deductible taxes	11,407		14,268	
Other increases	16,335		10,418	
Total Ires taxable income	15,885		41,409	
Total current income taxes (Ires)	**4,368**	**4.7%**	**11,387**	**25.6%**
Irap	**2,589**	**5.57%**	**4,085**	**5.57%**
Difference on prior year estimated taxes	**12**		**96**	
Total deferred taxes	**195**		**(38,546)**	
Income from the tax consolidation scheme	**(3,495)**		**(9,110)**	
Total income taxes	**3,669**		**(32,313)**	

thousands of Euros

36. Contingent assets and contingent liabilities

At the reporting date, there were no contingent assets or liabilities.

37. Audit fees

Pursuant to article 37.16 of Legislative Decree no. 39/2010 and letter 16-*bis* of article 2427 of the Italian Civil Code, the total fees due to the independent auditors amount to €601 thousand and include those paid during the year for other non-audit services (€218 thousand). Such fees relate to the auditors engaged up to 1 October 2014, PricewaterhouseCoopers SpA for €263 thousand, with the remaining €338 thousand referring to KPMG SpA.

38. Directors' and Statutory Auditors' fees

	2014	2013	Change
Directors	1,195 [1]	1,518 [1]	(323)
Statutory auditors	100	100	
Total	**1,295**	**1,618**	**(323)**

thousands of Euros

1. Includes the amounts due to the chairman and Directors, as well as fixed and variable fees due to the chief executive officer for his position as FS manager

Directors' fees include the amounts envisaged for the positions of chairman and chief executive officer, as well as any amounts envisaged for the remaining board members. In addition to the above fees, the external member of the supervisory body received €45 thousand (changed on 27 November 2014 from €52 thousand in 2013 and 2014 up to such date). The fees to the representatives of the Ministry of the Economy and Finance (Directors and Statutory Auditors) are transferred to such Ministry when the related parties are employees thereof.

39. Related parties

Transactions with key managers

	2014	2013
Short-term benefits	5,893	7,232
Post-employment benefits	350	429
Termination benefits	3,742	562
Total	**9,985**	**8,223**

thousands of Euros

The benefits relate to the sundry remuneration paid to parties indicated.
In addition to short-term benefits of €5,893 thousand paid out in 2014, a variable portion is to be paid in 2015, for an amount not exceeding €1,100 thousand, once checks have been made on whether objectives have been reached.
Key managers did not receive any long-term benefits nor did they perform any transactions, directly or through close family members, with the Group, Group companies or other related parties.

Related party transactions

The main transactions between Ferrovie dello Stato Italiane SpA and its related parties, which were all carried out on an arm's length basis, are described below.

	Receivables	Payables
Subsidiaries		
RFI SpA	**Area services**	
	Finance Tax and financial statements Corporate business Legal/labour office Management administration Industrial relations Organisation development Public and media relations Company security Institutional business Strategies Legal Organisation and processes Information systems	Technical party - property maintenance Recharge of IT services Seconded personnel Health services Training Lease instalments
	Company officers Sales of property held for trading Communication services Seconded personnel Insurance reimbursements Recharge of IT services Recharge of condominium expense Technical assistance in training projects Utilisation of trademark Lease and sub-lease of offices and workshops Recharge of bilateral management fund service costs	
Ferservizi SpA	**Area services**	
	Finance Tax and financial statements Corporate business Legal/labour office Management administration Company security Industrial relations Organisation development Public and media relations Institutional business Strategies Legal Organisation and processes Information systems Seconded personnel Insurance reimbursements Recharge of IT services Utilisation of trademark Lease and sub-lease of offices and workshops Recharge of condominium expense Recharge of bilateral fund service costs Technical assistance in training projects	Property management Recharge of condominium expense for asset protection IT services Seconded personnel Ferrotel Ticket purchase fees Asset enhancement fees Technical administration management services Personnel management Accounting and treasury Facilities and building management Administrative services Training Asset allocation services Station area management Assistance to person in charge Grandi Stazioni relations management fees Property litigation management Maintenance, conservation and protection fees Translation services Catering services

	Receivables	Payables
Subsidiaries		
Fercredit SpA	**Area services**	
	Finance	
	Tax and financial statements	
	Corporate business	
	Legal/labour office	
	Public and media relations	
	Company security	
	Organisation development	
	Strategies	
	Legal	
	Audit	
	Information systems	
	Company officers	
	Insurance reimbursements	
	Recharge of IT services	
	Recharge of condominium expense	
	Lease and sub-lease of offices	
	Utilisation of trademark	
Grandi Stazioni SpA	**Area services**	
	Finance	Property requisition compensation instalments
	Tax and financial statements	Condominium expense
	Corporate business	
	Legal/labour office	
	Management administration	
	Public and media relations	
	Organisation development	
	Institutional business	
	Strategies	
	Information systems	
	Company officers	
	Seconded personnel	
	Repurchase instalment	
	Insurance reimbursements	
	Advertising	
	Recharge of IT services	
	Contributions to AGCM charges incurred	
Centostazioni SpA	**Area services**	
	Finance	Seconded personnel
	Tax and financial statements	Centostazioni GE Lagaccio fees
	Corporate business	
	Management administration	
	Communication and media relations	
	Organisation development	
	Institutional business	
	Strategies	
	Audit	
	Information systems	
	Company officers	
	Seconded personnel	
	Insurance reimbursements	
	Recharge of IT services	
	Contributions to AGCM charges incurred	

