



(Translation from the Italian original which remains the definitive version)

# Rete Ferroviaria Italiana S.p.A.

**Financial statements as at and for the year ended  
31 December 2020**

(with independent auditors' reports thereon)

KPMG S.p.A.

23 March 2021



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## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010**

*To the sole shareholder of  
Rete Ferroviaria Italiana S.p.A.*

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Rete Ferroviaria Italiana S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Rete Ferroviaria Italiana S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Management and coordination***

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Rete Ferroviaria Italiana S.p.A. does not extend to such data.



### ***Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are



inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on other legal and regulatory requirements**

### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10***

The company's directors are responsible for the preparation of a directors' report at 31 December 2020 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the company's financial statements at 31 December 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the company's financial statements at 31 December 2020 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 23 March 2021

KPMG S.p.A.

(signed on the original)

Gabriele de Gennaro  
Director of Audit

(Translation from the Italian original which remains the definitive version)

**Rete Ferroviaria Italiana S.p.A.**

**2020**

**ANNUAL REPORT**

**RETE FERROVIARIA ITALIANA – S.p.A. – Ferrovie dello Stato Italiane group**

Single-member company, managed and coordinated by Ferrovie dello Stato Italiane S.p.A. pursuant to article 2497-*sexies* of the Italian Civil Code and Legislative decree no. 112/2015

Registered office: Piazza della Croce Rossa 1, 00161 Rome

Fully paid-up share capital: €31,528,425,067.00

Registered with the Rome company registrar

Tax code: 01585570581 and VAT number: 01008081000 - R.E.A. number: 758300

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## MISSION

Rete Ferroviaria Italiana S.p.A. ("RFI") is the company within the Ferrovie dello Stato Italiane group ("FS Italiane group") responsible for managing the national railway infrastructure. With decree no. 138 – T of 31 October 2000, the Ministry of Transport and Navigation assigned the company a 60-year concession to operate the Italian railway infrastructure.

RFI owns the infrastructure consisting of the portion that belonged to the former public body, Ferrovie dello Stato (and which makes up the body's assets) and the portion acquired subsequently using own funds (obtained through third-party financing and capital injections, first from the government and subsequently Ferrovie dello Stato Italiane) and, currently, through government grants related to assets.

To pursue its mission, RFI carries out the following main activities:

- designing, building, operating, managing and maintaining the Italian railway infrastructure pursuant to Legislative decree no. 112 of 2015, including passenger transport stations, modal and intermodal freight plant and the management of control and safety systems related to train operation, including HS/HC trains;
- promoting the integration of railway infrastructures and cooperation with other railway infrastructure operators;
- all other duties assigned to RFI as the infrastructure operator pursuant to current legislation, such as: access to the infrastructure and services, collecting the fee for the use of the infrastructure from railway companies, and any other activities necessary or useful to pursuing the institutional purposes assigned by the competent national and EU authorities.

During the extraordinary meeting on 5 April 2019, RFI's shareholder approved an amendment to the by-laws, expanding the company's corporate purpose to include: (i) the operation of railway links by sea between Sicily and the peninsula using "high-speed boats"; (ii) designing, building, operating, managing and maintaining regional railway infrastructure under Legislative decree no. 422 of 19 November 1997, including the equipment, areas and assets that are strictly related to and necessary and functional for such operation, in accordance with the provisions of article 47.4/11-*bis* of Decree law no. 50/2017. Furthermore, RFI's railway transport safety obligations were revised for compliance with the legislation currently applicable to the sector and the references to the previous Legislative decree no. 188/2003 were updated to Legislative decree no. 112/2015, which now applies.

The operator's responsibilities mainly consist of the following duties:

- ensuring that the railway lines and infrastructures are 100% usable and efficient at all times;
- managing investments to strengthen, technologically update and develop railway lines and plant;
- building the railway connection by sea between the peninsula and Sicily and Sardinia, with the possibility of operating connections to Sicily using high-speed boats;
- monitoring the health of employees, workspaces, services and public areas;
- coordinating research on materials, products and the environment;
- designing, building, managing and maintaining regional railway infrastructure in accordance with Decree law no. 50/2017;
- promoting the integration of railway infrastructure and cooperation with other infrastructure operators, particularly throughout the European Union.

**COMPANY OFFICERS AND INDEPENDENT AUDITORS**

<b>Board of directors</b>	<b>Appointed on 28 April 2017</b>	<b>Appointed on 29 December 2020</b>
Chairwoman	Claudia Cattani	Anna Masutti
CEO and general director	Maurizio Gentile	Vera Fiorani
Directors	Fabiana Lungarotti	Enrico Corali
	Maurizio Mauri	Silvio Martuccelli
	Luciano Grazzini	Giuseppe Antonio Taini

<b>Board of statutory auditors</b>	<b>Appointed on 28 April 2017</b>	<b>Appointed on 29 December 2020</b>
Chairman	Mauro D'Amico	Mauro D'Amico
Standing statutory auditors	Giancarla Branda	Silvia Razzolini
	Francesco Marolda	Lorenzo Stanghellini
Alternate statutory auditors	Gianpaolo Davide Rossetti	Ennio Celio Luglio
	Federica Silvestri	Monica Petrella

**Manager in charge of financial reporting<sup>(1)</sup>:**

Andrea Pascucci

(1) Appointed with resolution of the board of directors on 2 February 2021 to replace Vera Fiorani (organisational notice no. 580/AD of 3 February 2021)

**Independent auditors:**

KPMG S.p.A.

(engagement: 2020, 2021 and 2022)



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## CHAIRWOMAN'S LETTER

Dear Shareholder,

Rete Ferroviaria Italiana S.p.A. ("RFI") reports a profit for 2020 of €38 million, a particularly significant performance given the highly uncertain scenario in which the company operated during the year due to the pandemic, the consequent lockdown and the continued state of emergency.

Starting in the first few months of the year, the rapid spread of COVID-19 throughout the various geographical and economic areas, with more or less intensity, forced government authorities in the various countries to impose restrictions to contain the public health emergency which would have otherwise had catastrophic social and economic consequences.

In the summer, partly thanks to relief from monetary and tax authorities, the global economy recovered slightly as GDP rallied in the third quarter, but the second wave of the pandemic significantly thwarted the economic recovery given the consequent distancing requirements, the forced shuttering of non-essential businesses and restrictions on mobility.

Given its organisation and size – economic, productive, occupational and regional – and because of its many stakeholders - customers, suppliers, passengers, the community, institutions and local, national and supranational authorities – RFI took internal and external actions on the many fronts created by the pandemic from the onset of the public health emergency.

In particular, all necessary steps were immediately taken to contain the spread of the virus in railway stations, including disinfecting and sanitising them, installing directional signals in the most crowded stations in order to separate arriving and departing flows, increasing security and taking people's temperatures at the entrance.

The company's intense efforts to continue scheduled activities, ensuring full compliance with the COVID-19 prevention protocols for both its operating personnel and third parties, enabled it to generate a profit for the year of €38 million while boosting investments by roughly €4,185 million, allocating approximately €1,211 million to large infrastructure projects and approximately €2,974 million for the maintenance of the efficiency of infrastructure and work throughout the country (including €240 million for technology projects).

The gross operating profit decreased by €148 million (-31%) on the previous year, while operating profit slipped €279 million (-80%) as a result of the new context in which the infrastructure operator and railway companies were forced to operate, with a sharp contraction in railway traffic due to the measures taken in response to the COVID-19 epidemiological emergency and the resulting plummet in revenue from tolls and traffic-related services.

This trend was partly offset by the relief measures included in the Decree law no. 34 of 2020, which included article 196 specifically for the railway transport sector, establishing a "reduction in the fee for use of the railway infrastructure for passenger and freight railway services not subject to public service obligations". The first reduction in the fee, amounting to €115 million, offset the lower toll revenue between 10 March and 30 June 2020, and the second amounted to €155 million to offset the lower toll revenue between 1 July and 31 December 2020.

Articles 207 and 208 of the same decree introduced measures to relaunch the railway sector, allocating additional funds for projects to strengthen specific railway connections and gave the contracting stations, on an interim basis, the possibility to raise the advance on the fee for contracts to be performed to 30%.

2020 saw the completion of the approval process of the 2018-2019 update of the 2017-2021 Government Programme Contract - Investments (GPC-I) with the registration of Interministerial decree no. 365 of 26 October 2020 of the Ministry of Infrastructure and Transport ("MIT") and the Ministry of the Economy and Finance ("MEF"). The update formalised additional funding of roughly €15.4 billion to continue safety work on the railway lines, to equip them with the European Rail Traffic Management System (ERTMS), to upgrade the technology on railway lines and plant, to make the most of regional networks for the relaunch of local public transport and to develop intermodal solutions.

In addition, in 2020, RFI and the entire FS Italiane group firmly supported the path to integrating sustainability, partly thanks to the world's growing focus on sustainability.

The company remains committed to integrating the principles and objectives of sustainable development in all its business, strategic and industrial facets. By its nature, history and goals, RFI operates in a sector that is intrinsically oriented towards the country's sustainable development, the national mobility system and the creation of value for the community, economic operators and the entire national economy.

To this end, RFI has sought to play an active role in the country's recovery, contributing to economic and social development through investment programmes and work to improve infrastructural and operational resilience. Specifically, the company strives to be a key player in the mobility system's green and digital transitions, prioritising the mobility needs of people and logistics, the achievement of the SDGs and the creation of the Single European Railway Area by:

- investing, partly with the new European funds, and speeding up work to more closely integrate the local areas with modes of transport, for a better connected, faster and more competitive country;
- applying the highest standards for the continuous improvement of infrastructural resilience, safety and performance, including through the extension of advanced technologies across the entire network.

In this respect, during the year, RFI set up a Sustainability Committee to improve sustainability governance and ensure the best integration of sustainable development principles and values and long-term goals for 2030/2050 in RFI's strategic choices. These goals, which the board of directors approved in 2019, cover: *Safety, Energy and emissions (carbon neutrality)* and *Sustainability mobility* (ramping up the modal shift for passenger and freight transport).

With this in mind, RFI strives every day to develop the management, maintenance, upgrading, design and construction of railway lines and stations with utmost focus on safety, impact mitigation, the rational use of resources and the regeneration and development of local areas and their heritage, with the involvement of the entire organisation, subsidiaries, suppliers and other stakeholders and in collaboration with institutions.

The country is relying on RFI to help achieve the ambitious targets of the Recovery Fund. The substantial financial support that the European Commission has approved and deployed to bolster the post-pandemic recovery of EU member states runs through challenging projects in significant areas like infrastructural and, specifically, high speed (HS) railway infrastructure and speeding up the network for passengers and freight.

Another important development in the year was the updating of the Organisational model pursuant to Legislative decree no. 231, which began in 2020 and was approved on 2 February 2021 by the board of directors. The changes

affected both the general and special sections of the model, respectively redefining the methodology adopted for updates to the document and including the new crimes covered by the legislation.

The challenge today and in the future, now more than ever, is to find the best solutions that bridge the gap between the current emergency and the new normal of tomorrow.

The board of directors

The Chairwoman

## **DIRECTORS' REPORT**

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## KEY AND GLOSSARY

Below is a description of the criteria used to calculate the most frequently used performance indicators for the purposes of this report. Such criteria differ from the criteria applied to the financial statements and which management finds useful in monitoring the company's performance and believes reflect the results of operations and financial trends of its business segments:

- **Gross operating profit:** this is an indicator of the performance of operations and reflects the 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 sum of gross operating profit and amortisation and depreciation, impairment losses (impairment gains) and provisions.
- **Net operating working capital:** this is the sum of inventories, contract assets, current and non-current trade receivables, current and non-current trade payables and advances to suppliers.
- **Other assets, net:** these reflect the sum of assets and advances from the Ministry of the Economy and Finance (MEF) for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities.
- **Working capital:** this is the sum of net operating working capital and other assets, net.
- **Net non-current assets:** these reflect the sum of property, plant and equipment, investment property, intangible assets and equity investments.
- **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 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, 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 (E):** 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.
- **Gross operating profit margin:** this profitability indicator is calculated as the ratio of gross operating profit to operating revenue.
- **Operating profit margin – ROS (return on sales):** this sales profitability indicator is calculated as the ratio of operating profit to revenue.
- **Debt/equity ratio:** this indicator is used to measure the company's debt. It is calculated as the ratio between net financial debt and equity.

- **ROE (return on equity):** this is a profitability indicator for equity and is calculated as the ratio of profit/loss for the year and average equity (from the start to the end of year), net of the profit/loss for the year.
- **ROI (return on investment):** this is a profitability indicator for invested capital through core business operations. It is calculated as the ratio of operating profit to average NIC (from the start to the end of the year).
- **Turnover of net invested capital:** this is an efficiency indicator that expresses invested capital's ability to transform into sales revenue. It is calculated as the ratio between operating revenue and average NIC (from the start to the end of the year).

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

- **Multistation Computerised interlocking system:** this is a central management system for control and signalling and station safety.
- **Transport Regulator (ART):** the body in charge of regulating transport and access to related infrastructure along with accessory services.
- **ATC:** automatic train control. This system automatically controls the train's speed. It is the technological and functional evolution of the automatic train protection (ATP) system.
- **HS/HC:** high speed/high capacity. This is the system of lines and means specifically developed for high speed and/or high capacity transport.
- **Electricity Sector Adjustment Fund:** the public economic body that operates in the electricity, gas and water sectors.
- **Government Programme Contract - Services or Investments:** these are long-term contracts between the MIT and RFI defining investment projects and other terms and conditions, such as ordinary and/or extraordinary network maintenance, to encourage the development of the railway system.
- **Main line:** this is a particularly important series of railway lines in terms of traffic volumes and the transport role that it plays, as it joins major network centres or hubs.
- **DPCM:** Prime Minister's decree.
- **European Railway Agency (ERA):** 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.
- **European Rail Traffic Management System (ERTMS):** 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.
- **European Train Control System (ETCS):** this is the overall network of the various national automatic train control (ATC) systems. ATC systems consist of traditional and innovative signalling systems.



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- **Global System for Mobile Communication - Railway (GSM-R):** this is the European standard for public digital mobile telephony system with a transmission speed of 9.6 Kbps.
  - **ICT:** Information and communication technology.
  - **MATTM:** Ministry of the Environment and Protection of Land and Sea.
  - **MEF:** Ministry of the Economy and Finance.
  - **MIT:** Ministry of Infrastructure and Transport.
  - **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 to large-size 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.
  - **APG:** Assirevi's preliminary guidance on the IFRS.
  - **PIR:** Network Prospectus, containing the criteria, procedures, methods and terms for the allocation of the infrastructure capacity and for the provision of the related services, as well as a detailed presentation of the available infrastructure and access conditions.
  - **LC:** level crossing.
  - **Operating control line:** a location where there is no passenger service.
  - **MAP:** minimum access package.
  - **PRG:** general zoning plan.
  - **Doubling:** this is the transformation of a single track to a double track.
  - **Terminal:** this is the intermodal transport infrastructure for the transfer of large load units between carriers, with or without warehouses of modest size.
  - **TLC:** telecommunications.
  - **CCS/CTC:** this command and control system/large network central traffic control system regulates traffic on the main lines and hubs, outperforming traditional centralised traffic control systems.
  - **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.
  - **Steering support controls – SSC:** they are used to control and manage railway operation on the line from the central control stations in Bologna and Verona.
  - **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, swap bodies and semitrailers).
  - **Train-km (tkm):** this is the number of train events per kilometre travelled.

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## COVID-19 EMERGENCY

The COVID-19 pandemic has unleashed uncertainty, wreaking havoc on the entire global context starting in 2019 and conditioning all of 2020.

Specifically, in Italy, the spread of the pandemic put extreme pressure on the country's healthcare system, with the government authorities consequently issuing a series of mobility restrictions to contain the risk of further infection spreading throughout the population. At the same time, it had a deep impact on the economy, disrupting decisions and the feasibility of production, investments and consumption.

This context inevitably had an adverse impact on the regular, ordinary performance of RFI's operations. Overall, the transport market saw substantial reductions in the volume of operating trains (approximately -24% on 2019 volumes) and in the first stage of the pandemic, the infrastructure sector suffered a delay in the start and continuance of maintenance work and activities at workshops. On the other hand, network availability increased due to the drop in train traffic, making it possible to fully recover maintenance work on the network during the year, ensuring safety and reliability standards, and to carry out maintenance on the superstructure, particularly in the sections subject to the most wear and tear, like the HS/HC lines.

In addition to operation and maintenance, other areas were impacted by the new economic context, such as leases, advertising and energy procurement.

Furthermore, the company was forced to shoulder emerging costs tied to the implementation of specific measures to counter and prevent the risks of epidemiological emergency. Specifically, protective equipment was purchased and distributed on an extensive scale (hand sanitiser, disposable gloves and face masks and digital thermometers), substantial sanitisation activities were carried out (at stations and in workplaces), specific services were engaged for security and access control following the measurement of temperatures and special maintenance was undertaken to create pathways that prevent crowding in stations, along with the cleaning of air conditioners.

RFI continuously supervised all aspects in relation to countering and containing the spread of COVID-19 within work spaces. As soon as the first legislative measures were issued, RFI rolled out work-from-home policies extensively, first in the red zones and, subsequently, as soon as the pandemic broke out, to all company personnel whose duties permitted it. Approximately 9,000 resources were working from home. On the other hand, specific social distancing and precautionary hygienic measures were taken where personnel worked in person and Plexiglas barriers were installed, with the provision of PPE to workers where interpersonal distance could not be guaranteed at all times.

The company has established an "RFI COVID-19 committee" operating nationally and responsible for analysing and monitoring the actions taken to counter and contain the pandemic. The main actions entailed completely sanitising all work spaces, taking people's temperature before they access the company premises, ensuring social distancing, preventing overcrowding and scheduling workers' presence at the various workplaces.

The many measures taken in response to the public health emergency include the start of production on surgical and FFP2 face masks at the Bologna ONAE (national workshop for electric equipment).

## COVID-19 legislation

### The economic recovery decree

In 2020, the infrastructure operator and the railway companies found themselves operating in a context characterised by the dramatic contraction in railway transport due to the measures taken to manage the COVID-19 epidemiological emergency, which caused a sharp drop in revenue for both the infrastructure operator and the railway companies. To mitigate these losses, on 19 May 2020, the government published Decree law no. 34 in Italian Official Journal no. 128 (Ordinary Supplement no. 21), which contained "Emergency measures concerning health, support for employment and the economy and social policies in connection with the COVID-19 epidemiological emergency", converted into Law no. 77 of 17 July 2020. The general framework of the legislation that affected the operator is described below, considering the amendments that were presented and approved in the decree conversion process:

#### Art. 196 "Relief for railway companies"

In order to support the railway sector as a result of the damage due to the contraction in railway traffic caused by the COVID-19 epidemiological emergency, which led to a drastic reduction in railway services, article 196.1 authorised expenditure of €115 million to RFI in order to offset part of the decrease in proceeds from the fee for the use of the railway infrastructure between 10 March 2020 and 30 June 2020 due to lack of tolls.

Article 196.2 establishes that the fee for the use of the railway infrastructure for the period between 10 March 2020 and 30 June 2020, normally applied to the passenger and freight railway services not subject to the public service obligation, is not due on the portion exceeding the coverage of costs directly related to the provision of the railway service pursuant to article 17.4 of Legislative decree no. 112 of 15 July 2015.

In order to promote the recovery of railway traffic, article 196.3 reduces the fee for the use of the railway infrastructure for the period from 1 July 2020 to 31 December 2020, as indicated below:

- a. by 60 percent on the portion exceeding the coverage of the cost directly related to the provision of the railway service pursuant to article 17.4 of Legislative decree no. 112 of 15 July 2015, for passenger railway services not subject to the public service obligation;
- a. by 40 percent on the portion exceeding the coverage of the cost directly related to the provision of the railway service pursuant to article 17.4 of Legislative decree no. 112 of 15 July 2015, for freight railway services.

For these purposes, expenditure of €155 million was authorised for RFI for 2020.

Article 196.5 establishes that any residual allocations pursuant to paragraph 3 is meant to offset the national railway infrastructure operator for the decrease in revenue from the fee for the use of the railway infrastructure up to 31 December 2020.

The allocations under paragraphs 1 and 3 are immediately available and disbursable.

#### Article 207: "Emergency measures for the liquidity of construction companies"

Article 207.1 establishes that, with respect to the procedures governed by Legislative decree no. 50 of 18 April 2016, whose notices, by which a tender is called were already published when the decree went into force and for contracts not entailing the publication of calls for tenders or notices, the procedures in which, at the same date, the invitations to submit bids or quotes have already been sent but the deadline has not yet passed, and in any case the procedures governed by the same Legislative decree that are in progress at the date when the decree goes into force and until 30 June 2021, the amount of the advance provided for by article 35.18 of Legislative

decree no. 50 of 18 April 2016, can be increased up to 30 percent up to the limits of and compatibly with the annual resources allocated for each individual measure for the contracting station.

Paragraph 2 also requires that, beyond the cases provided for by paragraph 1, the advance under that paragraph may be paid for up to a total of 30 percent of the price and, in any case, up to the limits of and compatibly with the annual resources allocated for each individual measure for the contracting station, including to contractors that have already used a contractually-agreed advance or that have already begun providing the service without having used the advance. The provisions of points 2, 3, 4 and 5 of article 18 of Legislative decree no. 50 of 18 April 2016 apply for the purposes of paying any advance, and the contracting station shall calculate the maximum amount of the advance, considering any amounts already paid as an advance to the contractor.

This legislation establishes that the advances may be paid up to the limits of and compatibly with the annual resources allocated for each individual measure.

#### Article 208: "Measures for the recovery of the railway sector"

Article 208.3 authorises the operator to use €40 million (€25 million for 2020 and €15 million for 2021) for technical/economic feasibility studies on the upgrading projects of the HS/HC Salerno-Reggio Calabria, Taranto-Metaponto-Potenza-Battipaglia and Genoa-Ventimiglia lines, drawing from the resources allocated by the fund pursuant to article 1.140 of Law no. 232 of 11 December 2016 not earmarked for specific projects in the 2017-2021 GPC-I.

When the decree was converted into Law no. 77 of 17 July 2020, paragraph 3-bis was introduced:

*"To spur the development and relaunch of the Gioia Tauro port, the Rosarno-San Ferdinando railway connection and the related plant are categorised as national railway infrastructure and are transferred, at no cost, following an understanding between the MIT and the Calabria region, on the basis of a contribution in kind, to national railway infrastructure operator, which takes over its operation pursuant to the Ministry of Transport and Navigation decree no. 138-T of 31 October 2000. The works to upgrade and develop the transferred infrastructure shall be carried out in accordance with the government programme contracts under article 15 of Legislative decree no. 112 of 15 July 2015, receiving priority status for financing under the GPC-I. The works to maintain the section under point 1 shall be carried out as part of the annual efficiency project as per the Government Programme Contract - Services (GPC-S). The MIT, the Calabria region and RFI, having consulted the Gioia Tauro port authority, shall reach an agreement for the planning of activities to develop the logistics area serving the port and the related work to upgrade the infrastructure and technology, as well as for the related needs."*

Paragraphs 4 and 5 allocate additional funds using the resources allocated by the fund pursuant to article 1.140 of the Law of 11 December 2016, allotted with the Prime Minister's decree of 21 July 2017 and formalised in the 2017-2021 GPC-I for the following projects:

- €70 million in 2020-2025 for the "Riga variant" project in order to ensure the sustainable accessibility in good time for the 2026 Milan-Cortina winter Olympics;
- €131 million in 2020-2026 for the "Bergamo – Orio al Serio airport" railway connection. The Fund for the Olympics set up by the 2020 Budget Act shall fully cover the resources needed for the work;
- €170 million for work to lay double tracks in select sections and upgrade stations on the Pontremolese (Parma-La Spezia) line within the scope of emergency mobility projects following the collapse of the bridge over the Magra

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River and to ensure the development of intermodal freight transport on the country's east-west line on the Trans-European Transport Network ("TEN-T").

Paragraph 5-bis establishes that:

*"The costs deriving from the implementation of paragraphs 4 and 5, consisting of €18 million for 2020, €24 million for 2021, €36 million for 2022, €33 million for 2023, €30 million for 2024, €26 million for 2025, €24 million for 2026, €20 million for 2027, €17 million for 2028, €14 million for 2029, €10 million for 2030, €7 million for 2031 and €3 million for 2032, shall be covered by the resources in the fund established pursuant to article 1.140 of Law no. 232 of 11 December 2016 as per the budget of the MEF and allocated to RFI, whereas the costs consisting of €5 million for 2020, €23 million for each of the years from 2021 to 2023, €20 million for 2024 and €15 million for 2025 be covered by the resources in the same fund pursuant to article 1.140 of Law no. 232 of 2016, which had already been transferred to the RFI's accounts. With respect to the offset in terms of debt and requirements, equal to €5 million for 2020, €23 million for each of the years from 2021 to 2023, €20 million for 2024 and €15 million for 2025, there shall be a corresponding reduction in the fund to compensate the financial effects not covered in current legislation as a consequence of the discounting of long-term grants pursuant to article 6.2 of Decree law no. 154 of 7 October 2008, converted, with amendments, by Law no. 189 of 4 December 2008."*

### Impact of COVID-19 on profit or loss

The main effects of COVID-19 on RFI's income statement for the year ended 31 December 2020, compared to the previous year, are estimated in the table below. The negative impact on the profit for the year is €87 million.

	millions of Euros
	<b>Impact of COVID-19</b>
<b>REVENUE</b>	<b>(212)</b>
<b>Revenue from sales and services</b>	<b>(213)</b>
Revenue from contracts with customers	(478)
Other revenue from sales and services	265
<b>Other income</b>	<b>1</b>
<b>OPERATING COSTS</b>	<b>95</b>
Personnel expense	35
Other costs, net	60
<b>GROSS OPERATING PROFIT</b>	<b>(117)</b>
Amortisation and depreciation, accruals to provisions and impairment losses	30
<b>OPERATING PROFIT</b>	<b>(87)</b>
Net financial income (expense)	0
<b>PRE-TAX PROFIT</b>	<b>(87)</b>
Income taxes	0
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>(87)</b>
Post-tax profit (loss) from discontinued operations	0
<b>PROFIT FOR THE YEAR</b>	<b>(87)</b>

Revenue decreased by €212 million, mainly due to the decrease in toll revenue (€421 million) and the related revenue from the sale of electric traction (€33 million) as a result of the reduction in railway traffic, partly offset by the allocation of €270 million as per the aforementioned Legislative decree no. 34 of 19 May 2020.