	Receivables	Payables
Subsidiaries		
FS Sistemi Urbani Srl	**Area services**	
	Finance	Asset enhancement fees
	Tax and financial statements	Office rental
	Corporate business	Training funding
	Legal/labour office	
	Management administration	
	Industrial relations	
	Public and media relations	
	Organisation development	
	Audit	
	Institutional business	
	Strategies	
	Legal	
	Company security	
	Organisation and processes	
	Information systems	
	Company officers	
	Insurance reimbursements	
	Lease and sub-lease of offices	
	Utilisation of trademark	
	Recharge of condominium expense	
	Recharge of bilateral management fund service costs	
	Recharge of IT services	
Nord Est Terminal SpA in liquidation	**Area services**	
	Insurance reimbursements	
Serfer Srl	**Area services**	
	Insurance reimbursements	
	Contributions to AGCM charges incurred	
TX Logistik AG	**Area services**	
	Company officers	
	Insurance reimbursements	

	Receivables	Payables
Subsidiaries		
Trenitalia SpA	**Area services**	
	Finance	Seconded personnel
	Tax and financial statements	Passenger transport costs
	Corporate business	Training funding
	Legal/labour office	
	Management administration	
	Industrial relations	
	Organisation development	
	Public and media relations	
	Company security	
	Institutional business	
	Strategies	
	Legal	
	Organisation and processes	
	Information systems	
	Communication	
	Company officers	
	Seconded personnel	
	Insurance reimbursements	
	Recharge of IT services	
	Utilisation of trademark	
	Lease and sub-lease of offices and workshops	
	Land rental	
	Recharge of condominium expense	
	Recharge of bilateral fund service costs	
	Technical assistance in training projects	
	Contributions to AGCM charges incurred	
Italferr SpA	**Area services**	
	Finance	Training funding
	Tax and financial statements	
	Corporate business	
	Legal/labour office	
	Management administration	
	Industrial relations	
	Organisation development	
	Public and media relations	
	Audit	
	Institutional business	
	Strategies	
	Legal	
	Organisation and processes	
	Information systems	
	Company officers	
	Seconded personnel	
	Insurance reimbursements	
	Recharge of IT services	
	Utilisation of trademark	
	Recharge of bilateral fund service costs	
	Technical assistance in training projects	
	Contributions to AGCM charges incurred	

	Receivables	Payables
Subsidiaries		
FS Logistica SpA	**Area services**	
	Finance Tax and financial statements Corporate business Industrial relations Legal/labour office Management administration Public and media relations Organisation development Audit Institutional business Strategies Legal Organisation and processes Information systems	Transport and shipping
	Company officers Insurance reimbursements Recharge of IT services Office leases Utilisation of trademark Recharge of condominium expense Specialist support activities Sales of property held for trading Contributions to AGCM charges incurred	
Busitalia - Sita Nord Srl	**Area services**	
	Tax and financial statements Corporate business Legal/labour office Management administration Public and media relations Organisation development Audit Institutional business Strategies	Advertising and marketing Transport and shipping
	Organisation and processes Information systems Company officers Seconded personnel Insurance reimbursements Recharge of IT services Office leases Recharge of condominium expense Specialist support for TPL project Contributions to AGCM charges incurred	
Italcertifer SpA	**Area services**	
	Tax and financial statements Corporate business Management administration Industrial relations Public and media relations Institutional business Strategies	
	Seconded personnel Insurance reimbursements Recharge of bilateral management fund service costs	

	Receivables	Payables
Subsidiaries		
Cemat SpA	**Area services**	
	Tax and financial statements Corporate business Audit Public and media relations Organisation development Information systems	
	Company officers Insurance reimbursements Recharge of IT services Contributions to AGCM charges incurred	
Metropark SpA	**Area services**	
	Tax and financial statements Corporate business Legal/labour office Public and media relations Organisation development Audit Strategies Company security Legal Information systems	
	Insurance reimbursements Car park area instalments Lease and sub-lease of offices Recharge of condominium expense Recharge of IT services	
Netinera Deutschland GmbH	**Area services**	
	Tax and financial statements Legal Information systems	
	Seconded personnel Insurance reimbursements Recharge of IT services	
Trenitalia Logistics France Sas	**Area services**	
	Corporate business	
FS Jit Italia Srl	**Area services**	
		Waste disposal Transport and shipping
Trenord Srl	Company officers Insurance reimbursements Lease and sub-lease of offices and workshops Recharge of condominium expense Contributions to AGCM charges incurred	
Terminali Italia Srl	Insurance reimbursements Office leases Recharge of condominium expense	