Furthermore, the public health emergency entailed a slowdown and, in certain cases, the complete shutdown, of the various transport-related services, causing a €13 million reduction in revenue, including a €10 million in depot access services and €3 million in complementary services pursuant to Legislative decree no. 112/2015 (in particular, €1 million for parking and €2 million for assistance to people with reduced mobility). The dramatic reduction in journeys and the limitations to the performance of connection services also led to a reduction of approximately €2 million in revenue from the ferrying service.

Health services also saw a substantial reduction of roughly €10 million in revenue due to the lower number of check-ups with the activities suspended.

Finally, property management was profoundly affected by the decision to forgive three months' rent for commercial premises that were heavily penalised by the pandemic (a total of €7 million) in order to preserve, especially within the stations, a range of services necessary for railway passengers and to keep the station a popular place and, therefore, an attractive place perceived as safe, as well as to continue guaranteeing the important oversight that commercial operations within stations offer. This drop in revenue was partly offset by the increase of roughly €2 million in the recharging of building expenses for cleaning and sanitisation at services.

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Operating costs decreased by €95 million on the previous year, consisting of the €35 million reduction in personnel expense and the €60 million drop in other costs, net.

Specifically, during the lockdown, the significant contraction in related costs (e.g., travel costs, indemnities for working on Sundays and at night, etc.) and overtime, for a total decrease of roughly €14 million, affected personnel expense. This reduction was due to the strict measures to contain the pandemic, which robustly limited travel.

RFI drew on the ordinary benefits of the fund for income and employment assistance for Ferrovie dello Stato Italiane group companies' personnel on behalf of the workers at the national infrastructure workshops, the rolling stock and diagnostics services, company security, navigation and traffic operation. This led to a decrease of roughly €2 million in personnel expense.

To support and protect employees, they were guaranteed benefits in connection with "protected events" (e.g., extended parental leave, sick leave, extra paid leave pursuant to Law no. 104, etc.), which led to a reduction of approximately €3 million.

The new agreements signed with the trade unions led to a one-off decrease of €16 million in personnel expense for 2020.

The substantial reduction in other costs, net (-€60 million) was due to multiple factors.

The first related to the widespread slowdown in production, consisting of a contraction in production at plant for RFI, with the consequent drop in the consumption of materials (-€106 million) and the corresponding decrease in internal work capitalised (-€108 million). Furthermore, electrical energy costs dropped in the wake of plummeting railway traffic (-€27 million) and costs for lighting and driving force were down due to the general decrease in the cost of electrical energy (-€13 million), which hit an all-time low since the start of the electricity market in 2004. These factors had a positive effect on costs.

Another significant factor in this decrease was the lack of travel throughout the country to contain the pandemic, both during the national lockdown and afterwards due to the restrictions to travel outside the colour zones. This led to a decrease in travel and accommodations costs for the company (-€16 million), as well as in Free Travel Card costs (-€24 million), partially offset by higher costs incurred to implement protocols to prevent the spread of the virus, i.e., sanitisation, disinfecting and cleaning in stations, workplaces, premises, on board ships and around plants, as well as to take people's temperature before allowing them to enter the company premises and stations. These costs totalled €18 million net of the amount recharged to the railway companies.

The €30 million decrease in amortisation and depreciation was mainly due to the change in the amortisation and depreciation rates and, in particular, the lower train-km in 2020 because of the reduction in railway traffic.

The pandemic did not affect financial income and expense.

To assess the effects of the pandemic on the company's ability to continue as a going concern, RFI has carried out the appropriate checks and assessments on the basis of which the directors believe that, even in this case, the operator meets the principle of economic and financial balance pursuant to article 16 of Legislative decree no. 112/2015.

Accordingly, COVID-19 is not considered a trigger event that could negatively impact the company's ability to continue as a going concern, thanks to the support from the government, which has, as described earlier, disbursed (although only partially) resources to cover the lack of toll revenue in the period.

## 2020 RESULTS

		2020	2019
ROE	P/E*	0.11%	0.90%
ROI	OP/ANIC	0.20%	1.00%
ROS (OP MARGIN)	OP/R	2.85%	12.61%
GOP/R (GOP MARGIN)	GOP/R	13.36%	17.33%
NET ASSET TURNOVER (NAT)	R/ANIC	0.07	0.08
DEBT/EQUITY RATIO	NFD/E	0.07	0.07

**KEY**

**ANIC:** Average net invested capital (average of the opening and closing balances)

**OP:** Operating profit (loss)

**GOP:** Gross operating profit (loss)

**E\*:** Average equity (average of the opening and closing balances) net of the profit for the year

**E:** Equity

**NFD:** Net financial debt

**R:** Revenue

**P:** Profit for the year



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## THE COMPANY

Rete Ferroviaria Italiana S.p.A. (the “company” or “RFI”) carries out its operations and provides its services in compliance with the “principles governing the provision of public services” and the values shared by the entire FS Italiane group.

The main areas of operations carried out by RFI within the scope of the Concession Act and on the basis of the specific sector regulations are:

- the safe management of railway traffic, including via the train speed control and command systems;
- maintaining the efficiency of the national railway infrastructure so that it can be fully used by the transport companies, via ordinary and extraordinary maintenance. Since 2014, together with safety, security and the railway ferry to Sicily and Sardinia, this has been governed by the Government Programme Contract – Services between RFI (as national railway infrastructure operator) and the government;
- the planning and implementation of investments to upgrade the existing infrastructure and its technological equipment, as well as for the development and construction - including via investees - of new railway lines and plants as agreed with the government in the Government Programme Contract - Investments;
- the annual drafting of the railway schedule based on the requests put forward by the passenger and freight railway companies in line with the regulations of the Network Prospectus (“PIR”), the official document through which the national railway infrastructure operator notifies its direct customers of the criteria, procedures, methods and timing for the allocation of the infrastructure capacity and for the provision of the related services;
- ascertaining the mental and physical suitability of personnel - both its own and of the railway companies and other transport sector operators - involved in activities related to the safety of train traffic and railway management, as well as the safety of waterway and land public transport;
- the accessibility of stations and of the station services offered to passengers and, in general, all users in line with the principles and values that guide RFI in its dealing with customers and the public;
- providing assistance at stations to passengers with reduced mobility (PRM) as station manager, a role that the company took on in December 2010 to implement Regulation (EC) no. 1371/2007 on “Rail passengers’ rights and obligations”;
- the accessibility of the freight terminals it owns, including through the integrated offer of access to the infrastructure and the last railway mile services provided via the subsidiary Terminali Italia S.p.A., with a network of 16 terminals throughout Italy;
- the sea link ensuring the continuity of railway services to Sicily by ferrying passenger and freight trains between Villa San Giovanni and Messina, and to Sardinia carried out exclusively at the request of the railway companies for freight trains or transport services;
- integrating the Italian network with the trans-European transport networks in line with the plans and standards defined at supra-national level and as per the programmes carried out in conjunction with foreign infrastructure operators, including as part of the European Economic Interest Grouping (EEIG) and International associations for network interoperability and the development of freight corridors.

RFI figures at 31 December 2020 are shown in the table below:

<b>THE COMPANY</b>	
Number of employees	<b>26,395</b>
Share capital	<b>€31,528,425,067</b>
Local production units	<b>15</b>
National workshops	<b>5</b>
Local sales units	<b>11</b>
Local investment units	<b>4</b>
Local health units and centres	<b>17</b>
<b>OPERATING RAILWAY LINES <sup>(1)</sup> 16,782 km</b>	
<b>CLASSIFICATION</b>	
Main lines	<b>6,468 km</b>
Complementary lines	<b>9,364 km</b>
Hub lines	<b>950 km</b>
<b>TYPE</b>	
Double-track lines	<b>7,732 km</b>
Single-track lines	<b>9,050 km</b>
<b>POWER</b>	
Electrical lines	<b>12,065 km</b>
- double track	<b>7,656 km</b>
- single track	<b>4,409 km</b>
Diesel fuel lines	<b>4,717 km</b>
<b>TOTAL TRACK LENGTH 24,515 km</b>	
Traditional line	<b>23,048 km</b>
HS line <sup>(2)</sup>	<b>1,467 km</b>
<b>RAILWAY PLANT</b>	
Stations that can serve passengers	<b>~2,200</b>
Ferries	<b>4</b>
Freight facilities <sup>(3)</sup>	<b>207</b>
<b>INNOVATIVE REMOTE CONTROL AND TRAIN SPEED PROTECTION TECHNOLOGIES <sup>(4)</sup></b>	
Remote control systems for traffic	<b>13,321 km</b>
TSCS, train speed control system	<b>12,653 km</b> (of which: 77 km equipped with both SSC and TSCS)
SSC - steering support controls	<b>3,325 km</b> (of which: 77 km equipped with both SSC and TSCS)
ERTMS, for interoperability	<b>782 km</b>
GSM-R, for mobile communications	<b>11,633 Km</b>

**Note**

(1) 70 km of which on the foreign network

(2) referring to sections equipped with ERTMS powered at 25kV and their connections to other service locations

(3) facilities with intermodal centres, hubs, connections, etc.

(4) all network lines are equipped with one or more train speed protection systems

## TRANSACTIONS WITH THE GOVERNMENT

Following the extensive talks that have begun with the relevant Ministries and in accordance with that established by the Interministerial Committee for Economic Planning (“CIPE”) in Resolution no. 4 of 2012, transactions between the company and the government are governed by two contracts:

- Government Programme Contract – Investments (GPC-I), regulating the sustainable planning and funding of investments to develop the railway infrastructure in order to improve service quality and ensure compliance with safety levels in line with technological developments, in accordance with new legislation and the national and EU strategic guidelines for financial planning.
- Government Programme Contract – Services (“GPC-S”), governing the availability of the infrastructure and, specifically, ordinary and extraordinary maintenance on the infrastructure, as well as safety, security and railway ferrying.

### The Government Programme Contract – Investments

In 2020, the approval process continued for the 2018-2019 update of the 2017-2021 GPC-I.

In December 2019, the Court of Auditors registered CIPE resolution no. 37 of 2019 containing the approval of the 2018/2019 update to the 2017-2021 GPC-I, and it was subsequently published in the Official Journal no. 7 of 7 January 2020.

On 21 January 2020, the MIT sent the Cabinet of the Ministers the aforementioned update for examination by the competent commissions of Parliament for their opinion before signing the deed.

On 7 and 6 May 2020 respectively, the 9th permanent commission (transport, post and communications) of the Chamber of Deputies and the Senate’s 8th permanent commission (public works and communications) approved the framework of the 2018-2019 update to the 2017-2021 GPC-I.

On 26 May 2020, RFI and the MIT signed this contractual update.

On 26 October 2020, the Court of Auditors admitted MIT/MEF interministerial decree no. 365 approving the 2018-2019 update of the GPC-I for registration, marking the completion of the approval process.

Specifically, the new resources established in the contract, totalling €15.4 billion, are allocated as follows:

- €2.5 billion to continue work to make the lines safe;
- €1.8 billion to continue installing ERTMS and to update the lines and railway plant technologically in order to improve efficiency in response to growing demand for mobility and eliminate old and obsolete technologies;
- €0.1 billion to restore and reopen the tourism lines indicated in Law no. 128 of 9 August 2017 considering the vital importance attributed to tourism as a driver for Italy’s economic development;
- €1.1 billion to upgrade the regional networks for the relaunch of LPT, including the performance of projects identified jointly with the regions, mainly within the I and II Addenda to the Italian Cohesion and Development Fund’s 2014-2020 operating plan for infrastructure;
- €1.5 billion for the development of metropolitan areas, and particularly for the Smart and Easy Station projects;
- €0.2 billion to develop modal integration, also in accordance with article 1.749 of the 2019 Budget Act: “in the update to the 2017-2021 Government Programme Contract - Investments between the Ministry of

Infrastructure and Transport and Rete Ferroviaria Italiana S.p.A., a portion of the resources to be established in the contract or that become available for the purposes already specified in the current contract, within the limit of €100 million per year for 2019 and 2020, is allocated for the development of railway connections eligible for European financing to exploit mobility hubs that are at least supra-regional, prioritising those connected to ports or airports”;

- €6.7 billion for investments to ensure network connectivity across all the main inter-hub lines on the core corridors of the TEN-T;
- €1.5 billion for investments to develop the European corridors with the completion of the financing of the Naples - Bari route on the Scandinavian-Mediterranean corridor.

#### Decree law no. 183/2020

On 31 December 2020, Decree law no. 183 of 31 December 2020 containing “Emergency measures on the extension of legislative deadlines, the development of digital connections and the implementation of decision (UE, EURATOM) 2020/2053 of the Council of 14 December 2020, as well as the withdrawal of the United Kingdom from the European Union” was published in Italian Official Journal no. 323. In order to shorten the time to completion of the first functional lot of the HS/HC Verona-Vicenza-Padua section and make it possible to place this functional lot in service by 31 December 2026, article 16.16/17 authorised RFI to begin work on the second construction lot on the Verona-Vicenza intersection for a total of €1,776 million, pending the approval of the 2020/2021 update to the GPC-I. For these works, RFI may use up to €726 million of the resources in the current GPC-I not allocated to other investments provided that, at the effective date of the provision, the relevant works are already in the executive design stage, or it may use up to a total of €1,050 million of the additional resources authorised for expenditure pursuant to article 1.86 of Law no. 266 of 23 December 2005. The resources are immediately available as from the effective date of the decree for the assumption of the legally-binding commitments for the work in point one. In the 2020/2021 update to the GPC-I between the MIT and RFI, or in subsequent agreements, the resources in point one may be reorganised as part of the overall planning of resources for the completion of the investments provided for therein. Within 30 days of the start of the work on the second construction lot on the Verona-Vicenza intersection, RFI will send specific notice, via the MIT, to the Interministerial committee for economic planning providing information on the work subject to the reorganisation or definancing.

Lastly, the company has met the disclosure obligations of article 4.2.h), article 4.3.a), article 6, article 7.3 and article 8 of the 2017-2021 GPC-I , specifically:

- article 4.2.h) concerning the annual transmission of a report to the Ministry indicating the appointment of tender commissions or technical/administrative inspection assignments for contracts worth more than €25 million;
- article 4.3.a) relating to the annual transmission of the report on the implementation status of the investment programmes and projects covered by the contract;
- article 6, which governs the operator's powers and to which reference should be made;
- article 7.3, which requires the operator to provide information to the Supervisory authority on public contracts for works, services and supplies, as well as data and information on any litigation concerning the contract assignment or awarding procedures for works, as well as the progress of any contracts worth more than €25 million;

- article 8, concerning the communication of annual performance targets and the assessment of performance of the previous year, using a calculation method agreed with the relevant Ministries and attached to the Report on the Government Programme Contract.

### **Government Programme Contract - Services (GPC-S)**

Ministerial decree no. 206 of 14 May 2020, which was admitted for registration by the Central Budget Office under no. 2207 on 4 June 2020 and the Court of Auditors under no. 2917 on 16 June 2020, approved the first addendum to the 2016-2021 GPC-S.

The completion of the approval process for this addendum made operational the resources provided for therein, as detailed below, adjusting the financial framework originally set out in the 2016-2021 GPC-S. Specifically:

- Law no. 205 of 27 December 2017 (Government budget for 2018 and the three-year budget for 2018-2020), which defunded the resources for grants related to income in chapter 1541 by €100 million as from 2019;
- Decree law no. 119 of 23 October 2018, containing "Emergency tax and financial measures" (converted into Law no. 136 of 17 December 2018), which increased the resources in chapter 1541 for 2018 by €40 million for grants related to income;
- Law no. 145 of 30 December 2018 (Government budget for 2019 and the three-year budget for 2019-2021), amended the current legislation with additional funds allocated to chapter 1541, as follows:
  - €100 million for 2019 only, replenishing the resources allocated to grants related to income that were defunded by Law no. 205 of 27 December 2017;
  - €40 million for 2019, €40 million for 2020, €40 million for 2021 and €400 million for 2022 and subsequent years, allocated to grants related to income;
- Law no. 160 of 27 December 2019 (Government budget for 2020 and the three-year budget for 2020-2022), which allocated €100 million for 2020, 2021 and 2022 to replenish the resources allocated to grants related to income that were defunded by Law no. 205 of 27 December 2017.
- 2007-2013 National Operating Plan (the "07-13 PON"), allocating another €26.53 million for non-recurring maintenance;
- Law no. 111 of 28 September 2018, which refinanced the resources allocated by article 1.239 of Law no. 190 of 23 December 2014 in chapter of 7255 of the MIT's budget for "expenditure for passenger transport in the Messina strait", as follows: €7.1 million to cover the costs of completing, between 1 October 2018 and 31 December 2019, high speed passenger connection over the strait between Messina and Reggio Calabria, which RFI has guaranteed, implementing MIT's specification request.

With respect to the financial framework, developments following the finalisation of the first addendum to the 2016-2021 GPC-S as a result of the 2021 Budget Act (Law no. 178 of 30 December 2020 - Government budget for 2021 and the three-year budget for 2021-2023). This law provided for the following resources for the activities governed by the 2016-2021 GPC-S:

- Resources for grants related to income (chapter 1541): €1,065.6 million per year for 2021 and 2022 and €965.6 million for 2023;
- Resources for grants related to investments (chapter 7122): €752 million to cover extraordinary network maintenance for 2021-2036, divided into €2 million for 2021 and €50 million per year from 2022 to 2036.

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## LEGISLATIVE AND REGULATORY FRAMEWORK

### 2021 Budget Act

On 30 December 2020, Law no. 30 "Government budget for the 2021 fiscal year and three-year budget for 2021-2023" (the 2021 Budget) was issued, article 1 of which provides for the following:

- paragraph 679, to support the recovery of railway traffic, authorising expenditure of €20 million for 2021 and €10 million per year from 2022 to 2034 for RFI, which deducts the allocation in the first point of this paragraph from the total net costs relating to the minimum access package (MAP) services in order to offer, from 1 January 2021 to 30 April 2021 and up to the maximum limit of the allocation in point one, a reduction in the fee for use of the railway infrastructure up to 100 percent of the amount exceeding the coverage of the cost directly related to the railway service as per article 17.4 of Legislative decree no. 112 of 15 July 2015 for passenger railway transport services not subject to the public service obligation and for freight railway transport services. The fee for use of the infrastructure subject to the reduction in point two of this paragraph is calculated based on the current regulatory measures defined by the ART in article 37 of Decree law no. 201 of 6 December 2011, converted, with amendments, by Law no. 214 of 22 December 2011.
- paragraph 680, establishing that any of the residual resources provided for in paragraph 679 resulting, in part, from the contractions in traffic volumes below those in the 2016-2021 regulatory plan and referring to the period from 1 January 2021 to 30 April 2021, are allocated to offsetting the national railway infrastructure operator for the decreased revenue from the fee for use of the railway infrastructure in the same period. By 30 September 2021, RFI must send the MIT and the ART a report on the implementation of paragraphs 679 and 680.
- paragraph 721, replacing point one of article 13-bis.2 of Decree law no. 148 of 16 October 2017, converted, with amendments, into Law no. 172 of 4 December 2017 with the following text: "Following the allocation pursuant to paragraph 4 of this article, Autobrennero S.p.A. shall transfer to the government budget the resources accrued under the tax exemption scheme up to the date of the aforesaid allocation in the fund pursuant to article 55.13 of Law no. 449 of 27 December 1997, through deferred payments of equal amount to be made by 2028. Autobrennero S.p.A. shall make payment by 15 December of each year after the allocation as per paragraph 4 of this article. The MEF shall re-allocate the resources paid by Autobrennero S.p.A. and transferred to Rete Ferroviaria Italiana S.p.A."

Cash allocations for 2021 under the 2021 Budget Act total €4,707 million, including €4,450 million on the MEF's budget chapters (chapter 7122 for the continuance of railway investments and chapter 7124 for the HS/HC and traditional network) and €257 million on the MIT's budget (chapters 7518, 7528, 7561 and 7564).

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## PARTNERSHIP BETWEEN THE EUROPEAN RAILWAY INFRASTRUCTURE OPERATORS

In 2020, the COVID-19 emergency impacted the main activities performed in the scope of the four European freight corridors of Italian interest (Rhine-Alpine, Scandinavia-Mediterranean, Baltic-Adriatic and Mediterranean), to which RFI contributes in terms of operational governance by appointing the three executive directors and by sitting on the management boards. In particular, steps were taken with respect to the freight corridors to begin providing updated, harmonised information to all stakeholders on the impact that the public health emergency has gradually generated on international freight transport.

However, in general, international freight transport was less affected by the public health emergency than other railway transport segments (regional and long-haul passenger transport), benefiting from less general network congestion and constituting the mode of transport least affected by the border closures within the single market. International freight transport ensured the substantial continuity in the exchange of goods between EU member states, and thereby providing significant support to the economies on the continent, which were so severely struck by the emergency.

With respect to the international freight railway capacity volumes allocated to the railway companies, the corridor one-stop shops (C-OSS) showed different trends, with a considerable decrease in the requested routes than the previous year for the Rhine-Alpine corridor and a general increase for the other three corridors (managed by the directors named by RFI).

In addition to the typical operational activities of the freight corridors as per European regulations, in 2020, all the corridors actively took part in the consultation process commenced by the European Commission for the revision of EU Regulation 913/2010. In this context, RFI maintained its position, which can be summarised as strengthening the responsibilities of the C-OSS, increasing the corridors' involvement in the international traffic supervision and coordination procedures and applying, with the corridor's coordination, performance pacts that provide for close cooperation between all players in the logistics chain (operators, companies and terminals). The freight corridors passing through Italy in 2020 have launched a few pilot projects for the management and monitoring of traffic to improve international freight railway performance and highlight the corridors' role in international traffic supervision and coordination procedures.

As part of the revision of EU Regulation 1315/2013, in 2020, work continued to update the data on the technical-financial progress of railway investment projects for the four central TEN-T corridors. In August, the European Commission published the work plans for the corridors, providing an up-to-date overview of compliance with the TEN-T parameters of the lines and highlighting potential operational/infrastructural bottlenecks that could prevent or delay the completion of the TEN-T by 2030.

### PRIME (Platform of Rail Infrastructure managers in Europe)

In 2020, RFI continued sharing best practices within the various PRIME work groups. After the COVID-19 outbreak, starting in March, RFI began assisting the European Commission with the sharing of traffic (train-km) and economic data (revenue losses) due to the restrictions to limit the spread of the virus. These activities will continue in 2021, also in accordance with the provisions of EU Regulation 2020/1429, in which the European Commission issued measures to support the railway sector and drive its recovery.

### Rail Net Europe (RNE)

Specific attention was devoted to the following three projects in 2020:

- The Language Programme, whose purpose is to identify innovative solutions to support land-train communications in order to overcome the barrier of the language requirements for train personnel currently imposed by European legislation. RFI has started the first stage of laboratory testing on a simultaneous translation prototype released in September to assess the tool's functionality and the reliability of the translation.
- The "Time Table Redesign" (TTR) project to develop a new planning process for the international railway schedule and its subsequent implementation nationally with the TTR migration concept, with the aim of linking the digitalised systems so the new system can be rolled out with the 2025 railway schedule.
- The "Virtual EU Traffic Management Network" project to define European infrastructure operators' positions on the harmonisation of international freight traffic management procedures by leveraging pilot projects kicked off in the scope of the freight corridors and taking inspiration from similar experience gained in the aviation industry (Eurocontrol).

Moreover, following the COVID-19 emergency, RFI shared with the traffic management work group all the operational measures that it had adopted to ensure regular traffic operation after the member states issued restrictions, especially on the cross-border sections.

## CUSTOMER RELATIONS

### General information

As national railway infrastructure operator pursuant to Legislative decree no. 112/2015, RFI operates on a market that consists of railway companies and applicants. The latter, in addition to the railway companies, Regions and autonomous provinces, also include "the competent authorities under the European Parliament and Council regulation no. 1370/2007, loaders, shipment agents and combined transport operators, with a public service or business interest in acquiring infrastructure capacity for the purposes of providing railway transport services (article 3 of Legislative decree no. 112/2015)." The contract concerns, in the case of the former, standard hours and services – Infrastructure use contract with a term not exceeding the validity of a schedule, and in the case of the latter, the infrastructure's capacity in general terms or overall volumes, rather than in detail – Long-term master agreement.