	Receivables	Payables
Subsidiaries		
Umbria Mobilità Esercizio Srl	Company officers Insurance reimbursements	
Thello Sas	Insurance reimbursements	
I-Mago SpA	Audit	
Busitalia Rail Service Srl	Insurance reimbursements	
Bluferries Srl	Company officers Insurance reimbursements	
Associates		
Ferrovie Nord Milano SpA	Company officers	
Associates of subsidiaries		
Logistica SA	Insurance reimbursements	
BBT SE	Company officers	
Terminal Tremestieri Srl	Company officers	
Quadrante Europa Terminal Gate SpA	Company officers	
Other related parties*		
Anas group	Reimbursements for Company officers	
CDDPP group	Pedestrian crossings	Loans
Enel group	Land easement instalments	Electricity
Eni group	Land easement instalments	Gas supply
Finmeccanica group		Maintenance - Software
Invitalia group	Pedestrian crossings	
Poste Italiane group	Operating buildings lease instalments Land lease instalments	Post charges
Rai group	Lease instalments	
Eurofer	Insurance reimbursements	Grants
Other social security funds		Insurance policies
Previndai		Grants

** Companies with the same parent, i.e. MEF*

OTHER RELATED PARTIES

Tax consolidation scheme	VAT under the VAT consolidation scheme	Intercompany bank and post office current accounts	Loans granted	Deposits granted and loans received	Issue of surety guarantees to	Supplementary pensions funds
Subsidiaries						
RFI SpA	RFI SpA	RFI SpA	RFI SpA		RFI SpA	
Fercredit SpA	Fercredit SpA	Fercredit SpA	Fercredit SpA			
Ferservizi SpA	Ferservizi SpA	Ferservizi SpA			Ferservizi SpA	
Trenitalia SpA	Trenitalia SpA	Trenitalia SpA	Trenitalia SpA		Trenitalia SpA	
Italferr SpA	Italferr SpA	Italferr SpA			Italferr SpA	
Grandi Stazioni SpA	Grandi Stazioni SpA	Grandi Stazioni SpA			Grandi Stazioni SpA	
Centostazioni SpA	Centostazioni SpA	Centostazioni SpA			Centostazioni SpA	
Bluferries Srl	Bluferries Srl	Bluferries Srl				
Metropark SpA	Metropark SpA	Metropark SpA				
FS Logistica SpA	FS Logistica SpA	FS Logistica SpA	FS Logistica SpA		FS Logistica SpA	
FS Sistemi Urbani Srl	FS Sistemi Urbani Srl	FS Sistemi Urbani Srl			FS Sistemi Urbani Srl	
FS Telco Srl	FS Telco Srl					
Italcertifer SpA		Italcertifer SpA	Italcertifer SpA		Italcertifer SpA	
Cemat SpA	Cemat SpA					
Ferport Genova Srl in liquidation	Ferport Genova Srl in liquidation					
Self Srl	Self Srl					
Serfer Srl	Serfer Srl	Serfer Srl	Serfer Srl		Serfer Srl	
SGT SpA						
Terminali Italia Srl	Terminali Italia Srl	Terminali Italia Srl	Terminali Italia Srl			
Tunnel Ferroviario del Brennero SpA					Tunnel Ferroviario del Brennero SpA	
Busitalia - Sita Nord Srl	Busitalia - Sita Nord Srl	Busitalia - Sita Nord Srl	Busitalia - Sita Nord Srl		Busitalia - Sita Nord Srl	
Nord Est Terminal SpA in liquidation						
					TX Logistik AG	
					Netinera Deutschland GmbH	
					Sita SpA in liquidation	
		FS Jit Italia Srl			FS Jit Italia Srl	
					Cisalpino SA	
Other related parties						
				Cassa DD.PP.		
		Poste Italiane				
						Eurofer

The table below summarises statement of financial position and income statement amounts at 31 December 2014 for related party transactions.

TRADE AND OTHER TRANSACTIONS

	31.12.2014			2014	
	Receivables	Payables	Guarantees and commitments	Costs	Revenue
Subsidiaries					
Bluferries Srl	659	1			18
Busitalia Rail Service Srl	632	1			1
Busitalia - Sita Nord Srl	3,978	245		1	851
Cemat SpA	139	578			94
Centostazioni SpA	2,275	444	12	45	463
Cisalpino SA	11				
FS Jit Italia Srl		16		15	
FS Logistica SpA	18,601	2,655	4,741	4	704
Fercredit SpA	1,297	7,719			413
Ferport Genova Srl in liquidation		78			
Ferservizi SpA	13,176	24,776	1,063	33,739	12,773
FS Sistemi Urbani Srl	2,215	1,010	38	850	1,128
FS Telco Srl		12			
Grandi Stazioni SpA	21,616	1,364	3,581	1,668	27,236
I-Mago SpA	6				5
Italcertifer SpA	1,111	419			490
Italferr SpA	22,848	851	368	303	1,956
Metropark SpA	978	2			352
Netinera Deutschland GmbH	1,379	2	35,000		309
Nord Est Terminal SpA in liquidation		221			2
Rete Ferroviaria Italiana SpA	116,463	923,204	1,460,838	2,880	42,025
Self Srl	3	205			
Serfer Srl	2,116	231	10		8
SGT SpA	135				
Sita SpA in liquidation	83	133	233		
Terminali Italia Srl	1,335	2			32
Thello Sas	3	1			3
Trenitalia Logistics France Sas	3				3
Trenitalia SpA	41,660	2,288	97,617	1,459	50,637
Trenord Srl	637	20			311
Tunnel Ferroviario del Brennero SpA		33	28		
TX Logistik AG	174	4	50		10
Umbria Mobilità Esercizio Srl	10	1			9
Total	**253,543**	**966,516**	**1,603,579**	**40,964**	**139,833**

TRADE AND OTHER TRANSACTIONS

	31.12.2014			2014	
	Receivables	Payables	Guarantees and commitments	Costs	Revenue
Associates					
Ferrovie Nord Milano SpA	1				1
Total	**1**				**1**
Associates of subsidiaries					
Alpe Adria SpA					10
BBT SE	16				6
LI-NEA SpA					11
Terminal Tremestieri Srl	9				9
LTF - Lyon Turin Ferroviaire Sas (now TELT)	117			9	
Logistica SA	48	2		7	3
Quadrante Europa Terminal Gate SpA	5				5
Total	**195**	**2**		**16**	**44**
Total	**253,739**	**966,518**	**1,603,579**	**40,980**	**139,878**
Other related parties					
Anas group	22				22
Cassa Depositi e Prestiti group	102				50
Enel group	31	15		268	25
Eni group	14	51		314	13
Finmeccanica group	44			100	83
Invitalia group	4				6
Poste Italiane group	508	118		13	11
Rai group				1	3
Eurofer	4	81			3
Other social security funds		62			
Previndai		448		423	
Total	**729**	**775**		**1,119**	**216**

thousands of Euros

FINANCIAL TRANSACTIONS

	31.12.2014			2014	
	Receivables and current accounts	Payables	Guarantees and commitments	Expense	Income
Subsidiaries					
Bluferries Srl		57			
Busitalia - Sita Nord Srl	36,521	49	9,994		828
Centostazioni SpA		21	3,780	1	3,670
Cisalpino SA			13,674		11
FS Jit Italia Srl		27	150		
FS Logistica SpA	1	4,632	1,267	4	419
Fercredit SpA	2,000	35,577		2	5,560
Ferservizi SpA		87,052		43	14,473
FS Sistemi Urbani Srl	2	29,699	900	7	7,004
Grandi Stazioni SpA		9,419		6	4,976
Italcertifer SpA	591	12	53		20
Italferr SpA		6,478	24,274	24	4,216
Metropark SpA		3,384		1	
Netinera Deutschland GmbH			518,461		2,153
Rete Ferroviaria Italiana SpA	2,534,895	310,056	343,541	10,794	187,408
Serfer Srl	4,901	3,053	4		94
Terminali Italia Srl	754	3			15
Trenitalia SpA	21,600,771	17,399,833	1,250,224		42,015
TX Logistik AG			21,346		113
Total	**24,180,436**	**17,889,352**	**2,187,668**	**10,882**	**272,975**
Associates					
Ferrovie Nord Milano SpA					833
Total					**833**
Associates of subsidiaries					
LTF - Lyon Turin Ferroviaire Sas (now TELT)					9
Total					**9**
TOTAL	**24,180,436**	**17,889,352**	**2,187,668**	**10,882**	**273,817**
Other related parties					
CDDPP group		1,133,104		50,158	
Poste Italiane group	1,426				9
Total	**1,426**	**1,133,104**		**50,158**	**9**

thousands of Euros

40. Guarantees

The table below details the guarantees issued by the Company on behalf of subsidiaries, third parties or other subsidiaries, broken down by financial and non-financial.

	Financial	Non-financial
Issued on behalf of		
Rete Ferroviaria Italiana SpA	343,541	1,460,838
Trenitalia SpA	1,250,224	97,617
Netinera Deutschland GmbH	518,461	35,000
Busitalia - Sita Nord Srl	9,994	
Centostazioni SpA	3,780	12
Grandi Stazioni SpA		3,581
FS Sistemi Urbani Srl	900	38
Tunnel Ferroviario del Brennero SpA		28
Italferr SpA	24,274	368
Ferservizi SpA		1,062
FS Logistica SpA	1,267	4,741
Sita SpA in liquidation		234
TX Logistik AG	21,346	50
Italcertifer SpA	53	
Serfer Srl	4	10
FS Jit Italia Srl	150	
Cisalpino SA	13,674	
Total	**2,187,668**	**1,603,579**

thousands of Euros

The financial guarantees are mainly comprised of guarantees and counter-guarantees issued to banks for loans and guarantees granted to subsidiaries by the same banks to third parties on behalf of the subsidiaries.
The non-financial guarantees are comprised of bid bonds, performance bonds, commercial guarantees and commitments in favour of the tax authorities.
The Parent company guarantees amount to €2,647,367 thousand and refer to non-financial guarantees (€1,603,342 thousand) and financial guarantees (€1,044,025 thousand).
The main non-financial Parent company guarantees were issued in favour of the tax authorities (€1,365,458 thousand), to guarantee reimbursements of tax credits to the subsidiaries Rete Ferroviaria Italiana SpA, Trenitalia SpA, FS Logistica SpA, Ferservizi SpA, Grandi Stazioni SpA, FS Sistemi Urbani Srl, Sita SpA in liquidation, Centostazioni SpA and Tunnel Ferroviario del Brennero SpA. There was also a counter-guarantee of €13,674 thousand issued in favour of Deutsche Bank for the latter's issue of a bank guarantee in favour of the tax authorities in the interest of Cisalpino SA, a company 50% held by