### Infrastructure use contracts

During the year, 42 infrastructure use contracts were signed, 18 of which for passenger traffic (19 as from 13 December 2020), 23 for freight traffic and one for technical runs used to test rolling stock.

At 31 December 2020, 35 master agreements were pending with the regions, autonomous provinces, railway companies and other parties with a commercial interest in the freight service.

With specific regard to the period from 1 January 2020 to 12 December 2020, the market presented:

- 38 railway companies with valid railway licences issued by the MIT (including four for traffic originating/terminating in Italy only);
- one railway company with a European railway licence issued by the Austrian Ministry of Transport, Innovation and Technology (TX Logistik Transalpine GmbH)
- 37 railway companies that performed transport services after signing an infrastructure use contract.



## Infrastructure access and PIR

### Network Prospectus

On 30 June 2020, in accordance with article 14 of Legislative decree no. 112/2015 and ART decision no. 104/2015, RFI published on its website:

- a) the first draft of the 2022 PIR and the accompanying report;
- b) the conclusive report to assess the inclusion of capacity retrocession penalties if another framework agreement request is made in which the infrastructure operator has justified having not adopted the penalties for which it is responsible given the protection of the principle of guaranteeing and promoting railway service market competition;
- c) the first draft of the 2022 Umbria Regional Railway Infrastructure PIR and the accompanying report.

The following changes were made with respect to point a), unlike the December 2020 edition of the 2021 PIR:

- revise the structure of the PIR, making it more comparable with the documents describing the service plants published by the plant operators pursuant to article 5 of Regulation 2177/2017/EU, referred to in measure 6 of annex A of ART decision no. 130/19;
- inclusion of the guidelines to follow if events occurred with serious repercussions on international railway traffic in execution of the agreement reached by the representatives of the rail freight corridor in order to take one sole international coordination effort if events occur with significant impacts on international traffic;
- inclusion of an explicit application as per article 32.2 of Legislative decree no. 112/2015, enabling the infrastructure operator to take measures that include, inter alia, rescheduling the services in the event of service saturation orders and the consequent analysis of capacity;
- inclusion of an explicit reference to the ePIR with respect to RFI's making available the new documentation required by the ART in measure 14 of annex A of ART decision no. 130/19 (i.e., railway connectors);
- a review of the framework capacity assignment process, again in accordance with the provisions of Regulation 2016/545/EU;
- alignment of the request procedure for routes for the transport of hazardous freight in order to comply with the applicable regulations;
- elimination of the tables relating to the sole operator and the rates for shunting operations that RFI no longer offers;
- roll-out of the new "waste water disposal" service;
- proposed inclusion of specific regulations for the customisation of information to the public;
- proposed penalty system, in accordance with requirement 6.1.2.1 of ART decision 151/2019, for when the railway companies park trains in the border stations past the maximum allotted time.

Since 2022 is the first year of the new regulatory period (2022-2026), the 2021 rates for the MAP services should be adjusted to the planned inflation rate, as per measure 4.1 of annex A to ART decision 96/15, and the fees for the non-MAP services may only be recognised following the completion of the ART's compliance check on RFI's proposed rates for the 2022-2026 regulatory period.

In addition, as RFI took over as infrastructure operator of the Umbria regional railway network on 1 July 2019, the network prospectuses for the 2019/2020 and 2020/2021 service schedules were published on 19 April 2020.

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On 12 December 2020, RFI published the “2022 Network Prospectus” and updated the “2021 Network Prospectus-December 2020 edition” on an extraordinary basis.

These publications reflect the requirements of ART decision no. 187/2020, containing the “Instructions and requirements for the 2022 Network Prospectus” submitted by RFI and the related “2021 Network Prospectus”.

The main new elements are summarised below:

- extension of the rates for the 2020/2021 service schedule for the MAP and non-MAP services and for the 2021/2022 service schedule, updated to reflect the planned inflation rate, in accordance with measures 4 and 41, respectively, of ART decision no. 96/2015;
- the possibility, as from 1 January 2022, for the railway companies to access the reporting of the electrical energy supply service for traction based on actual consumption measured using the energy metres installed on board trains in compliance with the N50463:2017 standard and connected to RFI's data collection system (DCS);
- discontinuance of RFI's shunting service at the Brennero and Tarvisio Boscoverde border stations (following the procedure commenced with ART decision no. 130/2019);
- introduction of penalties for the railway companies that park trains at the connection stations with foreign networks past the maximum allotted time, including for the railway companies that only access the connecting stations (following the procedure commenced with ART decision no. 151/2019 and in accordance with requirement 5.5.3.1 and subsequent requirements of ART decision no. 187/2020);
- update of the criteria adopted by RFI as part of the coordination process for the assignment of framework capacity (in accordance with the provisions of ART decision no. 151/2020);
- publication of the list of service plants that have been idle for at least two years, indicating those that RFI plans to dispose of or convert pursuant to article 15 of Regulation (EU) 2177/2017 (requirement 2.1.3.2 of ART decision no. 187/2020).

In addition to that illustrated above, additional changes were made with the extraordinary update to the 2021 Network Prospectus in December 2020:

- discontinuance of RFI's shunting service at the Domo II and Villa Opicina border stations (following the procedure commenced with ART decision no. 130/2019);
- update of the rates for the spaces assigned in stations managed by RFI;
- introduction of the service that makes areas available for the discharge of waste water (in accordance with the provisions of ART decision no. 16/2018, relating to the minimum quality standards for the national and local railway passenger transport services subject to public service charges).

Furthermore, the structure of the 2022 Network Prospectus has been significantly updated from previous editions, in line with the RNE Network Statement Common Structure, the model that contributes to the harmonisation of the European network prospectuses.

On 12 December 2020, RFI also published the “2022 Network Prospectus” for the Umbria regional railway infrastructure, implementing that required by ART decision no. 197/2020, containing “Instructions and requirements

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for the 2022 Network Prospectus presented by RFI for the Umbria regional railway infrastructure and the related preparation of the proposed fees and consideration”.

The 2022 Network Prospectus for the Umbria regional railway infrastructure contains, *inter alia*, an update regarding assistance to people with disabilities and people with reduced mobility whereby RFI, should it qualify as station manager pursuant to Regulation (EU) 1371/2007 in regional network stations, will immediately begin talks with the grantor to verify (which may even involve the necessary identification of the sources of financing) the methods and terms concerning the organisation of such service, in accordance with requirement 5.3.1 of ART decision no. 197/2020.

With this decision, the ART also required RFI to send: a) a thorough and analytical description of the specific income statement and asset/liability captions relating to the Umbria regional railway infrastructure based on the 2019 regulatory accounts and the rate calculation methodology; b) a rate proposal for the fees and consideration provided for as from the 2022-2023 service schedule, in accordance with ART decision no. 121/2018.

#### Access to the infrastructure

On 10 January 2020, the ART was informed of a proposal to catalogue PROMO routes with which RFI intended to give a strong, new signal of its attention to the development of collective mobility, geared towards the modal shift and sustainability - including social sustainability - of railway transport, seizing upon the extra capacity of available infrastructure.

With decision no. 91 of 7 May 2020, the ART approved the report that RFI sent in the note dated 14 November 2019 regarding the organisation of the shunting service in the Brennero, Domo II, Tarvisio Boscoverde, Villa Opicina border stations.

The adoption of the model in Annex A to ART decision no. 130 of 2019 was approved for all border stations. In this decision, the ART clarified certain aspects regarding the timing of its application. The model provides for an individual service system whereby all the railway companies providing the service are identified as shunting service operators and also provide the service to any other parties requesting it at a price equal to the cost of provision marked up by a reasonable profit margin. Furthermore, the ART permitted any other company with the necessary technical qualifications and that meets the safety requirements laid down by ANFS to provide shunting services as well.

On 19 June 2020, in accordance with measure 4.2. of Annex A to ART decision no. 130/2019, a methodological document was published reporting indicators, parameters, objectives and penalties (imposed on the infrastructure operator) for each non-MAP service offered by the infrastructure operator. The services for which only access to the service plant is provided were excluded from this system (except for the passenger station service). The performance measurement system for non-MAP services began the pre-operating stage on 1 July 2020. The indicators are reported to the railway companies each quarter and published in aggregate on the e-PIR portal.

With decision no. 111 of 2 July 2020, the ART approved the proposed catalogue of routes for the application of the PROMO rates presented by RFI with the note dated 10 January 2020.

The ART also required that before publishing the catalogue of routes subject to the PROMO rates, RFI must:

- a. estimate a rate of return that is acceptable for the market, to potentially be added to the recharging of costs directly related to the provision of the railway services included in the catalogue;
- b. make any consequent change to the special rates pursuant to paragraph 6.3.1.2 of the 2021 Network Prospectus;
- c. send the National Railway Safety Agency the documentation that it demanded from the operator on 25 June 2020, demonstrating that a traceable risk analysis had been carried out.

In response to letters a) and b), in October 2020, RFI reported that the rate of return that is acceptable for the market (component B of par. 6.3.1.2 of the 2021 Network Prospectus) is zero. This rate was estimated as the amount that maximises demand for routes in the catalogue with respect to the promotional offer.

In response to letter c), RFI sent the National Railway Safety Agency its arguments on the matter.

On 16 September 2020, the ART passed decision no. 156 concerning the “methodology for the examination of the economic balance of public service contracts pursuant to article 12 of Legislative decree no. 112/2015 and article 14 of the Commission Implementing Regulation (EU) 2018/1795”. In particular, measure 3.1, of specific interest to RFI, establishes that within one month of the publication of the notice of a request for an examination of the economic balance of a new passenger transport service on the ART’s website, the concerned railway infrastructure operator must inform the ART and the requesting party of the documented outcome of the general technical/operational compatibility assessment of the new service, to be carried out - as defined in the Network Prospectus - with exclusive reference to the technical and operating characteristics of the concerned infrastructure, without considering the current and prospective levels of allocated capacity and indicating any necessary technical changes for the service to be placed in operation.

On 17 December 2020, ART decision no. 211/2020 was published on the regulator’s website concerning the format of the regulatory document containing “the minimum content of specific rights for the processing of complaints that railway and bus transport service users can exercise with the operators of the service and related infrastructure”. The concerned parties can send the ART their observations and proposals by and no later than 29 January 2021. This document, which is being drafted, will have an impact on RFI’s business process, particular, the complaints management process.

## **SERVICES PROVIDED BY THE INFRASTRUCTURE OPERATOR**

The services provided by the infrastructure operator, broken down as per article 13.2 and following articles of Legislative decree no. 112/2015, are summarised below.

### **Minimum access package (MAP)**

The infrastructure operator receives access fees for use of the infrastructure and ensures all railway companies that have been allocated train hourly path hours are provided with the following services comprising the MAP, at fair and non-discriminatory conditions:

- a) processing of the requests for railway infrastructure capacity in order to sign the infrastructure use contracts: this includes all preliminary activities necessary for the signing of contracts with the railway companies;
- b) right to use assigned capacity;
- c) use of the railway infrastructure, including interchanges and connectors;

- d) control and regulation of train traffic, signalling and routing, as well as the communication of any information on train traffic management;
- e) use of the electrical system for train traction, where available;
- f) all other necessary information to provide or manage the service for which capacity has been granted;
- g) the sea link to/from Sicily (Villa S. Giovanni – Messina) and Sardinia (Villa S. Giovanni/Messina – Golfo Aranci);
- h) infrastructure connecting to the service plant.

The significant drop in revenue from tolls and ferrying is substantially due to the contraction in railway traffic because of the spread of the COVID-19 pandemic.

#### **Plant with guaranteed access and related services**

As the service plant operator, RFI provides all railway companies with fair, non-discriminatory and transparent access, including to the railway lines, the following service plants, where applicable, and related services:

- a) passenger stations, with respect to structures for travel information systems, adequate spaces for ticketing and other structures functional and necessary for railway operation;
- b) freight terminals;
- c) areas for assembling/disassembling trains, including space for shunting;
- d) areas, plant and buildings to park, shed and store and depot rolling stock and freight;
- e) maintenance centres, except for the heavy maintenance centres reserved for high-speed trains and other types of rolling stock that require specialised centres;
- f) washing sidings;
- g) refuelling areas;
- h) infrastructure clearance using specially-equipped rescue vehicles.

The decrease in revenue is due to the impact of the new time-based rate for parking, which went into force in 2020, and, especially, the effects of the COVID-19 emergency.

Nearly all these services, on a like-for-like consolidation basis, saw a decrease in revenue in 2020 compared to the previous year of roughly 36.64%, mostly because of the following two aspects:

- the introduction of the new parking rate model with an impact on the rates and on the reported service volumes;
- the effects of the COVID-19 emergency, the main consequences of which in the entire year mainly affected the services related to washing sidings, freight terminals, parking areas and areas for assembling/disassembling trains.

#### **Additional services**

As the service plant operator, RFI provides the following additional services to the railway companies upon their request, at fair, non-discriminatory and transparent conditions:

- a) supply of electrical energy for traction: the reporting model for this service changed since the previous year, as reported in the 2020 Network Prospectus, and is no longer based on weighted electric train-km but instead on electricity consumption per train as calculated by the virtual metre that RFI has implemented. The downturn in revenue was due to the reduction in traffic because of the public health emergency and the sharp decrease in the cost to procure energy;

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- b) pre-heating, air-conditioning and power for on-board systems for the maintenance and cleaning of passenger trains and water on trains;
  - c) traffic control for trains transporting freight classified as hazardous according to the PIC WEB IT system;
  - d) traffic assistance with special trains carrying exceptional loads requiring specific authorisation to operate, the modification of infrastructure, etc.;
  - e) shunting services at border stations and at the plants functional to the ferrying of passenger and freight trains;
  - f) assistance to people with disabilities and reduced mobility (PRM);
  - g) parking;
  - h) fast track service.

Revenue from additional services decreased by around 27.96% in 2020 as a result of the reduction in railway traffic mainly because of the COVID-19 emergency's impact on heating and air conditioning, water and fast track and parking services.

The reporting model for the procurement of electrical energy for the traction of 3kV and 25kV electric rolling stock changed since the previous year, as reported in the 2020 Network Prospectus, and is no longer based on weighted electric train-km but instead on electricity consumption per train as calculated by the virtual metre that RFI has implemented.

In 2020, the supply of electrical energy for traction to the railway companies was down by 24.19% on 2019 due to the reduction in railway traffic mainly because of the COVID-19 emergency and the sharp drop in the cost of electrical energy.

### **Auxiliary services**

As the service plant operator, RFI can, at the request of the railway companies, provide the following auxiliary services at fair, non-discriminatory and transparent conditions:

- a) supply of complementary information such as loudspeaker announcements and the production of posters;
- b) access to the GSM-R telecommunications network for ground/train service links.

Revenue from auxiliary services was not significantly affected in 2020, as these services are not closely related to the railway line.

Auxiliary services saw a 10.27% increase, counter to the trend in other services, again because they are not closely related to the railway line.

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## MAIN EVENTS OF THE YEAR

### February

#### Lodi train accident

On 6 February 2020, there was a railway accident involving the HS Frecciarossa 9595 train on the Milan-Salerno route near Ospedaletto Lodigiano in the province of Lodi, which caused the death of two train drivers and injured approximately 30 passengers. Reference should be made to Litigation and disputes in the directors' report for details.

#### Decree law no. 183/2020

On 29 February 2020, the conversion of Decree law no. 162 of 30 December 2019 containing "Emergency measures on the extension of legislative deadlines, the organisation of public administrations and technological innovation", which included measures affecting the infrastructure operator, was published in Italian Official Journal no. 51. In particular, article 13.5-*octies* provides for the transfer to RFI of the new regional standard-gauge lines that are connected to the national network, ensuring a connection with the metropolitan cities that have not yet been authorised for placement in service when the conversion law of this decree law went into force. Since the new regional Bari-Bitritto railway line presents the characteristics described in the decree, to facilitate its transfer to the national railway infrastructure operator, the MIT and the Puglia regional authorities reached the understanding provided for by the Law.

### March

#### Second construction lot on the Brescia-Verona section

With resolution no. 68/2019, published in Italian Official Journal no. 63 of 10 March 2020, the Interministerial Economic Planning Committee ("CIPE") authorised the work to be performed by the general contractor on the second construction lot of the "Brescia East - Verona (excluding the Verona hub) functional lot" on the Brescia-Verona section of the HS/HC Milan-Verona railway line, worth €607 million.

#### Signing of the memorandum between the Piedmont regional authorities, Gruppo Torinese Trasporti (GTT) and RFI

In March 2020, the Piedmont regional authorities, GTT and RFI signed a memorandum appointing RFI to perform the essential functions for the Canavesana railway, specifically to take decisions on the assignment of the railway lines and set the consequent fees for the use of the infrastructure, in compliance with the criteria established by the regulator, committing to carry out the necessary technical and administrative actions.

### April

#### HS/HC Verona West hub

With resolution no. 69/2019, published in Italian Official Journal no. 88 of 2 April 2020, the CIPE approved, also for the purposes of the environmental compatibility certification, the location in the urban plan and the seizure

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constraint and with requirements and recommendations, the preliminary project for the “HS/HC Milan-Verona railway line, Brescia East - Verona section - HS/HC Verona hub: west entrance”, with expenditure limit of €375.85 million.

## **May**

### **The economic recovery decree**

Decree law no. 34 of 19 May 2020 containing “Emergency measures concerning health, support for employment and the economy and social policies in connection with the COVID-19 epidemiological emergency” was published in Italian Official Journal no. 128 (Ordinary Supplement no. 21). Article 196, specifically for railway transport, establishes a “reduction in the fee for use of the railway infrastructure for passenger and freight railway services not subject to public service obligation”, as previously described in the COVID-19 Emergency section.

### **Settlement agreement for the development of the HS railway connector and the new HS station in the Florence hub**

On 27 May 2020, RFI’s CEO and the subsidiary Infrarail Firenze S.r.l.’s CEO signed the settlement master agreement with the official receiver in the extraordinary administration of the Condotte group in the wake of RFI’s initiatives to resume work on the construction of the high-speed railway connector and the new HS Florence hub station.

## **June**

### **Hirpinia-Orsara second functional lot**

With ordinance no. 47 of 18 June 2020, the Commissioner approved, establishing requirements and also for the purposes of the environmental compatibility certification, the location in the urban plan, the seizure constraint and the statement of public use, the definitive project for the second functional lot of the Hirpinia-Orsara section. On 30 October 2020, the Commissioner also approved the economic aspects, for a total cost of €1,535 million, with ordinance no. 50 following the completion of the authorisation process for the 2018-2019 update of the 2017-2021 GPC-I, formalising the resources to fully cover the work.

## **July**

### **Decree law no. 76 of 16 July 2020**

Decree law no. 76 containing “Emergency measures for simplification and digital innovation” was published Italian Official Journal no. 178 of 16 July 2020, Ordinary Supplement no. 24, simplifying public contracts that, exercising the permitted departures from current regulations (without prejudice to compliance with criminal law, anti-mafia regulations and other compulsory constraints, including those applicable to members of the EU), introduced regulations to effectively and quickly meet the requirements of measures to support and relaunch the productive/economic system following the public health emergency.



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**Law no. 77 of 17 July 2020**

Law no. 77 of 17 July 2020 for the "Conversion into law, with amendments, of Decree law no. 34 of 19 May 2020 containing emergency measures concerning health, support for employment and the economy and social policies in connection with the COVID-19 epidemiological emergency" was published in Italian Official Journal no. 180 of 18 July 2020 (Ordinary Supplement no. 25).

**RFI takes over operation of the Canavesana line**

On 10 July 2020, RFI signed an agreement with GTT and the Piedmont regional authorities to regularly take over operation of the Canavesana railway line in accordance with the provisions of article 47 of Decree law no. 50/2017, converted into Law no. 96/2017, by setting up interdisciplinary and intercompany work groups consisting of RFI and GTT personnel along with representatives of the Piedmont region. The network, owned by the Piedmont region, includes the Turin-Ceres and Canavesana railway lines, including the connectors and plant relating to those railway sections or necessary for their operation.

**August****Prime Minister's decree of 7 August 2020**

On 8 August 2020, the Prime Minister's decree containing the extension to 7 October 2020 of the precautionary measures to counter and contain the spread of COVID-19 in the Prime Minister's decree of 7 August 2020 ("Additional measures implementing Decree law no. 19 of 25 March 2020, containing emergency measures to handle the COVID-19 epidemiological emergency and Decree law no. 33 of 16 May 2020, containing additional emergency measures to handle the COVID-19 epidemiological emergency") was published in the Italian Official Journal no. 222 of 7 September 2020.

The new "Guidelines for information to users and organisational methods for the containment of COVID-19 on public transport" were attached to the decree. They specifically related to the sanitisation of transport vehicles and infrastructure (including railway) and the information to give users for their access to common areas and on carriers.

**RFI takes over operation of the Udine-Cividale line**

On 6 August 2020, the Friuli Venezia Giulia regional authorities, FUC (Società Ferrovie Udine Cividale S.r.l.) and RFI signed an agreement governing RFI's taking over the regional railway infrastructure for the Udine-Cividale line, in accordance with the provisions of article 47 of Decree law no. 50/2017, converted into Law no. 96/2017, by setting up interdisciplinary and intercompany work groups consisting of RFI and FUC personnel.

**Regional railways operated by Ferrovie Sud Est under concession**

On 18 August 2020, RFI, the Puglia regional authorities and FSE (Ferrovie del Sud Est S.r.l.) signed an agreement to appoint RFI with the performance of the essential functions pursuant to Legislative decree no. 112/2015 with respect to the regional railway infrastructure granted to FSE S.r.l. under concession.

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## September

### Laying of double tracks on the Orsara – Bovino line

With ordinance no. 48 of 18 September 2020, the Commissioner approved the definitive project for the laying of double tracks on the Orsara – Bovino line, with an expenditure limit of €561.6 million and fully available resources.

## October

### HS/HC Verona East hub

With resolution no. 11/2020 published in Italian Official Journal no. 263 of 23 October 2020, the CIPE authorised, establishing requirements and recommendations, and also for the purposes of the environmental compatibility certification, the location in the urban plan and the seizure constraint, the preliminary project for the “high speed/high capacity (HS/HC) Milan-Venice railway line. Verona-Padua section. HS/HC Verona East hub”, with an expenditure limit of €379.96 million.

## December

### Installation of ERTMS on the direct Florence – Rome line

On 28 December 2020, work was completed for the roll-out of the ERTMS on the section between Rovezzano and Arezzo Sud. The ERTMS is the most sophisticated system for the supervision and control of train distancing. Furthermore, a new central computerised multi-station device was rolled out. Italferr, the FS Italiane group's engineering company, was appointed to oversee the works. This is the first technological upgrade on a line on which HS trains travel every day, a strategic line for railway mobility because it is one of the busiest in Italy, in addition to the more than 700 km of HS line already equipped with ERTMS technology. Harnessing the most innovative technologies, the new systems make it possible to manage and supervise the section from the Bologna central station in the room devoted to HS lines. The updating of technologies will improve service quality and traffic regularity, making the infrastructure more reliable and optimising management of any irregularities.

### Appointment of the new board of directors and board of statutory auditors

On 29 December, RFI's shareholders approved the new board of directors: chairwoman Anna Masutti and directors Enrico Corali, Vera Fiorani, Silvio Martuccelli and Giuseppe Antonio Taini.

On the same date, the board of directors appointed Vera Fiorani as CEO and general director during its first meeting. The shareholders also appointed the board of statutory auditors: chairman Mauro D'Amico and statutory auditors Silvia Razzolini, Lorenzo Stanghellini, Ennio Celio Luglio and Monica Petrella.

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## HUMAN RESOURCES

In 2020, there was a substantial balance between the number of outgoing employees (2,078) and the number of new hires (2,066), but employee turnover enabled the company to move forward in the direction as in previous years, to improve the generational mix and the technological and professional skills that are fundamental for business development. The recruitment, hiring and internal mobility processes have played a key role in the broader management of personnel, in keeping with previous years.

Changes in RFI's workforce from 1 January to 31 December 2020 are described below:

- number of RFI employees at 31 December 2019: 26,407 (including 251 managers and 26,156 white collars and junior managers).
- number of RFI employees at year end: 26,395 (including 259 managers and 26,136 white collars and junior managers).

### Training

2020 saw the substantial continuance of certification/training processes and a surge in digitalisation.

Specifically, the need to manage the emergency resulting from the spread of COVID-19 led to the revision of the teaching model and a redesign of the entire training offer in order to provide it almost entirely online. This led to the need to update the methodological knowledge of in-house trainers and improve the digital literacy of the final trainees.

Accordingly, alongside the training campaigns for trainees, since March 2020, focus has also been devoted to upskilling in-house trainers, with efforts to improve their ability to produce their own online courses, with the experimental creation of digital capsule courses to be distributed on a large scale.

Around 309,400 man-days of training were provided, with roughly 23,147 participants.

## SUSTAINABILITY AND THE ENVIRONMENT

### Governance, long-term sustainability goals and action areas

In accordance with its social mission and that set out in its environmental policy, the central element of the "Integrated Safety Policy", RFI manages the national railway infrastructure taking an approach focused on increasing its value as a crucial asset in the Italian mobility system and a significant lever for the country's social, economic and environmental development, to maximise the environmental benefits of railway transport and drive the mobility shift towards more sustainable, integrated modes of transport, to promote the rational use of natural resources and renewable energies, to reduce and prevent the environmental impacts of industrial activities, to cooperate and always meet stakeholders' needs and expectations in the best way possible.