Trenitalia SpA (the Parent company guarantee only covers Trenitalia SpA's portion). The non-financial Parent company guarantees include one in favour of GSE guaranteeing the service contract for energy supply signed with Rete Ferroviaria Italiana SpA (€150,000 thousand) and the two guarantees issued in 2014 in favour of Terna SpA to guarantee the contract signed by Rete Ferroviaria Italiana SpA for the electricity despatching service for withdrawal points which power rail traction (guarantee of €22,400 thousand) and other uses (guarantee of €21,992 thousand).
Financial guarantees issued in favour of banks and financial institutions for loans granted are as follows:
- from EIB to the subsidiary Rete Ferroviaria Italiana SpA (guarantee of €300,000 thousand);
- from EIB to the subsidiary Trenitalia SpA (total bank counter-guarantee of €601,781 thousand and a Parent company guarantee issued in 2014 to replace three bank guarantees no longer considered adequate by EIB as per the contract, for €185,437 thousand);
- from BNP Paribas Fortis and Unicredit AG to TX Logistik AG, a subsidiary of Trenitalia SpA (total amount of two Parent company guarantees €21,346 thousand);
- from BNP Paribas to the subsidiary Centostazioni SpA (Parent company guarantees of €3,780 thousand).

Furthermore, a strong comfort letter (€420,000 thousand) for the OPI (now Intesa SanPaolo) 2004 loan granted to Trenitalia SpA.
Parent company guarantees were issued on behalf of Netinera Deutschland GmbH group companies (totalling €553,461 thousand) mainly to cover financial transactions and lines of credit.
Additional guarantees were issued for foreign projects (counterguaranteed by the Company's reference banks and issued in the foreign countries via a local bank) totalling €9,327 thousand. Such guarantees were mainly issued on behalf of Italferr SpA (€9,274 thousand) and, to a lesser extent, on behalf of Italcertifer SpA (€53 thousand). Such guarantees were comprised of bid bonds of €793 thousand, performance bonds of €5,268 thousand and advance payment bonds of €3,266 thousand and were issued to assist Group companies in participating in bids and completing foreign bids.

41. Events after the reporting date

On 9 January 2015, pursuant to article 10.12 of Legislative decree no. 192/2014 (so-called "Milleproroghe"), the Company paid the first instalment (€40 million) to MEF as required by the law. The Company will recover such amount by its subsidiaries' distribution of dividends related to the 2014 profit, subsequent to the necessary Board of Directors' meetings and the upcoming Shareholders' resolutions to approve the financial statements at 31 December 2014.
The partial demerger of RFI SpA took place on 12 January 2015 by transferring part of the 50% interest into Lyon Turin Ferroviaire Sas (now TELT - Tunnel Euralpin Lyon Turin Sas) to Ferrovie dello Stato. Considering that RFI SpA is wholly owned by FS SpA, there will be no assignment of new shares of the beneficiary company nor will there be any exchange rates. On 4 February 2015, the partial demerger agreement was signed, leading to the reduction of the share capital of the demerged company, RFI SpA, by €95,120,500.00 on 5 February 2015 (from €32,007,632,980.00 to €31,912,512,180.00).
On 15 January, with respect to the portfolio of rolling stock financial transactions in which Eurofima SA acts as the lender for the FS Italiane Group, following the implementation of a plan to scrap rolling stock, FS, Trenitalia SpA and Eurofima SA signed an "Amendment of amendment agreement of deeds of pledge over movables dated 2015 October 2009" to replace part of the pledged rolling stock, specifically the series from 1 to 20, for a total amount of approximately €80 million.
On 19 February 2015, the Company began the selection process for the finalisation of a three-year backup facility agreement for between €1 billion and €1.5 billion. The aim of the transaction is to obtain a credit line from banks – which will be selected at the completion of such process – that has the same characteristics as the previous revolving, committed and general purpose line. The finalisation of such facility is vital for the building of an important liquidity reserve for the Group's numerous operating needs, continuing on from the transactions which expired in March 2014.
On 25 February 2015, as part of the medium term notes programme, the Board of Directors approved a bond issue for a maximum total of €1,500 million and a duration of between four to 12 years. Such bonds will be issued if the pricing is not higher than the performance offered on the secondary market by the reference governing bond increased by 30 basis points per year for due dates of up to 10 years or 45 basis points for due dates of over ten years. The Board of Directors also resolved to waive the bond issue up to a maximum of €150 million called "Ferrovie dello Stato SpA – Medium Term Notes – Serie 3" earmarked for institutional investors by private allocation, resolved at the meeting of 3 April 2014.

FERROVIE DELLO STATO ITALIANE

Official Global Rail Carrier

EXPO MILANO 2015

Certification of the separate financial statements
of Ferrovie dello Stato Italiane S.p.A. at 31 December 2014
pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/1998

1. The undersigned Michele Mario Elia and Roberto Mannozzi, as Chief Executive Officer and Manager in charge of the company's accounting documents preparation of Ferrovie dello Stato Italiane S.p.A., respectively, also pursuant to article 154-bis, paragraphs 3 and 4 of Legislative decree no. 58 of 24 February 1998, confirm:

   - the adequacy with regard to the characteristics of Ferrovie dello Stato Italiane S.p.A. and

   - the effective application of

   the administrative and accounting procedures in preparing the separate financial statements at 31 December 2014.

2. In this regard, we report that:

   a. the adequacy and effective application of the administrative and accounting procedures used to prepare the separate financial statements of Ferrovie dello Stato Italiane S.p.A. were assessed based on the *"Internal Controls – Integrated Framework"* issued by the *"Committee of Sponsoring Organizations of the Treadway Commission"* which represents an internationally-accepted framework for the internal control system;

   b. this assessment did not identify any significant issues.

3. In addition, we confirm that:

   3.1. the separate financial statements of Ferrovie dello Stato Italiane S.p.A.:

      a. have been prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to regulation (CE) 1606/2002 of European Parliament and Council of 19 July 2002;

      b. correspond to the entries in the books and accounting records of the company;

      c. give a true and fair view of the financial position and results of operations of Ferrovie dello Stato Italiane S.p.A.

   3.2. the directors' report provides a reliable analysis of the financial position, performance and results of operations of Ferrovie dello Stato Italiane S.p.A., together with a description of the main risks and uncertainties to which it is exposed.

24 April 2015

Michele Mario Elia	Roberto Mannozzi
Chief Executive Officer	Manager in charge of the company's accounting documents preparation
....	....

(Translation from the Italian original which remains the definitive version)

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE SEPARATE FINANCIAL STATEMENTS OF FERROVIE DELLO STATO ITALIANE S.p.A. AT 31 DECEMBER 2014 PURSUANT TO ARTICLE 2429.2 OF THE ITALIAN CIVIL CODE

To the sole shareholder of Ferrovie dello Stato Italiane S.p.A.

Dear Shareholder,

The draft separate financial statements of Ferrovie dello Stato Italiane S.p.A. ("FS S.p.A.") at 31 December 2014, which have been submitted for your approval, were approved by the board of directors in its meeting of 24 April 2015.

During the year 2014, we carried out the supervisory duties required by the law, considering the rules of conduct recommended by the Italian Accounting Profession.

In 2013, the company took on the status of a public interest entity pursuant to article 16 of Legislative decree no. 39/2010. Consequently, we also acted as the company's Internal control and audit committee in accordance with article 19 of Legislative decree no. 39/2010.

With respect to the activities we performed, the following should be noted:

1. We monitored compliance with the law and the by-laws. Specifically, based on the information received and the specific analyses performed, we checked compliance with the law, the by-laws and correct management practices for the transactions carried out during the year which have the most significant impact on the company's financial statements (considering the company's and the group's size). We checked that these transactions were not manifestly imprudent or risky, did not pose potential conflicts of interest, were not in contrast with the shareholder's resolutions or were such to jeopardise the integrity of the company's assets. The main risks to which the company and the FS group are exposed are described in the documents accompanying the financial statements.

   The company's current board of directors was appointed with the shareholder's resolution dated 29 May 2014, following the resignation of the majority of the previously appointed directors.

In line with the Directive of the Ministry of the Economy and Finance of 24 June 2013, the shareholder appointed the board members with a three-year term of office. However, they will remain in office until the date the shareholder's meeting called to approve the 2016 financial statements.

In its meeting of 30 May 2014, the new board of directors appointed the CEO.

With respect to the 2014-2016 term of office, based on the outcome of the meetings of 30 May, 24 July and 4 November 2014 and considering the chairman's waiver of the powers (except for those related to internal control activities) and duties assigned by the shareholder on 29 May 2014 (the shareholder acknowledged the waiver on 29 October 2014), the board of directors of FS S.p.A.:

- retained exclusive powers for financially and strategically important matters;
- entrusted the chairman with the coordination of internal control activities, in compliance with the limits set by article 2381 of the Italian Civil Code and article 12.3 of the by-laws;
- entrusted the CEO with all powers to manage the company – except for those assigned to the chairman, as stated above, and those exclusively reserved to the board of directors (in addition to the powers that cannot be delegated by law) – and with the performance of activities to support and coordinate the adoption of any measure which would enhance the group, including in view of the privatisation.
- Furthermore, in its meeting of 24 July 2014, the board of directors of FS S.p.A. decided to set up the following committees within the board:
  - the Audit, Risk Control and Corporate Governance Committee, responsible for supporting the board's internal control and risk management assessments, the company's and the group's corporate governance and social responsibility, by presenting proposals and providing advisory activities;
  - the Remuneration Committee, later renamed the Remuneration and Appointment Committee, responsible for presenting proposals and providing advisory activities to the board with respect to, *inter alia*, the remuneration, pursuant to article 2389.3 of the Italian Civil Code, of the CEO and Chairman

(should the latter be assigned operating duties), any "co-options" and periodic checks that the directors of FS S.p.A. meet independence and honourableness requirements and are still eligible to hold their office.

In its meeting of 24 October 2014, the board of directors established the CEO's fees, pursuant to article 2389.3 of the Italian Civil Code with respect to both the directorship and management positions. The total remuneration established for the CEO is lower than that received by the previous CEO to contain costs.

On 22 January 2015, a new audit manager was appointed, reporting directly to the chairman of the board of directors.

During the year, in order to comply with new Confindustria's guidelines, in its meeting of 20 June 2014, the board approved the new by-laws of the Supervisory body. Under the new by-laws, the Supervisory body is a collective body comprised of: an external person, with high-level specific expertise in this field; the internal audit manager and an external person (or a member of the board of statutory auditors), with specific legal expertise.

The new Supervisory body was appointed on 27 November 2014 in line with the above by-laws.