To this end, the integration of sustainability in the company's and the group's business strategies was significantly ramped up in 2020, in close connection – and not only in terms of timing – with the growing attention that the world is devoting to sustainability in the wake of the extraordinary impact that the COVID-19 public health emergency has had on the economy and social wellbeing. On one hand, this attention is reflected in a number of different factors: widespread interest in studying possible connections between the outbreak, pollution, the impacts of climate change and the loss of biodiversity; the central roles that health and prevention have assumed; shared

concern for our currently weak economic and social system and for worsening inequality; and the commitment to seizing new opportunities in connection with new lifestyles, ways of working and studying and consumption patterns. On the other hand, in Italy and Europe, this attention can be seen in the unprecedented policies, programmes and resources to drive economic and social recovery and restore the land and help local areas transition to a sustainable development model revolving around the green economy, resilience and social sustainability, innovation and digitalisation, with a sense of responsibility for future generations.

Leveraging a strategic focus that is already more intensely focused on creating shared value and achieving the Sustainable Development Goals (SDGs), specifically the group's long-term goals for 2030/2050, which RFI's board of directors approved in 2019, the company has implemented immediate solutions in response to the emergency, alongside - identified in discussions with stakeholders and in line with the thrust of EU and national policies to drive economic recovery through a transition to sustainable development with the active engagement of companies - the finalisation/improvement/acceleration of solutions, plans and guidelines for the various time horizons.

All this is part of the company's strategy around which the business plan, currently being updated, will revolve. The strategy entails: contributing to the country's recovery through extraordinary investments (now even greater thanks to the new European funds); speeding up projects that more closely integrate the regions and modes of transport and make Italy better connected, faster and more competitive; prioritising the mobility needs of people and logistics, the SDGs and the creation of the Single European Railway Area; and expanding the application of the highest standards for the continuous improvement of infrastructural resilience, safety and performance, including through the extension of advanced technologies across the entire network.

The aim of corporate governance is to more closely integrate sustainability in business strategies and operations in 2020, and many initiatives have been carried out to this end, the most of important of which include:

- as part of the intragroup work group to outline a road map for the achievement of the long-term goals for safety (zero fatalities), energy and emissions (carbon neutrality) and sustainability mobility (increase in the modal shift for passenger transport and the modal share of freight transport), all of RFI's previously consolidated investment and management initiatives were analysed considering their ability to tangibly contribute to achieving these goals. In addition, action areas were pinpointed to strengthen the company's ability to effect change. For example, RFI has devoted specific attention to further developing and systematising the initiatives that bolster the dual role of stations as intermodal hubs and centres that attract users and help develop the local area. It has also sought to have a positive influence on the areas by collaborating and co-planning with central and local government bodies on sustainability and the redevelopment of urban ecosystems in which the stations are located. To create more sustainable value, RFI now applies international sustainability and circular economy protocols like Leed and Envision in the design of its internal redevelopment projects (the Easy and Smart Station projects to improve spaces and services for passengers) and its external projects (to improve connections between stations and the local area and mobility solutions). It has also begun an in-house analysis to verify the conditions for work on stations concurrently with energy efficiency projects on nearby RFI assets that are not open to the public, such as optimising and upgrading water plants and utilities;
- in June 2020, RFI established its Sustainability Committee, which is responsible for advising the CEO and general director, as chairman of the Sustainability Committee, in making assessments and decisions relating to strategic, operating and governance choices and plans for the continuous improvement of RFI's sustainability

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profile and for a better integration of the principles and values of sustainable development and the group's long-term goals in the company's and its subsidiaries' activities;

- for the first time, the business targets shared by all RFI management include a specific commitment to improve the company's sustainability profile and, in particular, reduce the carbon footprint of its operations, measured as the ratio of total gCO<sub>2</sub> generated by energy consumption in connection with RFI operations to the number of train-km operated on the national railway infrastructure. The energy consumption considered includes both consumption invoiced for internal company use and electrical energy procured for railway traction as reported by RFI for the Sustainability Report and the consolidated non-financial statement, which is subject to a limited assurance engagement by the independent auditors. This energy consumption is then converted into CO<sub>2</sub> according to the conversion factors defined by national and international bodies and considering the domestic energy mix;
- RFI formalised and consolidated its active participation in the intragroup Programme Team set up in April 2020. The team strives to improve the ability of the group's main transport network to adapt to the rising risks of climate change, estimate the potential impacts of climate change risks on the FS Italiane group and identify the necessary mitigation actions to take. Specifically, work continued by the three panels set up within the scope of this project: (i) "Methodology and Model" for modelling to estimate climate change risks/opportunities for infrastructure, (ii) "Regulations, Standards, Investments and Financing" to develop and select climate change projects/investments based on an analysis of the available legislation, also in order to identify financing under the European Green Deal, (iii) "Disclosure" to pursue and/or consolidate the adoption of standards like the Task Force On Climate-Related Financial Disclosure (TCFD) and the Carbon Disclosure Project (CDP) for the group's formal participation in these programmes;
- a materiality analysis was conducted to identify, in line with the principles of the Global Reporting Initiative (GRI), strategic ESG (Environmental, Social and Governance) topics for RFI and its stakeholders (i.e., "material topics") in all operating areas, starting with disclosures and reporting. In particular, feedback was gathered from stakeholders (a key tool in analysing the context in which RFI operates and implements its environmental management system and, more generally, the group's sustainability governance model) with a survey conducted in collaboration with the Doxa research institute targeting both internal stakeholders within the business (the C-suite, senior management, managers and high-level junior managers) and the main external stakeholders, including the railway companies, institutions, residents, trade unions and suppliers. The findings of the questionnaire - which were gathered and processed anonymously and on an aggregate basis - were used to prepare RFI's materiality matrix, a management tool that supports decisions and to feed the FS Italiane group's larger materiality matrix;
- the definitive version of the group's "Guidelines for sustainable procurement management" was approved, with RFI's active participation as part of the supply chain. These guidelines are the result of the examination, analysis and processing that began in 2019 with company and intercompany work groups. They were recently issued and are aimed at defining and standardising criteria (management and product criteria) in accordance with ISO 20400:2017 to be followed in tenders for materials, work and services in order to minimise potential negative impacts during the entire life cycle of the resulting products, works and services.

## Sustainability reporting

Sustainability data are reported annually for both the FS Italiane group's Sustainability Report and its non-financial statement included in the directors' report in the consolidated financial statements pursuant to Legislative decree no. 254/2016. In February 2020, RFI contributed to the limited assurance procedures that KPMG S.p.A. carried out on the 2019 data, with a positive outcome, in accordance with ISAE 3000 (revised) for the purposes of verifying that the non-financial information is compliant with the GRI Standards. RFI and its subsidiaries prepared the 2020 interim non-financial information between April and July to supplement the non-financial information included in the parent's 2020 interim non-financial statement.

The 2020 sustainability reporting process then began in autumn 2020 at RFI and its subsidiaries Blufferies S.r.l., Blujet S.r.l., Grandi Stazioni Rail S.p.A. and Terminali Italia S.r.l. for the group's 2020 Sustainability Report and non-financial statement. The reporting process was carried out in accordance with the specific internal guidelines, which update the deadlines, criteria, data sources and data collection and/or estimation methods in line with the parent's instructions. There were two important developments in the process in 2020: one was technical/operational and related to the adoption of a new IT system for the reporting of data by all group companies, whereas the other was procedural and consisted of a new internal control model for non-financial information, which entails a more formal statement by those entering and approving the data in the specific IT system in order to meet an increasingly more reliable, accurate and complete reporting and auditing standard for non-financial information. RFI reported roughly 200 quality and quantity indicators with the involvement of around 50 central and local organisational and production units. At the same time, it coordinated the reporting of some 110 indicators by each of the four subsidiaries involved in the 2020 process.

Compared to the previous year, RFI's 2020 energy and environment results highlight:

- ✓ a decrease of roughly 6% in the total consumption of electrical energy for "internal use", certified as approximately 448 GWh in 2020, mainly due to the shutdown of production at workshops in the first few months of the COVID-19 emergency and the reduced energy requirements in offices as more people were working from home; in particular, the portion of electrical energy for "internal use" saw a substantial rise in the electrical energy certified with guarantees of origin (65%), due to the decision to use only energy from renewable sources under the specific supply contract, equal to approximately 90 GWh/year, corresponding to around 20% of all consumption for internal use (RFI procures the remaining 80% on the Borsa Elettrica (GME) under the current contract with the GSE and its replacement with energy from renewable sources will be part of the overall revision of the rules and regulations in this respect).
- ✓ a decrease of approximately 10% in diesel fuel – which totalled approximately 17 million litres – mainly due to: (i) the drop in consumption for railway ferrying operations (21%) due to the combined effect of the contraction in waterway traffic because of the public health emergency and the use of a more efficient ship with respect to consumption; (ii) the drop in the consumption of diesel for traction in shunting (37%) due to the gradual outsourcing of shunting operations; (iii) the reduction in diesel consumption for heating (14%) in line with the gradual replacement of diesel power plants with more environmentally-friendly plants and the reduced use of work spaces and stations due to the public health emergency;
- ✓ a reduction of roughly 10% in the consumption of natural gas, which is mainly used for heating systems - certified as approximately 8 million standard cubic metres in 2020 - again due to the reduced use of offices and space in the stations as a result of the public health emergency;

- ✓ a decrease of roughly 6% in water consumption – which totalled approximately 13 million cubic meters in 200 due to the fewer people in the offices and stations because of the public health emergency and work to optimise water assets, specifically related to the discontinued use of certain wells and repairs on leaks in some areas;
- ✓ the trend in waste is substantially in line with the previous year in terms of: total volumes of approximately 260 thousand tonnes, the percentage of waste sent for recycling (99% of the total), the breakdown percentage of non-hazardous waste (87%) and hazardous waste (13%), with a 3% increase in non-hazardous waste - particularly iron and steel waste produced in the upgrading work on the railway infrastructure – and a 10% decrease in hazardous waste due to the reduction in maintenance work on creosoted sleepers, which were progressively replaced with pre-compressed reinforced concrete sleepers oil, boasting a smaller environmental impact.

### **Environmental management**

As part of its greater commitment to sustainability, again in 2020, RFI carried out many environmental protection and development activities as part of its ISO 14001:2015-certified environmental management system, within the framework of RFI's integrated safety management system, which also covers the occupational health and safety management system and the train traffic and railway operations safety management system and is applied in the governance of activities carried out directly by company personnel as well as those performed by contractors.

On this basis, all the company's production units involved in managing environmental issues have environmental specialists who handle the preparatory and preliminary work, gather and process data and provide assistance for the performance of the environmental protection duties assigned to them. Environmental specialists also provide technical and operational support in the management of all environmental aspects relating to their respective units, such as waste, water discharge, issues connected with the noise created by line maintenance, water withdrawals, atmospheric emissions in connection with thermal plants, the use of hazardous substances for processing, the use of herbicides along the railway line, etc.. In addition to ensuring the proper management of environmental variables in compliance with regulations, the internal management system and the environmental policy, this type of organisation enables the company, which applies it extensively throughout its operating contexts, to maintain constant discussion and collaboration with all its key stakeholders at all levels, starting with government bodies for the land and environment, encourage coordination in this respect with other group companies, raise environmental awareness among RFI's personnel as much as its suppliers', and promote dialogue with associations and bodies representing passengers and the community.

During the year, new procedures for the environmental management system and the occupational health and safety management system were issued regarding the atmospheric emissions of industrial thermal plants and the management of ozone-depleting substances and fluorinated greenhouse gases.

The following management activities were carried out for investment projects with particular environmental impacts:

- pre-screening of the environmental impact assessment relating to the project to eliminate certain level crossings on the Pontassieve – Borgo San Lorenzo (Faentina line) Dicomano line;
- the soil use plan for the performance of the Third Giovi Pass project;

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- identification of the sites that will receive the materials excavated in the construction of the HS/HC Naples - Bari line, Naples - Canello section, with specific regard to the management of the possible level of pollution of the SCRIM and FIAT Auto sites;
  - reclamation of Ferrovie Sud Est's areas known as "Area Fibronit-Immoberdan-FSE" for the development of RFI's related "Bari Sud Est" project;
  - reclamation at the HS Bologna station and submission of the related reclamation plan;
  - survey plan for the construction of a direct connection between the Livorno port and the Guasticce – Scavalco interport, with railway overpass on the main Genoa – Rome line.

With respect to noise abatement, RFI sent the Ministry of the Environment the list of major railway lines on which over 30,000 trains travel per year, in accordance with article 7.1.a of Legislative decree no. 194 of 19 August 2005 "Implementation of Directive 2002/49/EC relating to the assessment and management of environmental noise".

### **Asset management**

In 2019, RFI received asset management certification pursuant to ISO 55001 for its tangible assets. Received from Italcertifier S.p.A., a certification body accredited by Accredia, this is the first and only certification received in Italy for the management of tangible assets. Internationally, RFI is one of the largest railway infrastructure operators to have such certification, considering the vast extension of the railway network that it manages and the size of its workforce.

The main benefits of an integrated, optimised asset management system include steady returns on investments and growth, long-term planning and sustainability performance, improved risk and corporate governance management, the possibility of demonstrating choices as the best in terms of costs/benefits within a regulated financing system and a general improvement in customer satisfaction.

ISO 55001 establishes the requirements of an efficient, integrated asset management system that helps organisations optimise the availability and profitability of their assets for their entire life cycle, from purchase to disposal.

Additional activities were carried out in 2020 as part of the "Certification process in accordance with ISO 55001 on the management system for tangible assets – movable property – diagnostic trains, work vehicles, ships and the management system for intangible assets – RFI's employee and company know-how in diagnostics, train operations and maintenance", supplementing the certification earned in 2019.

In July 2020, the certification body conducted assessments and inspections to complete the certification process and issue a single certificate covering all the audited asset categories.



## MACROECONOMIC CONTEXT

Having suffered a sharp slowdown in late 2019, the global economy experienced an unprecedented crisis in 2020. Triggered by the pandemic, the crisis was undoubtedly the most dramatic since the Great Depression.

Starting in the first few months of the year, the rapid spread of COVID-19 throughout the various geographical and economic areas, with more or less intensity, forced government authorities in the various countries to impose restrictions to contain the public health emergency. In the summer, partly thanks to relief from monetary and tax authorities, the global economy recovered slightly as GDP rallied in the third quarter, but the second wave of the pandemic significantly thwarted the economic recovery given the consequent distancing requirements, the forced shuttering of non-essential businesses and restrictions on mobility.

According to the more recent Prometeia estimates (December 2020), the contraction in world GDP in 2020 came to 4.5%, with deeper downturns in the industrialised countries than in emerging economies. Even international trade, despite the robust recovery in the first few months of the second half, showed an annual average contraction of 9.3%. The drop in demand due to the lengthy shutdown of economic activities around the world generated a deflationary trend, especially in industrialised countries, driven mainly by a shock in supply but also by the drop in oil prices, with the Brent price bottoming out at US\$19 per barrel in the first few months of the year, before rising to just slightly over US\$40 per barrel.

International trade figures		2019	2020
<i>(% change on previous year)</i>			
<b>GDP</b>			
	World	3.0	-4.5
	<b>Advanced countries</b>	<b>1.6</b>	<b>-5.6</b>
	USA	2.2	-3.6
	Japan	0.7	-6.0
	Eurozone	1.3	-7.2
	<b>Emerging countries</b>	<b>3.9</b>	<b>-3.6</b>
	China	6.1	2.0
	India	5.3	-9.9
	Latin America	0.3	-7.6
	<b>Oil (Brent price in US\$ per barrel)</b>	64.2	42.9
	<b>International trade</b>	-0.5	-9.3
<i>Source: Prometeia, December 2020</i>			

However, recent developments in COVID-19 vaccines should enable the global economy to recover in spring 2021. According to growth projections, world GDP should rise by around 5%, with this growth concentrated in a small number of countries, while most of the world's economies will need longer than 2021 to completely recover from the pandemic-induced downturn.

In the EU countries, to varying degrees of intensity, the pandemic and consequent containment measures introduced in the first few months of the year, with differentiated methods and timing, triggered an unprecedented economic collapse, with a partial recovery in the summer months. However, the lifting of restrictions on economic and social activities and the onset of colder temperatures led to a violent second wave of the virus, prompting another slowdown in economic activity. Despite the rapid political response both in the EU and in the individual countries, providing relief and support, particularly in the form of emergency measures to finance healthcare systems and support workers and businesses affected by the shuttering of activities, the economy recorded a 7.2% recession. Among major European countries, German GDP suffered the smallest decline (-5.5%), whereas Italy (-9.1), France (-9.2%) and Spain (-11.6%) suffered above-average decreases. Inflation remained extremely low amidst weak demand and significant untapped production capacity on labour, goods and service markets (0.2%).

	2019	2020	2019	2020
<b>GDP</b>			<b>Inflation</b>	
	<i>(% change on previous year)</i>		<i>(% change on previous year)</i>	
<b>Eurozone</b>	<b>1.3</b>	<b>-7.2</b>	<b>1.2</b>	<b>0.2</b>
Germany	0.6	-5.5	1.4	0.4
France	1.5	-9.2	1.3	0.4
Italy	0.3	-9.1	0.6	-0.1
Spain	2.0	-11.6	0.8	-0.3

*Source: Prometeia, December 2020*

In Italy, the epidemic progressively spread from the end of February 2020, worsening an economic situation that had already shown feeble growth in 2019.

The ordered shuttering of many industrial and service sector activities and restrictions on the mobility of people to contain the outbreak disrupted the Italian economy, with immediate repercussions on production.

According to national accounting data, GDP contracted by 5.5% in the first quarter of the year, marking a downturn in value added in all major production segments. After another drop in the second quarter (-13.0%), signs of recovery appeared in the summer as activities reopened. In the third quarter, the growth extended to all economic sectors, driven by domestic and foreign demand, rising sharply (+15.9%) and reflecting the Italian economy's robust capacity for recovery. However, economic activity slowed again in the fourth quarter (-3.2%) due to a resurgence of the virus. The effects of the second wave of infections and the consequent restrictions weighed most heavily on services, while manufacturing suffered less.

2020				
GDP and main components	Q1	Q2	Q3	Q4
<i>% change on previous quarter</i>				
<b>GDP</b>	-5.5	-13.0	15.9	-3.2
<b>Domestic demand</b>	-4.7	-11.0	12.0	-2.7
<b>Spending by households and private not-for-profits (1)</b>	-6.8	-11.5	12.4	-2.8
<b>Public administration spending (2)</b>	-1.1	0.3	0.7	0.8
<b>Gross fixed investments</b>	-7.6	-17.0	31.3	-3.0
- construction	-6.7	-22.2	45.1	-2.4
- other durable goods	-8.2	-12.6	21.1	-3.5
<b>Imports of goods and services</b>	-5.3	-17.8	15.9	-1.0
<b>Exports of goods and services</b>	-7.9	-23.9	30.7	-3.1
(1) Non-profit institutions serving households				
(2) Public administrations				
<i>Source: Prometeia, December 2020</i>				

Despite the substantial political support to soften the blow of the pandemic, GDP plummeted by an annual average of 9.1% on 2019, mostly due to the drop in domestic demand. Foreign demand and stocks also contributed to this downturn, but with less intensity. Weak demand and the collapse in oil and raw materials prices also impacted inflation.

## FINANCIAL POSITION AND PERFORMANCE

For the purposes of describing its financial position and performance, the company has prepared reclassified financial statements in addition to those required by the IFRS adopted by FS Italiane group (as detailed in the notes). The reclassified financial statements comprise alternative performance indicators which differ from those directly derived from the financial statements and which management deems useful in monitoring the company's performance and in presenting the financial results of the business. Reference should be made to the section "Key and glossary" for a description of the methods used to calculate these indicators.

### Reclassified income statement

	<i>millions of Euros</i>			
	2020	2019	Change	% change %
<b>REVENUE</b>	<b>2,492</b>	<b>2,775</b>	<b>(283)</b>	<b>(10%)</b>
Revenue from sales and services	2,376	2,649	(273)	(10%)
Other income	116	126	(10)	(8%)
<b>Operating costs</b>	<b>(2,159)</b>	<b>(2,294)</b>	<b>135</b>	<b>(6%)</b>
Personnel expense	(1,374)	(1,520)	146	(10%)
Other costs, net	(785)	(774)	(11)	1%
<b>GROSS OPERATING PROFIT</b>	<b>333</b>	<b>481</b>	<b>(148)</b>	<b>(31%)</b>
Amortisation and depreciation	(90)	(119)	29	(24%)
Net impairment losses	(45)	(24)	(21)	88%
Provisions	(127)	12	(139)	(1,158%)
<b>OPERATING PROFIT</b>	<b>71</b>	<b>350</b>	<b>(279)</b>	<b>(80%)</b>
Net financial expense	(33)	(34)	1	(3%)
<b>PRE-TAX PROFIT</b>	<b>38</b>	<b>316</b>	<b>(278)</b>	<b>(88%)</b>
Income taxes	–	(14)	14	(100%)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>38</b>	<b>302</b>	<b>(264)</b>	<b>(87%)</b>
Post-tax profit (loss) from discontinued operations	–	–	–	–
<b>PROFIT FOR THE YEAR</b>	<b>38</b>	<b>302</b>	<b>(264)</b>	<b>(87%)</b>

The main changes in these captions between 2020 and 2019 are shown below. The reasons for such changes are detailed in the specific notes to the financial statements, to which reference should be made.

Revenue from sales and services decreased by €273 million, mainly due to the following factors:

- decrease in toll revenue (€428 million) due to the reduction in traffic volumes measured as train-km due to the COVID-19 pandemic (€421 million) and the reclassification (€7 million) of the negative net balance of penalties applied under the performance regime and breach of contract (previously allocated to Other income and Other operating costs) and recognition of expense for train operation penalties applied during the year under ART decision no. 40/2020;
- greater sundry revenue (€210 million) due to the combined effect of the allocation of grants of €270 million under Legislative decree no. 34 of 19 May 2020 to cover the losses resulting from the lack of tolls in the wake

of COVID-19, partly offset by the lower revenue from the GPC (€2 million) and greater provisions and releases (€58 million) due to the combined effect of the €48 million accrual following ART decision no. 43/2019 and the release pursuant to ART decision no. 11/2019 (€10 million) in 2019 and not present in 2020;

- €2 million decrease in revenue from the ferrying service caused by the considerable drop in journeys operated due to the pandemic;
- increase in revenue from concession services (€7 million) relating to the invoicing to the Umbria region following merger of UM Ferro S.r.l.;
- €55 million decrease in revenue from traffic-related services due to:
  - €40 million drop in revenue from the sale of electric traction following the fall in energy prices that began in 2019 and lower energy requirements due to the reduction in train traffic during the lockdown, which pushed revenue down by €33 million, alongside the €7 million decrease due to the issue of credit notes for 2018 adjustments;
  - €15 million decrease in revenue from transport services arising from: (i) less revenue for parking areas (-€10 million), due to the drop in demand mainly because of the COVID-19 emergency, (ii) less revenue for parking (-€1 million) and assistance to passengers with reduced mobility (-€2 million), also because of the restrictions in response to COVID-19 and (iii) less revenue from passenger station services (-€2 million), reclassified to revenue from property management.
- €14 million increase in revenue from processing for third parties, substantially due to the resumption of work on the Palermo metro rail, which also generated higher costs;
- €2 million decrease in revenue from the sale of materials;
- €9 million decrease in sundry service revenue due to the combined effect of lower revenue from health services (-€10 million), as there were fewer check-ups when work was suspended because of the lockdown, and lower revenue for sites and tunnels (-€2 million), partly offset by greater revenue from Global System for Mobile Communications – Railway (GSMR) services (+€1 million) and greater revenue from penalties (+€2 million);
- €8 million decrease in revenue from property management due to lower revenue from leases (-€7 million), following the discount granted as relief for the damage suffered because of the pandemic, and lower revenue for advertising space (-€1 million).

Other income decreased by €10 million, mainly due to the following:

- €7 million increase in revenue and other sundry income;
- €4 million decrease in revenue from other penalties;
- €3 million decrease in revenue from sundry services;
- €9 million decrease in gains because of the downturn in sales of real estate assets (-€1 million) and lower other ordinary gains (-€8 million), partly offset by the increase in sales of materials no longer in use and removed from the infrastructure (+€2 million).

Personnel expense is down €146 million because of lower personnel expense for employees (-€144 million), including the €35 million reduction due to the containment measures in response to the COVID-19 pandemic and the €2 million reduction in other personnel expense.