On 21 January 2014, the group's risk management model was formalised to assess and manage the risks of the FS group. On 22 January 2015, the risk management structure, reporting directly to the CEO, was created.

FS S.p.A.'s current manager in charge of financial reporting was appointed by the board of directors, upon the CEO's proposal and with the approval of the board of statutory auditors, on 20 June 2014. He will remain in office until the approval of the financial statements as at and for the year ending 31 December 2016.

In brief, in 2014, the company implemented a governance model which is substantially based on best practices and the Code of conduct issued by Borsa Italiana for issuers of listed securities. This process, which is regularly monitored by the board of statutory auditors, is being progressively finalised.

We also note that a EMTN Program is underway, with maturities up to 12 years (those with an eight-year maturity have already been repaid), whose repayment is regularly monitored by the competent departments. During the year, in line with real financial requirements, no further bonds were issued.

2. Neither during the year nor after the reporting date did we identify any atypical and/or unusual transaction with third and/or related parties.

   The ordinary transactions carried out on an arm's length basis between the group companies and related parties, which are described in the documents accompanying the financial statements, reflect and are in line with the company's interests.

3. On 4 November 2014, the shareholder, based on a justified proposal by the board of statutory auditors, pursuant to articles 13 and 16 of Legislative decree no. 39/2010, assigned KPMG, the group's sole independent auditors, the engagement to carry out the legally- required audit pursuant to article 2409-*bis* of the separate financial statements of Ferrovie dello Stato Italiane S.p.A, the group's consolidated financial statements and the half-year report (both separate and consolidated) for a nine-year period and total fees of €2,213,868.

   Prior to signing the agreement, the agreements already in force were checked, so that the activities which are compatible with the legally-required audit could be continued. Furthermore, the audit fees for 2014 have been adjusted to cover the relevant period of the year and the total fees of the outgoing and incoming auditors did not exceed the annual amount established for the engagement.

   The independent auditors KPMG S.p.A. informed us that they have issued their report on the separate financial statements of Ferrovie dello Stato Italiane S.p.A., expressing an unqualified opinion on compliance with the IFRS endorsed by the European Union and on the fact that the financial statements are clearly stated and give a true and fair view of the company's financial position, the results of its operations and its cash flows as at and for the year ended 31 December 2014.

   The independent auditors also informed us that they have issued their report on the consolidated financial statements of the FS group at 31 December 2014 which included an unqualified opinion.

   With respect to the supervisory activities concerning the independence of the auditors entrusted with the legally-required audit pursuant to article 19.1.letter d) of Legislative decree no. 39/2010, the board of statutory auditors, also in its role of Internal control and audit committee, noted that, in the communication dated 11 May 2015 disclosed pursuant to article 17.9.letter a) of the above decree, KPMG S.p.A. confirmed its independence and reported the audit and non-audit services provided to the company directly or through its network entities.

Based on the documentation and the information received, we have nothing to report about KPMG S.p.A.'s independence.

4. During the year and after the reporting date, we did not receive complaints pursuant to article 2408 of the Italian Civil Code.

5. During the year and after the reporting date, we issued our opinions, where necessary.

6. During the year, we met 25 times. The minutes of these meetings are included in the relevant book.

   Furthermore, we participated in:

   (i) six shareholder's meetings;

   (ii) 15 meetings of the board of directors.

   The above meetings were carried out in accordance with law, the by-laws and the regulations governing such meetings. During the board's meetings, we fulfilled our periodic disclosure requirements to the board of directors and the board of statutory auditors pursuant to article 2381 of the Italian Civil Code.

   Furthermore, we participated in all meetings of the board's committees.

7. We acknowledged and monitored the adequacy of the company's internal control system and, in our role of Internal control and audit committee, pursuant to article 19.1.letter b) of Legislative decree no. 39/2010, we monitored the efficiency of the internal control and internal audit system.

   We conducted our supervisory activities also through: *(i)* the information obtained during the periodic meetings with the Audit central department; *(ii)* the examination of the company documents and the results of the work performed by the independent auditors; *(iii)* the information provided by the Supervisory Body set up pursuant to Legislative decree no. 231/2001; *(iv)* our active participation in the meetings of the board and the latter's committees.

In this respect and considering the results of the Audit, Risk Control and Corporate Governance Committee, we stress the need that audit activities be carried out based on periodical planning, classifying the areas concerned using qualitative and quantitative parametres that are consistent with internal control targets.

8. With respect to the definition of the anti-corruption prevention models and plan, also required by Law no. 190/2012, and considering the group's specific operations, pending the Ministry of the Economy and Finance's ("MEF") clarifying directive and the guidelines for bond issuers, we urged the company to check the control system in place in order to mitigate the corruption risks and to adopt measures and tools to monitor and strengthen enforcement activities, focusing, in particular, on the areas most at risk.

   However, based on the information obtained, we did not identify any elements which may cast doubts as to the adequacy and efficiency of the internal control system as a whole.

   Also in our role of Internal control and audit committee, we acknowledge – specifically with respect to the supervision over financial reporting pursuant to article 19.1.letter a) of Legislative decree no. 39 of 2010, that the independent auditors, as part of the mutual exchange of information, issued a report pursuant to article 19.3 of Legislative decree no. 39/2010, confirming that the checks of the internal controls over financial reporting did not identify any issues to be reported. Furthermore, in addition to that set out in point 12 on the adequacy of the accounting/administrative system, we received evidence of the activities carried out by the manager in charge of financial reporting.