Other costs, net rose by €11 million, mainly following the combined effect of the following factors:

- total decrease of €149 million in raw materials, consumables, supplies and goods, mainly due to the following changes:
  - €117 million in the consumption of materials because of the combined effect of lower consumption for investments (-€111 million) and lower consumption for operations (-€6 million) caused by the long lockdown in response to the public health emergency;
  - €27 million decrease in electric energy and fuel costs for train traction due to the public health emergency triggered by the spread of COVID-19 which had deep, significant repercussions on railway traffic;
  - €13 million decrease in costs for lighting and driving force due to the decrease in the cost of electricity, which fell to its lowest level since the start of the electricity market in 2004 because of the public health emergency;
  - €9 million decrease in revenue from internal work, due to the decrease in production caused by the temporary closure of the Officina Nazionale Infrastrutture e Apparecchiature elettriche (the Bari, Pontassieve and Bologna workshops) because of COVID-19;
  - €2 million increase in costs to purchase consumables, due to the purchase of medical materials and accident prevention equipment in response to the pandemic;
  - €1 million decrease in the allowance for inventory write-down;
  - €2 million decrease in the prices of materials in stock because of the new strategy being implemented as part of the “360 materials” project;
  
- €90 million increase in service costs, essentially due to the combined effect of:
  - greater costs for maintenance and repair of movable and immovable property (+€46 million), broken down into non-recurring line maintenance (€17 million), routine maintenance (€17 million), maintenance on movable property (€3 million) and building maintenance (€9 million);
  - €22 million increase in cleaning services mainly due to greater costs for additional cleaning in the plants to contain the spread of the COVID-19 pandemic (+€17 million);
  - €27 million increase in costs for processing for third parties, mainly due to the resumption of work on the Palermo metro rail;
  - €16 million increase in contracted services because of the higher costs for upkeep costs (+€3 million), higher costs for other contracted cleaning services (+€18 million) and for the removal of infrastructure (+€5 million), partly offset by the drop in assistance to passengers with reduced mobility (-€6 million), fewer ice scraping and snow removal runs (-€1 million) and lower contracted station services (-€2 million);
  - €13 million increase in IT services;
  - €3 million decrease in real estate services and utilities;
  - €31 million decrease in sundry costs, mainly due to the drop in costs for travel and accommodations (-€16 million) because of fewer trips taken as a result of the pandemic, lower Polfer (railway police) costs (-€2 million) and greater reimbursements of service costs (-€29 million), mainly because of the recharging of costs incurred to take people's temperature at stations and to sanitise spaces (€14 million), partly offset by greater services provided to the parent (+€7 million), higher sundry costs (+€3 million) and other third party services (+€9 million, including €3 million due to COVID-19). In addition, costs decreased in relation to provisions and releases (-€6 million), offset by greater insurance costs (+€3 million) and higher shared costs (+€1 million);

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- greater use of third-party assets (+€1 million) due to higher costs for leases, building expense and IRE tax;
  - lower operating costs (-€38 million) substantially due to the decrease in costs for the Free Travel Card (-€25 million), broken down as follows: €24 million because of the pandemic, €10 million decrease in taxes and duties and €8 million drop in the balance of provisions and releases, partly offset by the €3 million rise in costs for penalties on breach of contract and the €2 million increase in losses on the sale of assets;
  - €108 million decrease in internal work capitalised attributable to the reduced use of materials in connection with the containment of activities due to COVID-19.

Amortisation and depreciation decreased by €29 million due to the reduction in actual train-km in 2020 because of the lockdown. This led to a downward adjustment in the amortisation and depreciation rates (-€30 million), partly offset by greater amortisation and depreciation due to the application of IFRS 16 (+€1 million).

Net impairment losses increased by €21 million, due to the €25 million rise in impairment losses on property, plant and equipment, partly offset by a €4 million decrease in net impairment losses on loans and receivables.

"Provisions" increased by €139 million due to the net effect of the 2019 releases (€12 million) and 2020 provisions (€127 million), both relating to the extraordinary benefits under the fund for income and employment assistance.

Net financial expense improved slightly by €1 million due to the decrease in financial income (-€7 million), because of the capital gain on the sale of the investment in CS Retail S.p.A. in 2019, partly offset by the decrease in financial expense (-€8 million) due to the lower interest cost (-€2 million), lower interest and charges to the parent and others (-€4 million) and lower exchange losses (-€2 million).

The €14 million decrease in income taxes is due to the higher regional tax on productive activities (IRAP) paid in the previous year to settle the notices of tax assessment on the Free Travel Card for 2010-2014.

**Reclassified statement of financial position**

	millions of Euros		
	31.12.2020	31.12.2019	Changes
<b>ASSETS</b>			
Net working capital	(1,011)	(1,455)	444
Other assets, net	1,436	2,571	(1,135)
<b>Working capital</b>	<b>425</b>	<b>1,116</b>	<b>(691)</b>
Non-current assets	36,358	35,944	414
Equity investments	144	142	2
<b>Net non-current assets</b>	<b>36,502</b>	<b>36,086</b>	<b>416</b>
Post-employment benefits	(446)	(514)	68
Other provisions	(579)	(474)	(105)
<b>Post-employment benefits and other provisions</b>	<b>(1,025)</b>	<b>(988)</b>	<b>(37)</b>
<b>Net assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
<hr/>			
<b>NET INVESTED CAPITAL</b>	<b>35,902</b>	<b>36,214</b>	<b>(312)</b>
<hr/>			
Net current financial debt	412	524	(112)
Net non-current financial debt	1,818	1,961	(143)
<b>Net financial debt</b>	<b>2,230</b>	<b>2,485</b>	<b>(255)</b>
<b>Equity</b>	<b>33,672</b>	<b>33,729</b>	<b>(57)</b>
<hr/>			
<b>COVERAGE</b>	<b>35,902</b>	<b>36,214</b>	<b>(312)</b>

The main changes in these captions in 2020 are shown below. The reasons for such changes are detailed in the specific notes to the financial statements, to which reference should be made.

The €312 million decrease in net invested capital is the result of the reductions in working capital (-€691 million) and post-employment benefits (-€68 million), partly offset by the rises in other provisions (+€105 million) and net non-current assets (+€416 million).

The decrease in working capital is due to lower other assets, net (-€1,135 million), offset by higher net working capital (+€444 million).

Specifically, net working capital rose as a result of lower current and non-current trade payables (-€634 million), greater inventories (+€65 million) and higher construction contracts (+€10 million), offset by lower payments on account to suppliers (-€157 million) and lower current and non-current trade receivables (-€108 million).

Other assets, net are down by €1,135 million mainly because of lower amounts due from the MEF, the MIT, the EU and others (-€1,341 million) due to the net decrease in the related payments on account (-€262 million), greater current and non-current other assets (+€16 million), smaller accrued expenses and deferred income (-€1 million), higher prepayments (+€6 million) and larger current and non-current other liabilities (+€69 million), offset by smaller liabilities with social security institutions (-€14 million), lower other tax liabilities (-€4 million) and smaller IRAP assets (-€16 million).



The €416 million increase in net non-current assets is due to greater property, plant and equipment (+€337 million), intangible assets (+€92 million) and equity investments (+€2 million) and lower investment property (-€15 million). Specifically, the rise in property, plant and equipment is mainly due to investments in infrastructural projects, investments in maintaining the efficiency of infrastructure and widespread mainly technological work throughout the country.

At 31 December 2020, post-employment benefits decreased by €68 million, while other provisions are up by €105 million due to the combined effect of new provisions (+€209 million) and utilisations, releases and transfers (-€104 million).

Coverage decreased by €312 million as the net effect of the improvement in net current financial debt by €112 million and net non-current financial debt by €143 million, along with the €57 million decrease in equity.

In detail, net financial debt improved by €255 million mainly due to the following:

- €112 million improvement in net current financial debt as the net effect of the reduction in current financial liabilities (-€609 million), the increase in the current portion of non-current borrowings (+€157 million) and current borrowings (+€8 million) and the decrease in the cash pooling account (-€201 million), the interest-bearing intragroup current account (-€37 million) and other current loans (-€94 million);
- the €143 million improvement in net non-current financial debt mainly as the net effect of the decrease in amounts from the MEF (-€489 million), partly offset by the reduction in financial liabilities with the parent (-€362 million), the decrease in bank loans and borrowings (-€207 million) and loans and borrowings from other financial backers (-€31 million), lower non-current lease liabilities (-€8 million) and greater assets for restricted current accounts (€24 million).

Equity recognised in the reclassified statement of financial position includes hedging derivatives. Therefore, the following reconciliation schedule is provided for greater disclosure:

	millions of Euros		
	31.12.2020	31.12.2019	Change
Reclassified equity	33,672	33,729	(57)
Hedging derivative included in equity	(10)	(14)	4
<b>TOTAL EQUITY</b>	<b>33,662</b>	<b>33,715</b>	<b>(53)</b>

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## INVESTMENTS

### NETWORK DEVELOPMENT

The main activities carried out during the year to strengthen the railway network are described below.

#### Progress of investments

In 2020, infrastructural investments totalled €4,185 million, down by €253 million (roughly 5.7%) on the previous year.

The financial progress used as a reference only considers production for the RFI investment plans.

Investments of approximately €1,211 million were allocated to large-scale infrastructural projects and roughly €2,974 million to maintain the efficiency of infrastructure and for work throughout Italy (including €240 million for technology-related projects).

#### Main investments in railway operations

The SDH system in the Monza-Bergamo and Gallarate-Varese sections was activated in late June as part of phases 2 and 3 on the GSM-R radio network.

The central computerised multi-station system between the Ciampino and Colleferro stations on the Rome-Cassino line was activated in November in connection with the technological upgrade of the Rome hub, with the concurrent roll-out of the Ciampino peripheral command's computerised interlocking system.

Phase 4.1 of the Voltri station began in December as part of the technological upgrade of the Genoa-Ventimiglia line. This effectively completes the general zoning plan work on the Voltri station.

The installation of the ERTMS and a new central computerised multi-station system on the direct Florence-Rome line between Rovezzano and Arezzo Sud was completed on 28 December 2020. The ERTMS is the most sophisticated system for the supervision and control of train distancing.

#### Key projects

In February, the definitive design began on the telecommunications (TLC), signalling, electric traction and light and driving force plants for the Trieste port.

The definitive design began for the civil works, elimination of level crossings and upgrading to the 750-metre module in San Donà as part of the upgrading of the Venice-Trieste line. In addition, RFI began the design and performance of the preventive archaeological surveys ordered by the Superintendency in San Giorgio di Nogaro, where a technological equipment building will be constructed as part of the upgrading contract.

The definitive design of phase 2 began on the project to lay double tracks on the Codogno-Cremona-Mantua line, with the completion of the definitive projects for the multi-station computer-based interlocking system/multi-station command and control system on the Mantua-Piadena section. The definitive project for the laying of double tracks on the S. Pietro-Bergamo-Montello line was completed, as was the definitive project for the railway connection between the Bergamo station and the Orio al Serio airport.

In Campania, the definitive design began on the Salerno Centrale hub complex, along with the economic and technical feasibility project to electrify, upgrade for higher speeds and modernise the existing railway infrastructure on the Salerno-Mercato San Severino line. In May, the definitive project was completed. Furthermore, the definitive projects were completed to extend the hub underpass and the Salerno metro along the Arechi-Pontecagnano airport section.

The definitive project for the Lamezia T. – Settingiano section of the Lamezia-Catanzaro-Dorsale Jonica connection began in March and the technical/economic feasibility study for the electrification of the Cutro tunnel began in September. Furthermore, the definitive project for the technological upgrade of the Sibari-Melito porto Salvo section was completed.

In April, the definitive projects began for work on the Virgolo tunnel, the Milano Certosa computerised interlocking system and the Catania hub - Catania Centrale station line burial, while the definitive projects for the multi-station computer-based interlocking system/multi-station command and control system on the Castelli Romani lines, the new Palermo-Catania connection and the burial of the line opposite the Catania airport were completed.

In May, the definitive projects began for the Verona West hub, the laying of quadruple tracks on the Ciampino-Capannelle line and Phase 2 of the Ciampino general zoning plan, the tunnel for the burial of the Porrettana line to Casalecchio di Reno, the new Taranto Nasisi station and the technological upgrading of the Paduli plant (which was completed in October). The definitive project for the multi-station computer-based interlocking system was also completed in May for the Ronco (e) - Tortona (e) section as part of the technological upgrading of the section after Tortona to Bivio Fegino and Phase 1 of the Ciampino – radice Castelli general zoning plan.

In the second half of the year, the definitive project was completed for the Bressanone general zoning plan, the Porta Roma stop, the closure of the Palermo-Politeama-Notarbartolo section ring, the technological equipment for the Livorno overpass and the Brindisi intermodal hub.

Furthermore, the definitive design was completed for the extension of the central computerised multi-station system to the Bari TM –Brindisi and Formia(e)-Villa Literno(e) sections.

In the fourth quarter, the definitive design began for the (central computerised device on the Modena peripheral station as part of the project for the technological upgrade of the Bologna-Piacenza line, the upgrade of the Anagni plant to the 750-metre module, the Lunetta di Gorizia section and the technological upgrade of the Naples railway connector.

#### Technological work

The definitive projects began for the Cava dei Tirreni computerised interlocking system and the reverse flow on the current axle-counter block for the inclusion of the Nocera Inferiore-Salerno section in the multi-station command and control system and the upgrading of the continuous current automatic block and fixed current automatic block as part of the project for “Distancing systems to increase the capacity of the Milan hub (Phase 1)”.

The technological upgrading of the HS/HC Rome-Naples line saw the start of the definitive project for the Sgurgola intersection, which was then completed in June.

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## INTEGRATED TECHNOLOGIES

RFI has made technological innovation a priority, and it is through technological innovation that the company has not only developed infrastructure but stayed a step ahead of the times and made the Italian railway one of Europe's safest. Developed according to the plans set forth with the government to improve infrastructure performance in terms of safety, speed, capacity, punctuality, the quality of services provided to railway companies and passengers, railway technologies encompass all electromechanical, electronic and automated plants and systems controlled by ground and on-board operators and help ensure traffic safety throughout the network, while also supporting and increasing the efficiency of all other processes for railway operation, line maintenance, public information, network electrification and remote monitoring of proprietary assets.

Within the scope of the farther-reaching strategy of transformation and technological innovation that the company is pursuing, it has developed a programme to speed up the implementation of the ERTMS, proposed by the MIT in 2018 and presented to key stakeholders during a specific workshop at the end of that year. Following specific talks with the MIT, a revised version of the ERTMS plan was drafted in March 2020, especially in terms of the first three years of the plan's implementation, i.e., 2022-2024. The revision was formalised in July (rev. 0) and was supplemented in October with certain clarifications requested by the MIT. To date, the start of the plan requires the MIT's formal approval and the submission of the new NIP (National Implementation Plan) pursuant to regulation no. 919/2016 by the member state to the European Commission.

The main activities performed in 2020 related to designs (namely, the ERTMS on the Roccasecca – Avezzano line, the Canicatti - Siracusa line and the Sardinian network) and continued development activities on the centralised diagnostic system for the remote ERTMS monitoring to support regular train operation and optimising planning (MISTRAL).

Furthermore, a new technical/functional specification was issued for the audio frequency track circuits in traditional (non-HS) stations and lines, with links to the central devices using standard vital communication protocol.

As part of the land/on-board integration for the ERTMS lines, late 2020 saw the completion of the third phase of the integration of the new Alstom B3 MR1 on-board sub-system on the regional and Intercity trains that will operate on the HS/HC direct Rome-Florence line. During the year, the first phase of the ERTMS ECM B3 MR1 on-board sub-system integration was conducted in the lab for the HS Turin-Milan line, and laboratory and field tests were completed on the Alstom ERTMS B3 MR1 on-board sub-system on ETR610 (SBB) trains operating on the HS/HC Treviglio- Brescia, Turin- Milan and Rome-Naples lines. In addition, the first phase of the ERTMS B3 MR1 Siemens on-board sub-system integration was performed in the lab on the GIRUNO (SBB) train for the HS/HC Treviglio-Brescia line.

With respect to crossborder lines, field testing was completed in preparation to request placement in service for the implementation of the ETCS L1 LS system at the Chiasso station and the Slovenian axle-counter block was fully placed in service on the Villa Opicina – Sezana border section after the respective national authorities, ANSFISA (the national agency for railway, road and motorway infrastructure safety) and AZP (Slovenian transport agency) issued the necessary authorisation.

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## **EU FUNDING OF INVESTMENTS**

### **ERDF resources – 2014-2020 INFRASTRUCTURE AND NETWORK NATIONAL OPERATING PROGRAMME (PON)**

The 2014-2020 infrastructure and network national operating programme was approved with the EU decision on 29 July 2015.

RFI requested financing for works to complete the previous 2007-2013 programme (€598 million) and for new projects entirely covered by the current programme (€607 million) for total costs for which reimbursement can be claimed of roughly €1,205 million, corresponding to a grant of €1,105 million, net of the funding gap.

In response to these requests, the PON authority approved all financing requests in note of acknowledgement no. 19309 of 3 December 2019.

In 2020, after the Minister for Southern Italy and Territorial Cohesion and the Ministers responsible for the PON signed the protocol of understanding, the Infrastructure and Network PON was defunded by €279 million in order for the Italian government to redirect funds for the COVID emergency. Talks with the MIT are still in progress to decide which projects will be defunded.

In 2017-2020, RFI submitted reimbursement requests for €688 million, leading to collections of €464 million, €110 million of which was collected in 2020. RFI will presumably collect the remainder in 2021, net of the expenditure not considered eligible.

### **ERDF resources - 2014-2020 REGIONAL OPERATING PROGRAMME (POR)**

RFI receives resources of €598 million, net of the changes of financing sources in 2020, assigned to the Campania, Sicily, Calabria and Basilicata regions for objective 7 "Sustainability mobility of passengers and freight (promote sustainable transport systems and eliminate bottlenecks in the main network infrastructure)".

Reimbursement claims were submitted for €384 million in 2020.

### **Connecting Europe Facility (CEF) - 2014-2020 plan**

To date, the financed amount is €132 million.

In 2020, RFI requested the extension of the four grant agreements for the development of ERTMS on the various European corridors and for the upgrading of the Milan-Chiasso line. This extension was requested for technical reasons as well as for delays due to COVID-19.

However, the grant agreement for the development of the ERTMS on the Verona-Bologna section was withdrawn because it was not in line with the new strategy of pursuing the accelerated ERTMS plan.

In addition, on 15 December 2020, a tender was published for the assignment of additional CEF financing. The tender will expire on 22 March 2021 and RFI presented financing proposals for a total of around €3 million. The decision whether to finance these proposals will be announced in 2021.

Grants totalling €13 million were collected in 2020.

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## INFRASTRUCTURE

### STATIONS

The strategic objective – as established in the broader station plan, a key part of the 2019-2023 business plan - is to put stations on the front line of a mobility project that prioritises public, shared and active solutions to drive a modal shift and contribute to the achievement of medium/long-term sustainability goals.

In most Italian cities, given the importance and specific transport that characterises them today, stations could become the new epicentre of a new mobility model, truly functional for the development of the urban sustainable mobility plans defined in Ministerial decree of 4 August 2017 in order to plan transport integrated with the urban and local structure and development.

In 2020, many stakeholder engagement initiatives were consolidated that had begun in 2018 for the key stakeholders (the MIT, the regions and the municipalities) in order to promote the central role that railway stations play and their integration with their respective cities within development policies and local land and mobility plans. To improve the planning and design of the intermodal services that are connected and complementary to travel, RFI has continued developing a territorial information system for stations, which performs innovative analyses based on digitised demographic, socio-economic, transport, infrastructural and tourist information in one GIS (geographic information system). A special GIS dashboard was developed to analyse and manage the information on 30 cities that have already adopted or approved urban sustainable mobility plans.

Additionally, during the year, the company finalised the agreement of a protocol of understanding with an initial group of regions to improve the accessibility and attractiveness of stations, optimise modal integration with public road transport and create quality connections with the network of cycling paths, focusing on environmental sustainability and electric mobility.

An innovative study was also launched on “15-minute stations”, a new pilot model in which residents and city users can meet their daily needs (work, study, health, shopping, entertainment, etc.) by reaching their destination by foot or bicycle from the station. This analysis has two purposes: to encourage municipal authorities to equip stations with the services they currently lack in order to meet passengers’ main needs and to identify those services missing in the urban area surrounding stations, which could be offered within the stations themselves.

With respect to the development of the station investment plan, as in 2019, work continued on the pair of macro-projects for stations included in the Easy Station project to improve the physical spaces inside stations and the information provided to the public, and the stations included in the Smart Station project to “outfit” stations with digital technologies.

The aim of Easy Station projects is to improve infrastructure for the comfort and accessibility of stations and for customer services, such as:

- raising the platforms to the standard height of 55 cm to rail level so all passengers may access trains at level and passengers in wheelchairs may move as independently as possible,
- implementing an information system with computerised messages for the public,
- improving station accessibility (lighting, lifts, ramps, tactile walkways and maps, fixed signs, shelters, etc.),
- upkeep and redevelopment of public spaces and improvement in station functionality.

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Over the term of the plan, these projects will cover the 250 stations identified as those with the most traffic, accounting for over 80% of all network passengers, and as those with infrastructural and service development potential.

In 2020, following the COVID-19 emergency, certain work sites suffered delays in the start and progress of work. However, 39 work sites began and continued, particularly for the upgrading of train-side platforms and improvement of accessibility for local public transport.

The Smart Station projects are bringing advanced technologies to stations, like Wi-life, the remote management of civil plants in stations and the installation of turnstiles to increase security. In 2020, work continued on the Roma Termini, Milano Centrale and Napoli Piazza Garibaldi stations to close off the stations and install turnstiles.

In 2020, to manage the public emergency triggered by the spread of COVID-19, RFI took a series of steps to contain the virus in railway stations, such as disinfecting and sanitising, installing signs to direct and prevent flows of people in the most crowded stations in order to divide incoming from outgoing flows.

### **The Service Charter**

As it does every year, in 2020, RFI published its Service Charter (as per the Prime Minister's directive and Prime Minister's decree dated 27 January 1994 and 30 December 1998, respectively) on its website, which officially reports the 2019 results and 2020 targets for the quality of the services provided to the public in the areas identified by legislation (the quality factors), based on the characteristics of the company.

The Service Charter contains 17 indicators representing the company's various action and focus areas that are priorities for the public, and despite the extraordinary situation due to the COVID-19 emergency, the 2020 targets were all met for both delivered quality (which is assessed through internal/third party monitoring) and perceived quality (measured in customer satisfaction surveys conducted by the market observatory).

The main quality factors of 2020 are analysed below.

#### Traffic safety

Of the services provided by RFI, the safe management of train traffic and railway operations throughout the national network used by the railway companies that provide passenger and freight transport services is paramount. In 2020, as in previous years, safety was of prime importance in assessing the quality of the national railway infrastructure operator's core services. Above all, it is achieved through the granular involvement of its human capital, using technological, organisational and legislative controls and measures designed to minimise the risk of accidents.

So that the infrastructure is always at peak efficiency and to ensure maximum train traffic safety, RFI is committed to the constant protection, maintenance and upgrade of the infrastructure and its technological equipment, as well as the development of new lines and plants and fine-tuning increasingly effective production and management procedures.

#### Environment and social commitment

RFI's commitment to local environmental and social protection and regeneration is a strategic part of its business mission.

In addition to confirming its social commitment to providing the community with the spaces in stations that are no longer in use for railway operations under free loan agreements, so they may use them for social purposes - as in 2019 - RFI set two new objectives for 2020: one is geared towards improving sustainability governance with the establishment of a specific Sustainability Committee that acts as an advisory board for senior management in making assessments and decisions regarding the choices and plans for the continuous improvement of RFI's sustainability profile and its contribution to sustainable development. The other relates to the study of products and processes based on the criteria of a circular economy. This has entailed the start of field testing on a new material (ecoballast®) derived from the slag resulting from the foundry of high-quality carbon steel and used as stone chippings in the railway bed, with benefits in terms of less use of raw materials, the reuse of waste materials from industrial production and the reduction of waste.

For additional details, reference should be made to that described in the "Sustainability and Environment" section.

#### Modal integration of stations

Stations' integration with modes of transport other than trains is a particularly important quality factor for passengers. Similarly important is RFI's commitment to developing infrastructural and operational solutions that facilitate the interchange between different modes of transport used by passengers to reach the station and trains, either directly or in collaboration with local government bodies and mobility service companies.

The higher target for the indicator based on passengers' perceived ease and convenience of reaching stations reached in 2019 was maintained in 2020.

To maximise the convenience of railway transport for freight operators, RFI is committed to creating and managing intermodal plan at strategic points on the network, along with an integrated offer of access to the network and terminal solutions. It is also committed to the development - in terms of organisation, performance and infrastructure - of railway connections to Italy's largest ports along the main trans-European transport network corridors.

#### Usability and comfort of stations

RFI manages over two thousand stations throughout Italy. They are essential network hubs where RFI's operations come into direct contact with passengers and where the infrastructure directly interfaces with the urban context. To recognise the company's commitment to raising the level of services that affect the station experience and the usability and comfort of stations in the network, the Service Charter focuses most on the level of quality perceived by passengers, which is monitored using customer satisfaction surveys conducted each year on all stations, covering close to 95% of train passengers. The monitored indicators include the perceived quality of stations overall and passengers' overall perception of the lighting, the cleanliness of areas in the station, the commercial services offered by third parties and safety and security in the station.

As regards the perceived quality objectives, in terms of the percentage of passengers satisfied (those that gave a score from 6 to 9) with the services offered in the stations, the 2020 customer satisfaction scores for nearly all macro factors were basically unchanged from those of 2019, remaining above 90%, with an increase of roughly one percentage point for cleaning, which came to 97.6% and for public information under critical conditions, which has reached 95.8%. The only exception was security, which saw a 1.5 p.p. drop in the percentage of fully satisfied



passengers compared to 2019, to 80%, probably due to the increased need for a sense of security due to the pandemic, and even more in crowded places.