9. We also acknowledged and supervised, for as far as we are responsible, the adequacy of the company's organisational structure and how it operates by obtaining information from the heads of the competent company departments and through meetings with the independent auditors and sharing information with them. With respect to the organisational structure, during the year, the responsibilities of the International and institutional central department, the Human resources central department and the Legal central department were defined. At present, there are no

interim central positions.

With respect to the organisational and procedural controls pursuant to Legislative decree no. 231/2001, we were duly informed about the operations carried out during the year and have nothing to report in this respect. Furthermore, in its resolution of 24 July 2014, the board of directors changed the composition of the company's Supervisory body, introducing a standing statutory auditor among its members.

10. We assessed and monitored the adequacy of the company's administrative/accounting system and its reliability in fairly representing operations through *(i)* the information and documents obtained during the meetings with the manager in charge of financial reporting and the examination of the joint statements made by latter and the CEO on 24 April 2015; *(ii)* the information obtained from the competent department heads; (iii) the examination of the company documents and the results of the work carried out by the independent auditors.

    Based on our supervisory activities, for as far as we are responsible, we believe that company's administrative/accounting system is adequate and reliable in fairly presenting operations.

11. During the year, we regularly met with the independent auditors to exchange significant data and information and fulfil our supervisory duties with respect to the legally-required audit of the separate and consolidated financial statements pursuant to article 19.1, letter c) of Legislative decree no. 39/2010.

    Based on the information received from the independent auditors, no facts, circumstances or irregularities were noted which should be disclosed in this report.

12. Pursuant to article 20.6 of Decree Law no. 66 of 24April 2014 converted with amendments by Law no. 89 of 23 June 2014, we confirm that we checked, for as far as we are responsible, that the company duly met the requirements of the above-mentioned article 20. In this respect, we note that, in implementation of article 20.7 ter of such Decree, on 9 January 2015, the company paid the government €40 million. Based on the analyses carried out by the company with respect to the nature of such payments and the formal confirmation received from MEF, the company concluded that the payment could be considered dividend distribution to the shareholder,

considering MEF's direct interest in FS S.p.A., and was thus recognised as a direct decrease in equity. Consequently, this payment had no effects on the financial statements at 31 December 2014.

13. Our supervisory and control activities did not identify any significant facts to be disclosed in this report.

We examined the draft separate financial statements at 31 December 2014 and note the following:

a. after checking that the financial statements were consistent with the facts and information known to us, we have nothing to report in this respect;

b. as we were not tasked with the performance of analytical controls over the content of the financial statements, we checked their layout and general compliance, to the extent of their preparation and structure, with the law and relevant accounting standards. We have nothing to report in this respect;

c. after checking compliance with the law governing the preparation of the directors' report and its consistency with the information obtained as part of our supervisory activities, we have nothing to report in this respect;

d. for as far as we are responsible, during the preparation of the financial statements, the directors did not apply any of the waivers permitted by article 2423.4 of the Italian Civil Code.

2014 ended with a profit of €89,212,009 (up by approximately 16% on 2013). This figure is mainly due to the following factors:

- the decrease in revenue (down by approximately 8%) due to the reduction in the volume of real estate sales and in lease revenue;
- the decrease in operating costs (down by approximately 21%), mainly due to smaller impairment losses on land and buildings held for trading;
- smaller impairment losses on investment property;
- the trend in financial income and expense (i.e., interest on loans granted and received, including bonds; dividends received; and impairment losses on investments);
- the increase in income taxes (due to the deferred tax assets on impairment losses that were recognised in the previous year).

For additional information, reference should be made to the notes to the financial statements.

* * *

Finally, having acknowledged the financial statements at 31 December 2014 and the information provided by the directors, having considered the results of the work carried out by the independent auditors and having considered that set out in this report, for as far as we are responsible, we are in favour of the approval of the draft financial statements of Ferrovie dello Stato Italiane S.p.A. at 31 December 2014, as submitted by the board of directors to the shareholder convened in an ordinary meeting to approve, inter alia, the financial statements at 31 December 2014 and, in an extraordinary meeting, to approve a share capital decrease in order to cover the losses carried forward and the resulting change to article 5.1 of the company's by-laws.

Rome, 11 May 2015

THE BOARD OF STATUTORY AUDITORS

Alessandra dal Verme

(Chairwoman)

(signed on the original)

Claudia Cattani

(Standing statutory auditor)

(signed on the original)

Tiziano Onesti

(Standing statutory auditor)

(signed on the original)

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
Ferrovie dello Stato Italiane S.p.A.

1 We have audited the separate financial statements of Ferrovie dello Stato Italiane S.p.A. as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report of other auditors dated 30 April 2014 for their opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Ferrovie dello Stato Italiane S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union. Therefore, they are clearly stated and give a true and fair view of the financial position of Ferrovie dello Stato Italiane S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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4 The directors of Ferrovie dello Stato Italiane S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on corporate governance and shareholding structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98, with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Ferrovie dello Stato Italiane S.p.A. as at and for the year ended 31 December 2014.

Rome, 11 May 2015

KPMG S.p.A.

(signed on the original)

Stefano Bandini
Director of Audit

Administration, Financial Statements and Taxes

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