In this last respect, when customer satisfaction surveys resumed, a new indicator was added to the questionnaire in which passengers could score their satisfaction with the health protection measures at the station, which brought the percentage of fully satisfied passengers to 82.9% between July and December.

#### Public information

In close connection with operating the network, RFI has increasingly invested resources and personnel in public information, with respect to technology and tools, as well as organisation and communication strategies. Information on train traffic is provided to passengers first at stations using monitors and/or announcements tailored to the characteristics of the various stations. In addition, in 2020, the company accomplished its objective of publishing the same information as that provided at stations online at [www.rfi.it](http://www.rfi.it) as part of the new live arrivals/departures service.

In order to improve the exchange of information with stakeholders in accordance with regulatory obligations and the infrastructure operator's own regulations and, especially, in line with the principles of transparency, engagement, non-discrimination and user/customer centricity on which the company bases its operations, the new RFI website was launched in July, with completely revamped graphics and content.

#### Assistance to people with disabilities and reduced mobility

To facilitate mobility and access to station services by all passengers, RFI is committed to progressively eliminating architectural barriers in stations. Since 2011, when it acquired the role of Station Manager under Regulation (EC) no. 1371/2007 on "rail passengers' rights and obligations", it has provided assistance at stations to passengers with reduced mobility and has intensified its commitment to accessible information for all.

RFI began providing these services in an initial circuit of roughly 248 stations throughout Italy, which increased to 332 in the decade since (+84 stations). The stations are selected on the basis of accessibility, the type of trains that stop there (whether the trains are equipped for passengers with reduced mobility) and whether there is demand from station users for this type of assistance services.

RFI's Sale Blu oversees the organisation of this service, which RFI provides for free 24 hours a day, 365 days a year to passengers of any railway company with physical, sensory or motor disabilities that temporarily or permanently affect their mobility.

Although the customer satisfaction surveys show that the quality of Sale Blu services provided in 2020 have maintained the same levels of excellence achieved in previous years, for the first time since 2011, 2020 saw a dramatic drop in the number of requests for assistance to passengers with reduced mobility due to the public health emergency following the COVID-19 outbreak.

To ensure the mobility of these passengers, RFI also has a specific plan to improve the accessibility of the areas open to the public, standardised and harmonised with other specific initiatives to improve station services as part of the Easy Station project involving the more than 600 busiest stations in the network, prioritising those in metropolitan areas with local public transport services.

## **Punctuality**

Train punctuality represents the quality of RFI's product.

Real punctuality was used to measure punctuality performance in 2020, as it measures the performance perceived by customers directly.

Real punctuality (i.e., without excluding any trains) is the ratio of the number of trains that arrived within the punctuality threshold and the total number of trains in circulation (where NP is the number of trains that arrived, NC is the number of trains in circulation and real punctuality is equal to  $NP/NC \times 100$ ).

The punctuality KPIs are defined as the ratio of trains that arrived within the punctuality threshold (based on pre-defined parameters) and the total number of trains in circulation.

RFI sets the punctuality targets at the beginning of each year, pursuing constant improvement.

The 2020 punctuality KPIs are as follows:

<b>PUNCTUALITY KPIs</b>	<b>Real punctuality 2020</b>	<b>2020 objective</b>
Mainline trains - market service (within 5 minutes)	79.4%	76.5%
Mainline trains - universal service (within 15 minutes)	86.3%	81.5%
Regional trains (within 5 minutes)	91.1%	88.9%
Freight trains (within 30 minutes)	65.2%	62.0%

Real punctuality was affected by the following factors in 2020:

- the increase in traffic volumes starting with the schedule change in December 2019 and up to early March 2020 in response to the rise in railway companies' requests for services, with reduced traffic management margins at hubs and on mixed traffic lines;
- the accident on 6 February involving the 9595 train at the operating control line in Livraga, which blocked HS train traffic on the HS Piacenza-Milan section until 2 March. For that entire period, trains had to operate on the traditional line between Piacenza and Milan, which lengthened average travel times by 30 to 45 minutes. To ensure the mobility of people on the traditional Milan-Piacenza-Bologna line and the entire Milan hub, regional transport services and long-haul services (specifically the universal service and Frecciabianca), and the freight services were rescheduled;
- the Covid-19 public health emergency. The railway sector suffered a sharp decline in services from the start of the lockdown (March 2020) due to the dramatic contraction in demand for transport, also due to the restrictions on mobility that the government authorities imposed to contain the spread of the epidemic. On 4 May, when stage 2 of the emergency began, regional traffic began progressively recovering, while the uptick in medium and long-haul traffic did not come until 18 May through October. The onset of the second wave of COVID-19 ushered in another drop in long-haul train volumes starting from 3 November;
- Furthermore, in mid-April, extraordinary work sites began operating to start on work ahead of the schedule for the next two years, using the capacity no longer needed for services. Specifically, work sites to upgrade three

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HS lines were opened (Turin-Milan, Florence-Bologna and Rome-Naples) with the closure of these lines between 15 April and 9 May and the diversion of HS trains onto traditional lines.

Overall, RFI broadly hit its punctuality targets in 2020, both considering the overall reduction in average traffic volumes, particularly for HS trains, and the extraordinary actions taken to supervise the continuous rescheduling of services following the epidemiological emergency and the management of the interpersonal distancing required in stations.

## RAILWAY OPERATING SAFETY

### Safety (rate of railway accidents)

Safety targets are monitored for the national railway infrastructure that RFI manages using the indicators identified in accordance with current legislation and the data stored in its specific database (the “dangers database”) and the current international criteria endorsed by the ERA (European Railway Agency).

The main indicators used to monitor safety performance are as follows:

- common safety targets;
- significant accidents (train collisions, train derailings, accidents at level crossings, fires on board rolling stock, injuries to people involving moving rolling stock, except for suicides and attempted suicides, other);
- rate of total accidents for which RFI is responsible;
- significant accidents for which RFI is responsible;
- “typical” UIC accidents.

For some of these indicators, the ERA has prepared and assigned common safety targets (“CST”<sup>1</sup>) at European level and national reference values (“NRV”<sup>2</sup>), based on historical data.

The table below compares the infrastructure operator’s cumulative performance in each risk category and for each indicator defined (measured in FWSI4 related to the “Basis of calculation”) with the CST and specific NRV for Italy.

Risk category	Measurement unit	Basis of calculation	OBJECTIVES		RECORDED DATA
			CST	NRV	2020 Actual data
			SHARED (x10 <sup>-9</sup> )	ITALY (x10 <sup>-9</sup> )	RFI (x10 <sup>-9</sup> )
1. Passengers	1.1 No. of FWSI passengers per year due to serious accidents/no. of passenger-km per year	passenger train-km per year	170.00	38.10	8.24
2. Employees or contractors	No. of FWSI employees per year due to serious accidents/no. of train-km per year	train-km per year	77.90	18.90	14.74
3. Level crossing users	No. of FWSI railroad crossing users per year due to serious accidents/no. of train-km per year	train-km per year	710.00	42.90	13.40
4a. Other people on the pavement	Annual number of FWSI involving people classified as “Other” due to serious accidents /no. train-km per year	train-km per year	14.50	6.70	0.00
4b. Other people not on the pavement					
5. People unduly crossing the railway tracks	No. of FWSI involving people per year due to serious accidents/no. of train-km per year	train-km per year	2,050.00	199.00	119.92

<sup>1</sup> Common safety targets;

<sup>2</sup> National reference values (“NRV”): these are, for each of the CSTs considered at European level, the specific value assigned to the railway system in each member state.

The analysis in the table shows that the only target above the NRV but below the CST was that for people entering or crossing the railway tracks in violation of rules (violation of safety regulations by non-railway system people), which was slightly higher than in the previous year.

**Significant accidents** are railway accidents with serious consequences<sup>3</sup>. In 2020, there were 79 events. The analysis of causes of accidents shows that approximately 79% were due to “external” causes, i.e., those beyond the scope of the railway system. The number of events due to “internal” causes went from 13 in 2019 to 21 in 2020. They are broken down by absolute value and type in the table below, which indicates events in 2020 compared to consolidated 2019 data.

CSI accidents (ERA classification)	Accidents (number)	
	2020	2019
Train collisions	1	4
Train derailings	6	5
At level crossings	6	4
Fires involving rolling stock	0	1
Other	10	5
Injuries to people involving moving rolling stock	56	50
<b>total</b>	<b>79</b>	<b>69</b>

In addition to being monitored according to the ERA classification, safety performance is also monitored internationally according to the UIC's criteria, which exclusively consider the effects of the railway service and therefore exclude people being run over, damage to people when they unduly board/deboard moving trains, suicides and attempted suicides.

**“Typical” accidents according to the UIC** are classified as follows: collisions, derailings, fire on rolling stock, accident involving hazardous freight, accidents at level crossings (collisions against obstacles or vehicles). This type of classification is used to measure the safety of railway systems giving less importance to accidents due to misconduct by external people (violations of Presidential decree no. 753/80). There were 16 typical accidents in 2020 for which RFI was at fault, two more than in 2019 (14).

To boost train traffic safety, RFI is committed to the constant protection, maintenance and upgrade of the infrastructure and its technological equipment, as well as the development of new lines and plants and fine-tuning increasingly effective production and management procedures.

<sup>3</sup> The ERA's definition of significant accident: any accident involving at least one rail vehicle in motion, resulting in at least one killed or seriously injured person, or in significant damage to stock, tracks, other installations or environment, or extensive disruptions to traffic. Accidents in workshops, warehouses and depots are excluded.

RFI conducts all business activities that have an even indirect impact on train traffic safety within the framework of the corporate safety management system. Authorised by ANSF (the national railway safety agency) in the safety authorisation it issued to RFI in June 2014 pursuant to Legislative decree no. 162/2007, the corporate safety management system is one of the three components of the integrated safety management system, which also comprises the environmental management system and the occupational health and safety management system, certified under the ISO 9001 standard, and ISO 14001 and OHSAS 18001 standards respectively.

### **Integrated safety management system**

In 2020, RFI maintained the certification of its integrated safety management system (ISMS) according to ISO 9001:2015, ISO 14001:2015 and BS OHSAS 18001:2007, which it had renewed in 2018 and confirmed in 2019. In the fourth quarter of 2020, after operations had been halted due to the COVID-19 public health emergency, the first part of the "Safety Culture" project was completed, with the aim of organising activities and initiatives to consolidate and develop a positive culture of safety. In particular, in line with the recent changes in European regulations making a safety culture one of the requirements for the renewal of railway operators' safety certification and authorisation, RFI checked whether its people were effectively aware of the culture of safety.

### **Annual Safety Report – 2019**

In May 2020, the Annual Safety Report for 2019 was prepared and submitted, in accordance with ANSF guidelines no. 5841/2016 of 25 May 2016 and Decree no. 50/2019, for the "Implementation of Directive 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety".

The Annual Safety Report covers:

- data on how internal safety objectives and safety plan results are achieved;
- the calculation of national safety indicators and CSIs;
- the findings of the internal safety audits;
- observations on weaknesses and malfunctioning of railway and infrastructure operations that could be of concern to ANSF;
- the data and information that ANSF requests on an ongoing or occasional basis;
- the application of the common safety methods.

### **Annual integrated safety plan**

The annual train traffic and operating safety plan (ANSF decree no. 10/2009) and the annual occupational safety and environmental protection plan are company tools to plan and monitor initiatives in place to maintain and improve safety. Together, they constitute RFI's integrated safety plan.

The general principles used in the annual train traffic and operating safety plan to identify the planned mitigation actions are described in RFI's integrated safety policy: "... reduce railway accidents to zero ...".

Similarly, the general principles used in the annual occupational safety and environmental protection plan to identify the planned mitigation actions are also described in RFI's integrated safety policy: "... reduce accidents in the workplace and adverse impacts on the environment to zero ...".

### **Safety authorisation**

In 2020, RFI maintained the safety authorisation that ANSF issued in June 2019.

This safety authorisation confirms ANSF's formal approval of the infrastructure operator's safety management and the measures it has adopted to meet the specific safety requirements for the design, maintenance and operation of railway infrastructure, including the maintenance and operation of the traffic control and signalling systems in accordance with the applicable regulations.

### **Integrated safety policy**

The integrated safety policy expresses RFI's formal commitment to managing railway traffic safety, occupational safety and environmental protection, key pillars of the company's mission. The policy, which defines safety guidelines and macro-objectives, is periodically assessed to ensure that it is always consistent with the type and extent of services provided by RFI.

The general guidelines established in the integrated safety policy are specifically described in the train traffic and operating safety policy and the occupational safety and the environmental protection plan which, in order to implement the new aspects introduced with Directive (EU) 798/2016, transposed into Italian legislation with Legislative decree no. 50/2019, was updated in August 2020.

## **INFRASTRUCTURE SAFETY**

### **Tunnel safety**

On 7 August 2020, RFI sent the MIT and ANSFISA the annual railway tunnel safety report for 2019, as required by article 14 of the Ministerial decree of 28 October 2005, communicating the results of recalculation of the railway risk curves updated in line with new traffic data and infrastructural modifications carried out on 318 tunnels and 31 back-to-back tunnels in use and over 1,000 metres in length (article 11 of Ministerial decree of 25 October 2005).

Activities continued for the issue of emergency and rescue plans for tunnels that are more than 1,000 metres long.

Furthermore, in 2020, a check was conducted to verify the compliance of the safety documentation prepared pursuant to the Ministerial decree of 28 October 2005 "Railway tunnel safety" for the "Venezia 1" man-made tunnel along the railway connection with the Venice airport and the tunnels along the Messina – Catania – Palermo line and the new Palermo–Catania link on the Fiumetorto – Lercara branch line (Lots 1+2), Lercara Dir. – Caltanissetta Xirbi (Lot 3), Caltanissetta Xirbi – Nuova Enna (Lot 4A) and Nuova Enna – Dittaiono (Lot 4B) sections.

Analyses were carried out on static conditions and design solutions were found for any instability in existing tunnels, specifically for the GGA (Bologna), Bastardo (Florence) and Zuc dal Bor (Trieste) tunnels.

After a mobile diagnostics system was developed to survey faults and the layout of the railway tunnels and a multi-function diagnostics train was built to survey the soundness of the tracks and faults in tunnels, surveys were carried out in the tunnels under the Naples, Turin and Bologna areas, for a total of 350 km of tunnels surveyed.

### **Other work to improve safety and regularity**

In 2020:

- the use of the widening device was authorised for the metal bridge over the Po River in Cremona on the Piacenza – Cremona railway line;

- the process to extend the endorsement of the "Autoprowa" ATWS (automatic track warning system) to protect work sites began for the implementation of innovative components to be used on large work sites;
- work was completed with the Federico II University of Naples for online collection, finished element modelling (FEM) and fatigue testing in the lab for the special clamp to use for temporary joints where the welding is damaged or broken;
- the study in collaboration with the Milan Polytechnic University's Department of Mechanical Engineering was completed. It assessed the efficacy of full wind barriers (0% porosity) under 3 metres tall and wind barriers with longitudinal breaks of variable lengths.

### **Seismic vulnerability, hydro-geological risk and areas subject to landslides**

Seismic vulnerability testing on infrastructural works along major railway lines pursuant to article 2.3 of Civil Protection Ordinance no. 3274 of 2003 and work to improve the management of seismic risks included the following updates:

- completion of inspections on 411 bridges, including 227 in areas at high risk of seismic events, in addition to the 1,503 bridges already inspected in previous years. Inspections were also completed on 18 buildings;
- performance of general inspections on 213 bridges in accordance with the procedure for inspections of bridges, tunnels and other railway infrastructure works;
- completion of 30 executive projects and 10 definitive projects for the seismic improvement of bridges that were founded to be seismically vulnerable. To date, seismic improvement work has been carried out on 38 bridges and work is being carried out on another 89.

the study continued for the development of a tsunami risk management application from a centralised control room, similarly to seismic risk management. This became necessary after the publication of the seaquake alert system directive.

In addition to the mapping already carried out for the mitigation of hydro-geological risks and the prioritisation of projects to protect the railway track bed, a budget was approved to carry out work for the mitigation of hydraulic and hydro-geological risks.

The work carried out in 2020 on the alarm netting for falling rocks mainly involved the Venice and Turin areas.

With respect to the construction of the new motorway bridge over the Polcevera River in Genoa, the company handled the technical examination of the structural design of the frame, sub-structures and mainstays and inspected the material and workshop processing for the metallic frame structures and mainstays. The company also handled the technical examination of the structural design of the frame, the sub-structures and the mainstays of the new trestle road bridge over the Rienza River (Fortezza – San Candido line at km 27+690) and the inspection of the materials and workshop processing is being completed. In addition, activities continue to support the upgrade of the monitoring system and for the maintenance and replacement of mainstays in the suspension bridge over the Po River for the HS Milan - Bologna line.



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## RESEARCH AND DEVELOPMENT

### Research

In 2020, despite the singular conditions created by the public health emergency, RFI continued consolidating the key activities undertaken in previous years in performance of the application contracts under the research master agreements signed in 2018.

In particular, these master agreements relate to research in the fields of embedded systems, software engineering for railway applications, mechanical and diagnostics and electrical traction solutions and, in the field of IT and electronics, they involved the departments of the most important Italian universities and national research centres. During the year, seven application contracts were signed under the master agreements for new research in the scientific fields listed above, in addition to the complete performance of the 29 application contracts signed since 2018, some of which were completed in 2020.

Through these research activities resulting from the master agreements, the safety innovation and modernisation needs of the infrastructure may be identified and transferred to technological partners and suppliers. Technological upgrade processes may be implemented with positive results in terms of acquisition of expertise by human resources and possible future patents for technological devices and systems and the related generation of value, as well as the growth in internal know-how.

The main projects continued in 2020 include:

- RFI platform project: this project began in 2018 in response to the need to standardise the control devices in the station (central computerised devices). In 2020, the contracts were awarded for the prototyping and supply of a series of boards and cabinets to build the first central computerised device on a platform for which RFI S.p.A. holds the intellectual property rights, and a programme began to certify the platform's hardware, software and safety cases.
- Light drone: this system consists of developing a light, smart self-driving railway car that can reach a highly-autonomous maximum speed of 100 km/h equipped with integrated laser system technology, AI and computer vision. It will be capable of detecting any obstacles that might have been mistakenly left on the tracks during railway works. The design stage was completed in 2020 in preparation for testing.
- Unmanned railway vehicle (URV) project: the objective of this project is to develop a self-driving railway vehicle with a maximum speed of 200 km/h and two hours of autonomy, which can detect irregularities on the HS lines with a potential impact on infrastructure safety. In 2020, the vehicle's outfitting was nearly completed and dynamic traction tests should begin in mid-2021, followed by trials.
- Automatic train operation (ATO) over ETCS: this project is part of the URV project but its objective is to develop an automatic train operation system that meets the Shift2Rail specifications for trains operating on the network. The main expected benefits of ATO are trains that run on time, less energy absorbed by the network, passenger comfort and precision stopping. Three research bodies are collaborating on this European-wide project. 2020 saw the completed development of all the modules in the system and they will be tested on the San Donato testing circuit by the end of 2021.
- Magnete-inductive diagnostic system: this project responds to RFI's need to equip its diagnostic systems with sensors that detect initial defects in the tracks that are not yet visible to the eye during inspections, so as to anticipate any deterioration along the railway line. Technological demonstrator field testing began in 2020 at the Bologna San Donato testing circuit.

- IoT sensors for railway infrastructure: this project was launched to develop smart, low-consumption sensors that can easily, reliably and unobtrusively be integrated in the network. The sensors are developed using avant-garde technology in the field of smart materials and optical technology. Design began in 2020.

At international level, RFI has joined the “Diagnostic Integrated Networks of Satellite and 5G (DINoS5G)” an initiative to integrate 5G and satellite technologies to create predictive maintenance systems. The project was consolidated in December 2020 when a cofinancing agreement was signed with the European Space Agency (ESA) and other leading bodies and companies.

The European Community patent for an industrial invention named Box Drone was filed at the end of 2020, after having been previously filed with the Italian patent and trademark office. Box drone is an invention (resulting from an application contract with the University of Siena) for a recovery, charging and data repository station, with control and command of a drone with commercial technological features used in missions to survey territories and infrastructures. Specifically, for RFI, it observes railway lines and all related structures operating along the railway lines.

### Technological network plan

The 2020 update to the network technology plan was issued, revising the standards for the design and construction of currently available technological systems and products or that are being built on all lines and hubs to meet design requirements with respect to safety, capacity, regularity, faster speeds, obsolescence, technological integration and interoperability.

### Technological development

In 2020, spending for investments in innovation approximated €19.9 million. The following table analyses the amount of these investments by the main operating segments:

*millions of Euros*

Operating segment	2020	2019	2018	2017	2016
Safety technologies	14.7	20.9	21.9	28.9	36
Innovative diagnostics		-	-	-	0.1
Studies and tests on new parts and systems	5.1	3.1	4.0	3.7	10.2
Environmental and land protection	0.1	0.6	0.5	0.3	-
Other			0.8	0.3	-
<b>TOTAL</b>	<b>19.9</b>	<b>24.6</b>	<b>27.2</b>	<b>33.2</b>	<b>46.3</b>

Spending for technological development varies over time due to the very nature of the developments, which may enter production or because additional pilots are carried out for a limited number of locations/categories/plants.

In particular, in 2020, RFI S.p.A. began an open tender procedure to test, at two pilot sites and using fibre optic technology, an instrument that measures the riverbed level when the river is overflowing. In addition, work continued on development projects launched in previous years, including:

- creation of a “R&D technological demonstrators” centre for excellence which concentrates all RFI’s know-how in all technological fields relating to railway signalling and telecommunications will be concentrated;
- construction of the San Donato railway ring where rolling stock can be tested before being placed into service and where infrastructure systems and devices can be tested and measured. In 2020, work was carried out on the civil parts, the superstructure, electric traction plants, technologies and the buildings for operations on the market;
- the development of an information system named RAMSES to forecast short and intense weather events, concentrated in limited areas of the infrastructure. In 2020, a specific module was developed that provides information on potential environmental conditions that could cause the tracks to oxidise;
- the design and construction of a prototype of platform ramps to make trains accessible for people with reduced mobility. In 2020, the project was delivered to the Carini workshops for production to begin;
- monitoring systems on the structure of railway bridges and viaducts with the implementation of finite elements numerical models and calibrated and validated AI algorithms describing their static and dynamic performance. In 2020, the IoT monitoring systems installed on RFI ‘s bridges were rolled out.
- customisation of the National Alert System for the prediction of possible landslides due to intense weather events along the railway network (SANF-RFI) in partnership with the Research Institute for Geo-Hydrological Protection (IRPI) of the Italian National Research Council (CNR) in Perugia. This system will be customised for the entire network to improve awareness of any landslide events caused by intense weather events as announced in the Civil Protection Agency’s weather alerts;
- activities to carry out tests and simulations of the static and dynamic performance of the brake shoes used and, in particular, the development of a numerical model and of a brake shoe prototype on which additional static and dynamic trials were conducted in June at a testing site at the Bologna San Donato plant. The results of the field trials will confirm the prototype’s validity in order to develop an anti-derailment system that only blocks stationary vehicles;
- monitoring of the track bed at the Petacciato site by applying optical fibre sensors on the tracks (application of the research project for the monitoring of the railway superstructure with optical fibre sensors in cooperation with the University of Pisa).

Furthermore, work began to implement Building Information Modelling (BIM) for the digitalisation of the railway assets within RFI. This entailed the start of standardisation of the BIM libraries to create a database of BIM-standard objects in line with the railway design manual and set up to receive all the information on the assets’ entire life cycle.

### **Technical and Monitoring Committee**

In 2020, the Technical and Monitoring Committee continued its development and analysis activities to review the policies for the purchase of new products/asset systems, examining their functional, operating and maintenance impacts on the railway system. Specifically, the Committee: a) reviews the actual need to begin development of new systems and products for the railway infrastructure through an examination of the requirement sheets submitted by the Contractor Department; b) provides support and guidance in the roll-out of innovative products and systems, after the authorisation procedure has been completed and the investment project commenced, in line with current corporate procedures; c) carries out monitoring functions and facilitates the necessary analyses in the case of deviations, in order to identify any further production/application development needs.

The Technical and Monitoring Committee analysed 13 requirements sheets and three research proposals during the year.

## **PERFORMANCE OF SUBSIDIARIES**

### **Bluferries S.r.l. (wholly owned)**

RFI set up this company on 4 November 2010 in accordance with Anti-Trust legislation (Law no. 287/90) through the contribution of RFI's navigation business with effect from 1 June 2012. The company has a quota capital of €20.1 million, which is entirely held by RFI. Its purpose is the transport of people, vehicles and goods by sea, the management and sale of its sea transport lines and the management of related services, the performance and provision of all port operations and services for ships at dock, the management, fitting out and lease and rental of its own and third party ships and the purchase and sale of ships and navigation and towing operations for its own and third party ships.

Bluferries reported a profit for 2020 of €3.9 million, up 81% on the previous year. Revenue is down €1.7 million on 2019 due to the €1.5 million drop in revenue from ferrying traffic and the €0.2 million decrease in other revenue and income. The former was caused by the lack of revenue from the transport of passengers travelling without vehicles in 2020 (a €4.5 million decrease following the demerger of the business unit consisting of the high-speed boat connections to Blu Jet S.r.l. effective as from 1 May 2019 and the decision to not ferry passengers as from April 2020 in order to contain the spread of COVID-19), offset by the €3 million rise in road transport revenue (the combined effect of the €3.5 million increase in revenue from "heavy" transport and the €0.5 million decrease in the "light" segment).

Operating costs fell by €3.9 million on the previous year, an amount equal to the operating costs of the demerged high-speed boat business unit in the first four months of 2019. Moreover, the increase in costs generated by the COVID-19 public health emergency was offset by the lower spending for diesel fuel to operate ferries.

Provisions (€0.2 million) are in line with the previous year and refer to the routine maintenance provision for the Trinacria ship.

Net financial income (expense) improved (€0.2 million) mainly due to the impairment of the investment in the associate Terminal Tremestieri S.r.l. in 2019, which was not present in 2020.

### **Blu Jet S.r.l. (wholly owned)**

RFI set up Blu Jet S.r.l. on 1 August 2018 as part of the organisational restructuring of the ferrying services under concession, following the change to the legislative framework introduced by Decree law no. 50 of 24 April 2017, converted with amendments by Law no. 96 of 21 June 2017.

Since 1 May 2019, Blu Jet S.r.l. operates, as appointed by its quotaholder RFI, the passenger transport service for the Messina-Villa San Giovanni and Messina-Reggio Calabria connections using six high-speed boats, four of which it specifically leases on a bareboat basis. Following the partial demerger of Bluferries S.r.l. (the demerged company) to Blu Jet S.r.l. (the beneficiary), with effect from 1 May 2019, the latter took over management of the connection services without interruption.

The company will continue to operate the high-speed connection on between Reggio Calabria and Messina until 30 September 2021 or until the MIT assigns the contract to a new operator.

In 2020, the company was forced to implement the restrictions pursuant to the Prime Minister's decrees in response to the public health emergency and the economic crisis triggered by the COVID-19 pandemic, which dramatically reduced journeys and limited connection services.

In the first phase of the pandemic, Blu Jet operated connection services on the Reggio Calabria - Messina route only, in accordance with the orders issued by the MIT. Passenger service between Villa San Giovanni and Messina resumed on 8 June with 10 pairs of daily connections Monday through Sunday, which were increased to fifteen starting on 1 August 2020, and regular service resumed on the Reggio Calabria - Messina route with 16 pairs of daily connections during the week and six pairs on Saturdays, Sundays and holidays.

The company's profit for 2020 amounts to roughly €30 thousand despite the significant contraction in ticketing revenue as passenger traffic plummeted with the COVID-19 public health emergency and because of the higher non-recurring expense incurred to contain the pandemic, along with the 2020 portion of greater unforeseeable costs that were incurred to repair the two owned ferries (Tindari Jet and Selinunte Jet), which were involved in an accident together on 5 November. Revenue of €13.6 million was up by 51% solely due to the increase in contributions from RFI for the two high-speed boat connections because these services were operated for all 12 months of the year, compared to eight months in 2019. Operating costs of €13.2 million increased mainly as a result of the performance of transport services throughout the entire year, rather than only part of the year in 2019. They consist of personnel expense for high-speed boat crew, the procurement cost of diesel fuel and the cost of auxiliary services for the operation of the passenger transport service.

#### **Terminali Italia S.r.l. (wholly owned)**

This company was set up on 16 May 2008 to optimise the capacity to access public freight plants and to optimise their use based on the concepts of fairness, transparency and non-discrimination initially provided for by Legislative decree no. 188/2003, and later replaced by Legislative decree no. 122 of 15 July 2015. RFI holds 100% of its quota capital after acquiring the 11% that was held by Mercitalia Intermodale (formerly Cemat). The company's business object is to manage and operate centres equipped for intermodal transport, including those serving interports or similar national and international infrastructures and providing terminal services, as well as managing and operating railway terminals for national and international transport, and the construction, purchase, rental, use, repair and maintenance of means and equipment of any kind and technique, functional to intermodal transport, including on behalf of third parties.

The company's profit for 2020 amounts to €2.2 million, down by roughly €1 million on the previous year, with a corresponding drop in the operating profit of around €1.3 million due to the rise in operating costs (approximately +€1 million). The greater costs were mostly due to the growth in terminal services as a result of larger business volumes, particularly at the Bari port, in addition to cyclical maintenance costs on cranes and personnel expense following new hires near the end of the year.

2020 revenue amounts to €37 million, up by around €183 thousand on the previous year as the combined effect of greater revenue from terminal services and shunting services and lower revenue from parking services.

Production related to the core business grew by 1.11% in the year. However, if the volumes managed by Brindisi Versalis are also considered, this growth is only 0.82%.

### **Tunnel Ferroviario del Brennero - Società di partecipazioni S.p.A (89.74%)**

The business object of this company is to “manage the investment in Galleria di Base del Brennero BBT SE and any other entity promoting the railway tunnel at the base of the Brennero”.

The main events of the year refer to equity transactions and the increase in the investment in BBT SE.

In particular, during the extraordinary meeting on 20 December 2019, the shareholders approved the eleventh capital increase up to a maximum of €160 million, which was then carried out in two tranches on 21 February 2020 and 28 July 2020. At 31 December 2020, the company's share capital totals €985,790,910 and consists of 985,790,910 shares with a nominal amount of €1 each. Following the subscription of the eleventh capital increase, RFI's interest increased from 88.99% to the current 89.74%, which at 31 December 2020 corresponds to €887 million. The company has contributed €190 million to its associate BBT SE to finance Phase III.

TFB reported a profit for 2020 of around €2 thousand, down by €60 thousand on the previous year due to the short-term deposit of funds in the corporate current accounts.

### **Grandi Stazioni Rail S.p.A. (wholly owned)**

On 13 November 2018, RFI received 100% of Grandi Stazioni Rail S.p.A. through the contribution by the previous sole shareholder FS Italiane S.p.A.. The transaction was part of the comprehensive reorganisation of the station business, aimed at the integrated development of the network stations as intermodal hubs serving mobility. The company's object is to redevelop, improve and manage the fourteen largest Italian railway stations.

The company's net profit for 2020 is €5.9 million, down slightly (-0.6%) on the previous year.

Revenue of €152.6 million is down by roughly €7 million on 2019, mainly as the combined effect of greater lease revenue (+6%), lower revenue from the reimbursement of lease costs for the real estate complexes managed (-3%), lower revenue from parking areas (-35%), lower engineering and works revenue (-35%) significantly affected by the COVID-19 pandemic, and higher income (+14%) mainly from the new activity as “Underlying electrical energy distributor – Closed distribution system”.

Operating costs of €133.4 million in 2020, down by €6.1 million (4.4%) on the previous year, were due to personnel expense of €12.6 million (in line with the previous year) and other costs of €120.8 million, down by 4.8% as the combined effect of lower costs to manage real estate complexes and use of third-party assets and greater operating costs and internal work capitalised.

Amortisation and depreciation rose by roughly €1 million due to assets under construction that were placed in service, mainly following the development of company assets, improvements to parking areas and non-routing maintenance on network stations, which were not covered by government grants.

Net impairment losses (gains) decreased by €1.2 million on 2019 mainly due to the impairment of an asset from a contractor to reflect contractual penalties and lost revenue.

In relation to the first strategic infrastructures plan (Law no. 443/2001) referred to in CIPE resolution no. 121 of 21 December 2001, requests were filed in 2020 for the direct disbursement of grants under the “Obiettivo” law for a total of €13.0 million. The MIT disbursed €9.8 million in relation to these requests. Moreover, €6.7 million was collected in relation to requests filed in previous years. The total amount received in 2020 was therefore €16.6 million.

Two requests submitted in November 2020 are still pending. They total €3.2 million and relate to the Napoli Centrale and Roma Termini stations.

In 2020, the first seven requests for the direct disbursement of grants totalling €6.5 million were submitted in relation to work on behalf of GS Rail S.p.A. for redevelopment and accessibility at major railway stations (Law no. 232 of 11 December 2016) as per Agreement no. 1-876 of 29 April 2013. They refer to the Milano Centrale, Roma Termini and Palermo Centrale stations. The MIT had disbursed €5.8 million at 31 December 2020 in relation to these requests, and two requests submitted in December 2020 are still pending, for a total of €0.7 million in relation to the Milano Centrale and Roma Termini stations.

### **Infrarail Firenze S.r.l. (wholly owned)**

In execution of the resolution of RFI's board of directors of 26 June 2019, on 11 September 2019, Infrarail Firenze S.r.l. was set up with initial quota capital of €200,000.00. On 13 November 2019 and 24 April 2020, RFI subscribed and paid up two capital increases for Infrarail Firenze S.r.l., respectively amounting to €3,000,000 (to cover start-up and organisation costs) and €2,300,000.

Therefore, at 31 December 2020, the company's share capital amounts to €5,500,000.

The company was set up to perform all services and activities necessary to ensure the safety and production of work sites on the HS Florence hub railway bypass, the infrastructural work to improve traffic flow at the same hub and the preliminary and functional work for these projects, carried out on behalf of its sole quotaholder, RFI. Infrarail Firenze S.r.l. will also handle the maintenance of equipment and plants at the work sites and structural, geo-technical and environmental monitoring, as well as environmental protection and mitigation actions at work sites and engineering services for the project to be carried out.

This company began operating in 2020 and finalised the acquisition of the Ergon and Nodavia business units during the year through a lengthy process that involved RFI and Infrarail Firenze S.r.l., the Ministry of Economic Development, several banks, consultancy firms and advisers, with the consensual termination of Agreement no. 21/2007 between RFI and the general contractor Nodavia (Gruppo Condotte under extraordinary administration). The company also signed service agreements with the parent RFI for work site maintenance and monitoring until work resumes on the Florence hub's HS bypass and for engineering and design work in connection with the revision of the executive project.

Infrarail Firenze S.r.l.'s profit for 2020 amounts to €1.2 million, 5% of which was allocated to the legal reserve and €57 thousand to cover the loss for the previous year. Revenue of €8.3 million in 2020 mainly relate to service agreements signed with RFI for work site engineering and maintenance, while operating costs of €5.9 million mainly consist of personnel expense (€1.4 million) and services (€4.3 million, including €2.1 million for design services) in relation to the company's core business and general and administrative costs.

In 2020, the project began to change the company's purpose and transform Infrarail Firenze S.r.l. into a company limited by shares.

### **TREASURY SHARES**

The company does not own any treasury shares or shares of its parent either directly or through trustees or nominees, pursuant to article 2357 of the Italian Civil Code.

## LITIGATION AND DISPUTES

### Introduction

This section details the most significant court and criminal proceedings pending at the reporting date and which entailed developments in the year. Unless otherwise indicated, up to the date of preparation of this report, no information had arisen that would indicate that the company is exposed to contingent liabilities or losses of any amount, nor is any information known with a potentially material impact on the company's financial position, financial performance or cash flows. Furthermore, where necessary, the company has joined the criminal proceedings as a civil party.

In 2020, following criminal proceedings initiated by the public prosecutors against former or current company representatives, except for those described below, there were no definitive rulings against senior management (company officers or general managers) for any of the following:

- particularly serious crimes with wilful intent entailing substantial damage to the company or leading to the application of restrictive measures;
- fraudulent crimes covered by Legislative decree no. 231/2001;
- additional fraudulent crimes covered by Law no. 190/2012.

Litigation and significant proceedings pending with employees, third-party service providers and/or contractors, the tax authorities, regions, etc., for which, where the relevant conditions are met, accruals have been made to specific provisions for risks and charges, are detailed in the notes to the financial statements, to which reference should be made, as for information on contingent assets and liabilities.

Reference should be made to the corresponding section of the 2019 Annual Report for information on proceedings and disputes that did not change during the year.

### Investigations, criminal proceedings and proceedings pursuant to Law no. 231/2001

With respect to the most significant judicial investigations and court proceedings that certain Public Prosecutor's offices have initiated against former RFI representatives, as there are no indications that the company may be exposed to significant liabilities or losses and no information is presently known with a material impact on its financial position, financial performance or cash flows, no accruals have been recognised.

### Litigation pursuant to Legislative decree no. 231/2001

There were no developments in 2020 in connection with:

- criminal proceeding no. 2554/2013 in the general register of crimes, in the hearing phase before the Foggia Court in relation to the company's administrative liability for the fatal workplace accident on 5 March 2010 at Agro di Cerignola, in which an employee of Fersalento S.r.l. died;
- criminal proceedings no. 1430/2014 in the general register of crimes with the Gela Court in relation to the company's administrative liability for the accident in which three RFI maintenance workers were fatally hit by regional train 12852 travelling from Gela to Caltanissetta on 17 July 2014, near km 217+728, between the Falconara and Butera stations.



Reference should be made to previous reports for additional details on criminal proceedings no. 6305/09 in the general register of crimes with the Public Prosecutor's Office at the Lucca Court, following the railway accident in Viareggio on 29 June 2009. However, after the natural persons and legal entities found guilty, as well as the Public Prosecutor and the aggrieved parties, appealed before the Court of Cassation against the decision - the third-level proceedings began on 2 December 2020 before the IV criminal section of the Court of Cassation and were concluded on 8 January 2021 with the reading of the panel's decision upon the findings of the chamber of council.

Italy's highest court – admitting the defence's arguments – found there were no aggravating circumstance in the violation of rules for the prevention of work-related injuries pursuant to article 589.2 of the Italian Criminal Code. Therefore: (i) all the companies found guilty of administrative liability pursuant to article 25-septies of Legislative decree no. 231/2001 in the appeal, including RFI S.p.A. and Trenitalia S.p.A. (along with Mercitalia Rail S.r.l., as beneficiary of the demerger of Trenitalia S.p.A.'s freight division), were definitively acquitted because "the circumstance did not exist" (the acquittal had already been ordered at the first- and second-level judgements for FS Italiane S.p.A. and FS Logistica S.p.A., now Mercitalia Logistics S.p.A., and, as the Public Prosecutor had not appealed, the judgements had become final); (ii) the provisions of the decision in the appeal for the crime of negligent manslaughter were definitively dismissed (article 589 of the Italian Criminal Code) under the statute of limitations.

With respect to the charges for the other alleged crime, negligence causing a train crash pursuant to articles 430 and 449 of the Italian Criminal Code, the Court of Cassation confirmed the appeals judge's decision that Trenitalia S.p.A.'s pro-tempore CEO and Cargo Chemical S.p.A.'s pro-tempore CEO (who became the head of FS Logistica S.p.A.'s Chemical and Environment Industry business unit) and the accused representatives of the GATX group (except for one, remitted to appeal in a new case) and Cima Riparazioni were criminally liable. The court also ordered the quashing of the appealed ruling finding the pro-tempore head of Trenitalia S.p.A. Cargo division, RFI S.p.A.'s former CEO and FS Italiane S.p.A.'s former CEO (previously the CEO of RFI S.p.A.), as well as an RFI S.p.A. officer and a Trenitalia S.p.A. officer guilty, remitting the decision to another section of the Florence Court of Appeals. Furthermore, it denied the Public Prosecutor's appeal against the acquittal of five RFI officers, which therefore became definitive. The highest court also definitively quashed the provisions ordered by the judges in favour of the various aggrieved parties that had joined the proceedings, mostly associations and trade unions, whereas it remitted the claims of other two claimants that had joined the proceedings to be decided in an appeal. The filing of briefs is now pending.

Criminal proceedings no. 3651/2018 in the general register of crimes with the Public Prosecutor's Office at the Milan Court relate to a railway accident that occurred on 25 January 2018 in Seggiano di Pioltello, involving the railway company Trenord S.r.l.'s regional train no. 10452 - operating the commercial service on the section between Cremona and the Milano Porta Garibaldi station - which caused the death of three passengers and injuries to others. After the Public Prosecutor indicted the CEO and eight officers of RFI S.p.A., as well as the company itself for administrative liability pursuant to Legislative decree no. 231/2001, the preliminary hearing is being held, in which 66 natural persons and 14 associations have joined the proceedings as aggrieved parties.

On 2 February 2021, an ordinance pursuant to article 80 of the Italian Criminal Procedural Code was issued whereby the preliminary investigation judge excluded a series of associations that had motioned to join the proceedings as aggrieved parties given the lack of legal grounds for such bodies, should they suffer damage directly as a result of the crime, to participate in the criminal process, therefore declaring that the only bodies eligible to join the proceedings were Filt CGIL and Medicina Democratica. The preliminary investigation judge also excluded three

natural persons who received compensation for damage in out-of-court settlements and declared inadmissible the motion to join the proceedings as aggrieved party against the company found liable for damages pursuant to Legislative decree no. 231/01, while ordering, upon the motion of several parties, RFI to be summoned as liable under civil law pursuant to article 2049 of the Italian Civil Code.

The preliminary hearing is therefore pending with discussions scheduled for April 2021.

Criminal proceedings no. 524/2020 in the general register of crimes with the Public Prosecutor's Office at the Lodi Court refer to the derailment of the HS train 9595 in Livraga on 6 February 2020 as a result of which two train drivers lost their lives. RFI S.p.A. is being investigated for administrative liability pursuant to article 25-septies of Legislative decree no. 231/2001, along with the pro-tempore CEO and nine employees/managers, charged with manslaughter, negligence causing bodily injury and negligence causing a train crash. The CEO of Alstom and other parties outside the FS Italiane group are also being investigated. The preliminary investigations are pending. On 15 October 2020, the parties were notified of the request to extend the term of the preliminary investigations for another six months. They will therefore presumably end by May 2021.

#### **Other significant criminal court proceedings**

Since that described in the 2019 Annual Report, there have been no developments in criminal proceedings no. 3034/2012 with the general register of crimes with the Rossano Public Prosecutor's Office and subsequently transferred to the Castrovillari Public Prosecutor's Office, relating to a fatal accident in which a train hit a car with six people inside it at the private level crossing at km 155+849 of the Rossano C. - Mirto Crosia section. RFI's managers and employees (some of whom have since retired) and other parties not related to the FS Italiane group are charged, jointly, with manslaughter and negligence causing a train crash. At the preliminary hearing, FS Italiane S.p.A. was summoned as the party liable for damages, but RFI S.p.A. appeared in its place.

With respect to the following criminal proceedings against RFI personnel in which the company has appeared in court as liable for damages and which are not covered by insurance, there have been no changes since the 2019 Annual Report:

- criminal proceedings no. 2899/2009 with the general register of crimes in the hearing phase before the Avellino Court against, inter alia, four former managers of FS Italiane S.p.A. accused of crimes covered by and punishable under articles 110, 589 and 590.2/3/4/5 of the Italian Criminal Code;
- criminal proceedings no. 649/17 in the general register of crimes with the Trento Court against, inter alia, the head of the Verona local production department and the head of the level crossing elimination unit and acoustic reclamation unit under the Investment department, charged with the crime indicated and punishable under article 659 of the Italian Criminal Code.

A new notice was received with respect to criminal proceedings no. 5463/10 in the general register of crimes with the Cagliari Appeals Court against two managers of RFI's Cagliari local production department concerning the railway accident that occurred on 19 December 2009 on the Sassari – Chilivani line leading to the train driver's death. The appeal proceedings are currently pending with the hearing scheduled for May 2021. RFI, summoned as party liable for damages, has appointed a lawyer for legal assistance and its defence.

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## Other investigations

### **K2 discount pursuant to Ministerial decree no. 44T/2000 - Ruling of the Council of State**

In addition to that indicated in previous annual reports, to which reference should be made for additional details, this matter refers to the civil action commenced by Trenitalia requesting the court assess - due to the infrastructure operator's non-application of the K2 Discount - its payment of a fee to use the infrastructure between 1 December 2005 and 31 December 2007 in excess of the amount actually due, and consequently order RFI to return the amounts unduly received plus interest. The first hearing, initially set for 16 May 2018, was postponed to 13 March 2019 following the decree issued by the Civil Court of Rome, allowing RFI to implead the MIT and the MEF to guarantee and indemnify the amounts related to the K2 Discount which may be owed to Trenitalia. Accordingly, RFI notified the judicial acts to the competent Ministries.

All parties appeared at the hearing on 13 March 2019, including the MIT and the MEF. The case is pending and after the briefs were filed pursuant to article 183 of the Italian Code of Civil Procedure, the court-appointed expert was admitted with the appointment of the parties' experts by lodging notes for discussion for the hearing of 16 December 2020. The experts are expected to complete their work by May 2021.

### **Regulatory measures in ART decision no. 70/2014. RFI v. ART, appeal before the Lazio regional administrative court no. 5406/2015**

Reference should be made to previous reports for a more detailed description of these appeals. The first-level challenges against ART decision no. 70/2014 were all denied are the appeals filed by RFI, Italo-NTV, GS Rail and GS Retail are currently pending.

RFI did not appear in the appeals filed by GS Rail and GS Retail, which were ended with the Council of State decision no. 5534/2019, published on 5 August 2020.

However, on 9 September 2019, with decision no. 6108, the Council of State admitted RFI's appeal and decided against the Piedmont regional administrative court's ruling partially cancelling ART decision no. 70/2014. The judge for the appeal allowed all RFI's arguments and expressly noted that the unit value of the infrastructure access fee under ART decision 70/2014 (i.e., €8.2 per train-km) did not fully cover the remuneration of invested capital with respect to risk capital.

Following this ruling, on 31 October 2019, NTV notified RFI of an appeal to have Council of State ruling no. 6108/2019 revoked due to an alleged "error in fact" by the judge, who did not believe that the remuneration of invested capital was entirely included in the fee for the period of time when ART decision no. 70/14 was in effect. The ART agreed with the above and joined the proceedings, notifying RFI on 26 November 2019 of an appeal to have the Council of State's ruling revoked with a "motion for the suspension" of its effects, partly for the same reasons as those expressed by NTV.

After RFI and the ART lodged the "hearing notes" in the proceedings, the Council of State decided not to proceed on the application for injunction, referring to the merits.

Furthermore, on 28 November 2019, Trenitalia also notified RFI of its own appeal to have the ruling revoked, along with an economic report prepared by an advisory firm, which also highlighted the judge's alleged "error in fact".

The hearing to discuss the appeals for revocation brought by NTV, Trenitalia and the ART was held on 12 November 2020. With decision no. 1262 of 12 February 2021, having met, the Council of State denied the appeals for revocation.

Therefore, Council of State decision no. 6108/2019 was confirmed, which established that the unit amount of the fee to access the infrastructure calculated pursuant to ART decision no. 70/14 did not fully cover the remuneration of invested capital with respect to risk capital. The ART is therefore required to begin a procedure to calculate the amounts to be reimbursed to RFI.

The only ART appeal still pending is that filed on 23 December 2019 before the Joint Sections of the Court of Cassation to have the Council of State decision no. 6108/2019 quashed on the alleged grounds that it went beyond the outer bounds of the administrative judge's jurisdiction and arbitrarily violated the scope of activities reserved for the ART by exercising jurisdiction and decision-making powers not provided for by law.

No motion for the suspension of the effects of Council of State decision no. 6108/2019 has been filed and no hearing has yet been scheduled.

**ART resolution no. 96/2015 "Criteria for determination of charges for access and use of the railway infrastructure" - Extraordinary appeal with the President of the Italian Republic**

Reference should be made to previous reports for additional details on the appeals lodged by Trenitalia and NTV against this decision (and with the additional arguments against decision no. 75/2016, implementing decision no. 96/15 whereby the ART found in favour of the compliance of the new 2016/2021 tariff system proposed by RFI for non-MAP services), which the Piedmont regional administrative court denied with its rulings published on 11 January 2018. Both Trenitalia and NTV appealed against the Piedmont regional administrative court's ruling in April 2018. The Council of State denied these appeals with its decisions published on 1 July 2020, which admitted RFI's arguments in its defence and confirmed the possibility of calculating the non-MAP fee considering not only the costs directly related to the provision of the railway service but also the indirect costs to ensure the infrastructure operator's financial balance.

The rulings of the Piedmont regional administrative court for the appeals lodged by Trenitalia and NTV against ART decision no. 80/2016 (implementing decision no. 96/15, whereby the ART had approved the compliance of the new 2016-2021 tariff regime proposed by RFI for non-MAP services), were appealed in the early months of 2018.

These appeals, for which a hearing was held on 7 April 2020, were denied with the Council of State decisions of 11 January 2021, which confirmed the principle of fully covering the costs incurred by the infrastructure operator, even for non-MAP services.

The Piedmont regional administrative court's rulings nos. 1097 and 1098 of 2017, which settled the appeals lodged by a series of freight railway companies against ART decisions nos. 75 and 80/2016, finding partially in their favour, were appealed before the Council of State, which following the hearing held on 21 February 2019, issued "two preliminary ordinances" whereby it ordered the examination of the ART decisions subject to appeal. These examinations substantially concern the sustainability of the fees to access and use the railway infrastructure operated by RFI, the services provided in such infrastructure by professional operators and the correlation of such fees with the infrastructure operator's costs and investments. With the ordinance of 30 September 2019, the Council of State appointed the Head of the Department of Environmental, Land and Infrastructural Engineering with the Milan Polytechnic University to conduct the analysis. On 22 January 2021, the examiner sent RFI a request for information and, on 1 February 2021, lodged with the court the initial results of the examination, which are, however, subject to change/supplements based on the requested information to be received from RFI and the other concerned parties. The hearing has been scheduled for 30 March 2021.

On 7 January 2020, the Piedmont regional administrative court also settled the appeals filed by the international railway companies OBB, SNCF and DB Bahn against ART decisions no. 96/2015, 72/2016 and 75/2016 (and

subsequent decisions). Specifically, the regional administrative court denied the grounds for the appeal to challenge the determination of component A) of the fee (for the calculation of the operator's direct costs) and the ART's jurisdiction for determining component B) of the fee (for the mark-up).

The administrative judge found the challenges to be justified and declared there to be a weakness in the preliminary analysis of the ART's decision to apply a higher fee (in component B) for the international open access networks. In substance, it is not clear on what preliminary basis and for what reasons the ART assumed that international open access could generally bear a mark-up over the national fee.

Consequently, the ART was ordered to begin another procedure, which it did with decision no. 28 of 30 January 2020, to gather the necessary information to justify the application of the mark-up for the international open access segment.

### **RFI's appeal before the Piedmont regional administrative court against decision no. 33/2016 concluding the sanction proceedings as per decision no. 64/2015**

Reference should be made to previous reports for additional details on this appeal lodged by RFI against decision no. 33/2016. The hearing was held on 26 January 2021.

With ruling no. 157 of 17 February 2021, the Piedmont administrative court denied the appeal, stating that in its judgement, the ART's assessments must remain "weakly intrinsic" and, on this assumption, found the ART decisions reasonable, although not always consistent with the data submitted by RFI in the proceedings.

### **Sanction proceedings pursuant to decision no. 127 of 26 September 2019 – assignment of station space at Napoli Centrale**

The ART began - upon notification by Italo – Nuovo Trasporto Viaggiatori S.p.A.- sanction proceedings against RFI and Grandi Stazioni Rail S.p.A. ("GS Rail") in connection with the assignment of station space to Trenitalia for the placement of a customer care stand at the Napoli Centrale station, without it being previously indicated as available on the floor plan published in the online PIR.

Specifically, the ART cited: (i) RFI for allegedly violating article 14.1/2 of Legislative decree no. 112 of 15 July 2015 specifically referenced in ART decisions nos. 70/2014 and 140/2017, partly implemented in the 2019 PIR, "And this, because RFI failed to publish in the online PIR the space that GS Rail had indicated as available upon Trenitalia's explicit request and for which it had formulated a specific petition with note no. 4036 of 29 May 2019"; (ii) GS Rail - in concert with Trenitalia and RFI (the former for having determined and the second for having confirmed GS Rail with the intention of carrying out the violation) - for allegedly violating the principles of fair, non-discriminatory and transparent access to the service plants provided for by article 13.2 of Legislative decree no. 112 of 15 July 2015, as clarified in ART decision no. 70/2014 "And this, for having exclusively granted a Trenitalia space for the installation of a customer care stand in the Napoli Centrale station, without prior, adequate information to other railway companies. This information, which was, moreover, the same GS Rail had requested of RFI with note no. 4036 of 29 May 2019, should have been indicated in the online PIR".

With the note dated 24 October 2019, RFI and GS Rail formalised a joint proposal of commitments in response to the claims made with aforementioned decision no. 27/19. The ART, with decision no. 149 of 20 November 2019, declared the proposed commitments inadmissible because, in the wake of that provided for in the regulation for the ART's sanction proceedings: (i) the violations alleged in ART decision no. 127/2019 refer to conduct that, by its nature (discriminatory) and its methods (complicity between parties forming a vertical entity), is "one of the most

serious, if not the most serious, of punishable conduct by entities subject to the functions of this Authority"; (ii) previous sanctions proceedings are pending against RFI (see ART decisions nos. 68/2018 and 78/2018).

The ART has therefore decided to move forward with the sanction proceedings and held a hearing before the competent offices on 26 June 2020.

With decision no. 203 of 3 December 2020, the ART requalified the claims against RFI, GS Rail and Trenitalia, ordering:

- the continuance of the sanction proceedings against RFI and GS Rail for having not published the space assigned to Trenitalia in the PIR, but dropped the discriminatory conduct previously challenged with decision no. 127/19;
- dropping the claims against Trenitalia.

Consequently, the parties were reassigned the terms to ensure they could exercise their rights to defend themselves, with the possibility of lodging: (i) briefs and requesting a hearing before the Supervisory Office and sanctions by 2 January 2021; (ii) commitments by 1 February 2021.

Both RFI and GS Rail have requested the scheduling of a hearing.

There have been no substantial changes since the 2019 Annual Report, in relation to the following proceedings:

- A436 – Arenaways S.p.A./RFI – FS proceedings;
- Anti-Trust Authority proceedings no. A/519 - Veneto region;
- Appeal to the Lombardy regional administrative court - Milan section no. 492/2016 against the Electricity, Gas and Water Regulator's Resolution no. 654 of 23 December 2015;
- Council of State decision no. 3348/2019 settling the case between RFI v. ARERA et al. concerning the appeal against resolution no. 641/2013;
- Sanction proceedings under ART decision no. 126 of 20 October 2017: RFI filed a motion to schedule the hearing before the Council of State.

## REMUNERATION OF DIRECTORS THAT HAVE BEEN ASSIGNED POWERS

The remuneration of the chairwoman of the board of directors and of the CEO are established by the board of directors in compliance with the "Directive 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" dated 24 June 2013.

In the meetings of 28 April and 26 July 2017, RFI's board of directors set the fees of the chairwoman of the board of directors and of the CEO for their respective positions in the board of directors and for the functions respectively allocated thereto, as set out below.

During the shareholders' meeting of 29 December 2020, RFI's shareholders appointed the new members of the Board of Directors for the 2020-2022 three-year period and determined their fees, as follows:

RFI		2017-2019 (until 28 Dec. 2020)		since 29 Dec. 2020
<b>Chairwoman</b>				
Fixed remuneration:	fee for office		6	80,000
Fixed remuneration:	fee for duties	5,385		
		19,615		
<b>CEO and general director</b>				
Fixed remuneration:	fee for office of CEO		65	65,000
			,000	

Fixed remuneration:	salary as general director	400,000	330,000
		100	
Variable remuneration (*):	office of CEO	,000	
Variable remuneration (*):	salary as general director	100,000	170,000

*(\*) Amount due upon the achievement of 100% of the company's annual objectives. The amount due will be calculated in proportion to the incentive criteria (under/overperformance), indexed to the performance level expressed annually as defined in the group policies.*

#### **DISCLOSURES REQUIRED BY ARTICLE 2497-TER**

During the year, the company did not take any decisions explicitly covered by article 2497-ter of the Italian Civil Code, although it passed resolutions in the spirit of complete agreement with the guidelines of the sole shareholder, Ferrovie dello Stato Italiane S.p.A..

## RISK FACTORS

At the preparation date of this report, no particular risks and uncertainties are foreseen that could have a material impact on the company's financial position, results of operations and cash flows other than those mentioned in the notes, to which reference should be made, with regard to financial risk management (credit, liquidity, market, currency and interest rate risks).

### Risk management

To reinforce the internal control and risk management system, in 2020, RFI distributed the risk management guidelines throughout the company for the oversight and management of the risk management process. In accordance with the group's risk management framework, these guidelines set forth the roles, organisational structure and operational flows between Ferrovie dello Stato Italiane, RFI and the subsidiaries.

As part of the intragroup work groups coordinated by the group's risk management structure, specific projects continued to support the implementation of the risk management framework components. In particular, the company was mainly involved in the definition of methodological project risk management guidelines at group level (in terms of process, macro-responsibilities and operating methods) and testing on the execution stage of investment projects.

Talks began with the main subsidiaries to discuss the best ways to implement and spread the framework.

RFI's risk management process consists of principles, rules, procedures, methodologies, tools and organisational structures to provide an adequate understanding of the risks that could affect the achievement of company objectives and help identify, measure and estimate risks and, subsequently, define and develop the appropriate management strategies.

The process consists of the following stages, which may take on different characteristics, methods and methodologies depending on the various fields of action in the group's single framework:

- risk identification to identify and describe the risks that could affect the achievement of company objectives;
- risk assessment and measurement to determine the size of the identified risks that could affect the achievement of company objectives;
- risk prioritisation and analysis to lay out a risk priority scale and direct risk-related decision processes;
- risk decisions to identify the best strategies for handling the most material risks.

The risk analysis findings are reported below, focusing on the aspects with the most external materiality.

### Business risks

RFI operates in a challenging context presenting profound transformation and uncertainty in addition to the other, already well-known characteristics of this sector, generating new complexities. The management of the pandemic, the investment of the vast financial resources made available under the Recovery Fund, changes in the regulatory framework and the opening of the railway market to competition are only a few of these aspects. Others are the persistent imbalance between public and private transport, the gap in railway connectivity (in terms of integration between the various mobility systems) and the uneven network service levels in the different areas of Italy. Then there are the increasingly significant effects of climate change and the fragility of the land, which require an increasingly resilient and monitored railway infrastructure. These are the action areas to focus on in order to optimise the railway infrastructure operator's business.



Amidst the current global uncertainty in the wake of the pandemic, marked by political instability and socio-economic crisis, consumption and production models are changing, travel habits are shifting, new trends are taking hold, while others that were already in motion are speeding up (e.g., contraction in global growth and slowed economic development; more regionalised value and logistics chains; greater social inequities; acceleration in the multi-polar nature of small and medium-size cities; structural change in approaches to mobility; increased digitisation and automation; and the acceleration and spread of e-commerce).

Consequently, even the risks to which the company is exposed have evolved and differ according to the various business areas and initiatives. This entails the need to fine-tune strategic and operational planning processes based on the analysis of ad hoc scenarios. In order to enable the gradual implementation of plans and programmes, the company has implemented systems for governing each initiative/project rolled out, which includes the establishment of committees, task forces and ad hoc work groups for the most significant projects, with structured periodic monitoring of their progress.

At this delicate, complex time, RFI seeks to play an active role in the country's recovery, contributing to economic and social development through investment programmes and work to improve infrastructural and operational resilience. Specifically, the company strives to be a key player in the mobility system's green and digital transitions, prioritising the mobility needs of people and logistics, the achievement of the SDGs and the creation of the Single European Railway Area by:

- performing investments, which have been expanded with the new European funds, and speeding up work to more closely integrate the local areas with modes of transport, for a better connected, faster and more competitive country;
- extending the application of the highest standards for the continuous improvement of infrastructural resilience, safety and performance, including through the extension of advanced technologies across the entire network.

#### Regulatory and compliance risks

The company operates in highly regulated sectors where changes in regulatory rules, requirements and obligations can impact the performance of operations and forecast results. The external sources of uncertainty generally include the risk of cuts in and/or management of the government financing under the Government Programme Contracts, which could impact business plans and the financial statements. They also include the potential unavailability of resources in emergency situations and overly lengthy traditional approval processes.

In general, to mitigate the risks arising from changes in legislation and scenarios, in the management of relationships and information flows with government bodies and regulators (institutions, independent sector authorities, etc.), including in the event of potential disputes, the company is always open to holding meetings and discussions with such parties, especially when they are meaningful, organised on the basis of transparency, cooperation and pro-activeness.

Therefore, responsibility, transparency, integrity and compliance are the principles underpinning its processes, procedures, systems and conduct in compliance with the group's code of ethics. Nevertheless, given the complexity of its business and the many different activities performed, the company might be exposed to risks of non-compliance due, in general, to the potential failure to comply with legislation or regulations, with consequent sanctions, financial losses or damage to its reputation.

To uphold these principles, along with monitoring developments in legislation and regulations, which the company performs through permanent work groups and organisational safeguards, it has specific structures to conduct audits

on compliance with internal and external regulations and offers training to personnel on the most important compliance issues.

Specifically, the anti-corruption framework was updated and expanded considerably to include RFI's anti-bribery & corruption management system (ABC system). The ABC system provides for cross-disciplinary control principles and a set of specific prevention tools consisting of standards of conduct and indicators to monitor potential irregularities, for knowledgeable, responsible decision-making processes based on integrity, fairness and lawfulness. To help raise awareness of these values at all levels, the main action areas under the ABC system include ongoing training and communication activities.

To strengthen the internal control and risk management system, the group compliance model was also defined to further prevent non-compliance risk, i.e., the risk of violating external and internal rules of conduct with repercussions on its reputation. The company is evaluating the most appropriate ways to implement the model, including the scope of activities and considering the specific characteristics of operations

Furthermore, given the maturity of the deregulation of the markets on which the FS Italiane group companies operate, the group has begun a process to equip its companies, while respecting their autonomy and independence, with an antitrust compliance programme to improve their ability to prevent and manage antitrust risks, i.e., those related to non-compliance with regulations protecting competition and prohibiting unfair business practices.

As for the management of personal data protection, activities continued in 2020 to ensure compliance with the requirements of Regulation (EU) 2016/679 and the data protection framework. Specifically, RFI designated an internal data protection officer and implemented the group's full framework. Furthermore, with the support of the data protection officer, the company regularly continues to update the company's data processing log and data processing notices, manage requests from data subjects to exercise their rights, reach data protection agreements for the management of third parties, conduct data protection impact assessments and implement design by default techniques.

#### Operational risks

Infrastructural investments in the railway system consist of complex projects requiring significant financial resources and a structured organisational and project management system that RFI, including through other group companies, has in place. There are many different events that could impact the completion of work within the scheduled time/costs and affect the quality, efficiency and availability of the railway infrastructure, which could have potential adverse effects on company results. In general, these events relate to potential changes in the legal context, lengthy authorisation processes for projects with the Italian Ministries/Bodies and difficulties in accessing sources of funding, technical changes in programmes and technical/organisational weakness on the part of contractors/general contractors (also due to financial difficulties or defaults) and/or technical parties.

To mitigate these risks, the company implements management and control procedures to constantly monitor the physical, economic and financial performance of infrastructural work and to start mechanisms to define improvement or corrective action. In this regard, specific contractual and organisational actions have been implemented to bolster supervision over investment projects by RFI as the contractor. The wide-ranging project is continuing in order to innovate the investment management procedures by optimising the IT tools used for operational management and, more generally, to support the whole-life asset management model. In addition, specific activities are being in-sourced to encourage the continuity of strategic projects (start of operations of the new subsidiary IFR Firenze to help develop the Florence hub's HS railway bypass and the construction of the new

HS Firenze Belfiore station) and steps are being studied to fine-tune project management processes taking a risk-based approach.

Railway infrastructure is also sensitive to interruptions/issues due to faults in plant and technologies, serious natural events and acts of vandalism that could affect the provision of continuous train services in accordance with the expected quality standards. To prevent such risks, not only does the company have state-of-the-art security, control and monitoring systems, but it also carries out, with the increasingly important support of technology, specific maintenance cycles on the network and adopts procedures to manage irregularities and emergencies, and specific contingency plans, with a constant focus on updating the public and supplying accessory services to customers. An extensive climate change response project is in progress (mitigation of hydro-geological and seismic risks) to optimise and improve the resilience of infrastructure.

In order to improve service quality, RFI has, inter alia, launched projects to implement systems that optimise railway timetabling and train traffic management process and established the Punctuality Committee. This committee is responsible for controlling and monitoring real punctuality and the performance of all players involved. It also identifies short, medium and long-term actions in relation to traffic management, the commercial offer, technical scenario, maintenance model, investment planning and implementation and the standardisation of procedures to resolve recurrent plant faults.

To monitor the risk of saturation on railway routes attracting the most commercial traffic and, in general, boost capacity, performance and network accessibility, the company is taking steps to streamline traffic, increase traffic capacity at large urban hubs and is planning massive investments across the entire network in updates and technological upgrades to speed up the digital transition and automate systems and processes, while continuing with initiatives to improve efficiency. It is also studying advanced diagnostics and predictive maintenance.

RFI is constantly committed to informing its stakeholders about the activities carried out and the targets achieved, monitoring and reporting the results as part of a continuous performance improvement process. Specifically, to expand the services offered, guide the corporate choices and enhance and protect its image, RFI's external communications take place - in coordination with the parent - via structured processes of observation, liaising and management of relations with the media.

#### Procurement risks

In general, the company has centralised procurement management and, for railway system services and specialist skills, it uses specific vetting provider systems and lists of professionals with excellent track records. To ensure the increasingly efficient use of government resources, RFI is conducting a project to redefine the procurement process based on an analytical model to determine the ideal price of procurement, while also making the process faster, simpler, traceable and paperless. Specifically, the aims of this project are to minimise the time needed to complete the procurement process (from the definition of the specific materials to accounting), to ensure continuity at work sites by making order deliveries more punctual and to reduce the amount of capital in stocks at local units and the central warehouse. The first of these processes have been launched in local units.

Through its specialised units, the company monitors market fluctuations in the procurement prices of materials that are fundamental for the business and any regulations governing them. This is part of its implementation of procurement management policies aimed at mitigating risks, i.e., steps taken to protect the company's interests (e.g., by using master agreements in which prices are fixed for the entire contractual term with price revision clauses when certain margins are exceeded).

Specifically, with respect to the electricity sector and the various resolutions changing the cost of energy issued by the energy authority in the past few years, changes in the context continue to be constantly monitored.

To limit possible situations in which the company relies on builders/suppliers and to reinforce its railway know-how, the company has begun the progressive in-sourcing of critical maintenance processes and processes for the construction of infrastructure, plant technological operation and production of railway components and has defined, for strategic supplies, emergency stock levels, how to reconstitute these stocks and supplier diversification policies. In addition to this, there were initiatives designed to identify a general risk assessment model for RFI suppliers to help make the best choices for materials (including strategic) supplies, as well as specific actions to benefit sustainability by extending the inclusion of Corporate Social Responsibility (CSR) performance scoring to all technical/economic tenders called by RFI. Specific initiatives are also being developed to extend the protocols for the sustainable design of infrastructure.

#### ICT (Information and Communication Technology) risks

The company operates using IT systems/platforms to coordinate and plan activities with respect to train traffic management and the related services, the sale of train paths, procurement management, maintenance and investments, to monitor stocks and for a number of other activities, including the management of accounting processes. The hardware and software that is used could be damaged by human errors, natural disasters, power outages or other events. Unexpected problems in structures, system failures or cyber attacks could influence service quality and cause interruptions and slowdowns and/or block company activities with resulting financial impacts and on its reputation.

In order to ensure the continuous availability, integrity and confidentiality of IT data, RFI is equipped with prevention and protection systems (back-up procedures, authentication and use profiling procedures, firewalls, etc.) and has also strengthened and expanded its security (via vulnerability checks, penetration tests, etc.) and business continuity/disaster recovery processes, particularly for business-critical systems.

An extensive, complex project is in progress to equip the FS Italiane group with a management and control model that classifies information based on its degree of confidentiality in order to protect, in particular, confidential and strictly confidential information from possible breaches that could cause significant damage as a result of the improper, accidental or intentional use of such information (e.g., potential economic losses, the deterioration or interruption of services, impacts on people and things, loss of competitiveness, fines, damage to the group's image and reputation or to relationships with stakeholders, etc.).

In connection with the establishment of FSTechnology, the FS Italiane group's ICT service provider, the Interdepartmental Committee continues its work to coordinate IT investments and development and control IT service levels and quality. In general, the committee defines and implements the IT system development plan and the related priority actions in accordance with the business plan and the related business targets. It also ensures the most efficient and effective interfaces with FSTechnology, to guarantee business continuity and meet development/design and system running needs.

#### Risks of the spread of contagious diseases

The global spread of a disease, creating epidemiological or pandemic emergencies that affect local populations (such as COVID-19) may cause, in addition to a deterioration of macroeconomic conditions, slowdowns in business activity due to restrictions imposed by national and foreign authorities, the unavailability of personnel, difficulties

faced by customers in using collective mobility services and disruptions in the supply chain, which may have adverse effects on the company's results.

The company has adopted processes and procedures that support the identification, management and monitoring of events with potential impacts on its resources and business. These processes are meant to optimise the timeliness and efficiency of the actions taken in response to the emergency and improve the company's operational and management resilience in the long term.

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## OUTLOOK

The COVID-19 pandemic has unleashed uncertainty, wreaking havoc on the entire global context starting in late 2019, significantly affecting the current macroeconomic scenario. Specifically, in Italy, the spread of the pandemic had a deep impact on the economy, disrupting production, investments and consumption choices.

Macroeconomic projects for the Italian economic entail GDP growth of 3.5% in 2021, subject to the following factors: the public health emergency returning back under control, government spending policy continuing to provide support, strengthened by the use of the funds made available under the Next Generation EU, and monetary policy ensuring that favourable conditions remain in place during the period considered. Investments and exports are expected to recover, with a more gradual recovery in consumption and only a partial diminishing of people's greater propensity to save as a result of the pandemic. The assumed pandemic scenario for 2021 is expected to affect the business in three stages:

- soft lock down from January to March 2021 (in line with the last two months of 2020);
- lifting of restrictions between April and June 2021;
- return to the new normal starting in July 2021.

In addition to the legislative measures driving the economic recovery directly affecting RFI in 2020, such as Decree law no. 34 of 19 May 2020 and Decree law no. 76 of 16 July 2020, the 2021 Budget Act and Decree law no. 183/2020 should also be considered.

Specifically, the 2021 Budget Act confirmed the measures previously introduced with Decree law no. 34 of 2020, in order to compensate the infrastructure operator for the decrease in revenue from the fee to use the railway infrastructure subject to a discount on such fee for the railway companies, whereas Decree law no. 183/2020 confirmed the measures to relaunch the economy through the development of investments, extending the possibility of increasing the percentage of the advance payable to the construction companies for all of 2021, up to the limits of the annual available resources under current legislation.

Given the instability of the forward-looking scenarios, work began to revise the 2019-2023 plan, which will however confirm the general guidelines of the current plan.

The 2019 - 2023 plan is geared towards creating economic, environmental and social value, with a focus on maintaining the quality of output, strengthening the company's thirst for new challenges, its penchant for technological innovation and digitalisation and its commitment to developing human capital throughout the FS Italiane group companies.

In a continuously evolving context, the company has set the goal of devoting increasingly more attention to digitalisation and sustainability, both as a long-term strategy and in its review of day-to-day decisions and good practices, making these the cardinal principles of its mission and using technological innovation as a vital lever to achieve them.

To drive a widespread company culture of sustainability, RFI continues working with the parent to develop specific training and awareness initiatives that progressively reach the company's entire population.

The company's strategic vision places a greater focus on its railway core business, in accordance with the shareholder's strategic guidelines and an approach which places the customer at the centre of its operating and industrial processes.

Therefore, RFI confirms its five priority action areas: Stations (with a new concept of the station as a modal integration hub and by redeveloping the areas around the station), Local public transport (upgrades, greater speed and more stations), Long haul (upgrades and greater speed on the main European lines, and airport links), Logistics (connecting ports, interports, production districts and greater international cooperation between operators), and Environmental and social aspects (water and energy efficiency, green procurement and allocating assets not used in operations for social purposes).

The pursuit of such ambitious targets has led the company to renew its commitment in all business areas and entails the availability of an adequate level of public resources as the enabling factor, both in terms of the operating aspects and long-term plans.

RFI's strong emphasis on innovation focuses in particular on safety and the environment. It has, on one hand, continued experimenting with fixed predictive diagnostic systems installed on critical points of the railway superstructure, such as joints and welding, through "sensor nodes", while on the other it plans to identify innovative transport solutions that upgrade historic lines which currently do not enable speeds that meet the needs of "fast" transport, but that once updated could support/extend the current HS network. In addition, it plans to test the "Mini Wind Power" project at tunnel entrances to use the energy produced on site for radio transmitters, safety lights and the fire prevention system, while simultaneously reducing the technical work to restore accidental power outages to these systems. RFI is also pursuing the use of drones for safety, for example with real-time or remote inspections in addition to the ordinary procedures and regulations in place.

Considering the public funding context, RFI's railway investment plan is dependent on the public funds supporting railway transport development. The financial resources included in the Government Programme Contract - Services (GPC-S) and Investments (GPC-I) approximate €89 billion, including the additional €13.2 billion allocated by the 2018-2019 update to the 2017-2021 GPC-I, form the basis for the detailed planning of the works already commenced/financed, which are expected to give the greatest returns in the short-term in terms of performance gains, the compliance and safety level of infrastructure, improvements in service quality and the development of traffic volumes.

The 2020 Budget Act allocated additional resources through a specific "Fund to relaunch investments by the government's central administrations and develop the country", with total resources of €20.8 billion, including those to be allocated for RFI's investments, which the relevant Ministries are currently quantifying. These amounts should be formalised in contracts with the next update to the 2017-2021 GPC-I and in an addendum to the current 2016-2021 GPC-S, with respect to the portion for extraordinary maintenance.

Moreover, the 2021 Budget Act entailed the allocation of additional resources for RFI's investments, which should also be formalised in contracts with the next update to the 2017-2021 GPC-I:

- ✓ additional resources for investments (MEF chapter 7122) of €2,735 million;
- ✓ resources allocated to railway projects for the 2026 Milan-Cortina Winter Olympics (MEF chapter 7561) of €95 million;

an addendum to the current 2016-2021 GPC-S for €752 million allocated to extraordinary maintenance.

Government grants for investments also included those under the MIT decree of 7 December 2020, which identified the necessary infrastructure for the sustainability of the 2026 Milan-Cortina Winter Olympics and allocated €103 million to RFI.

Talks are underway with the MIT to define the projects assigned to RFI to include in the National Recovery and Resilience Plan, which the Italian government must submit to the European Commission in order to access the resources under the Recovery and Resilience Facility and for the definition of the projects under the 2021-2027 Development and Cohesion Fund, which has set aside additional national resources to supplement the objectives of the 2021-2027 EU plan.

At the same time, the company continues seek for financing for programmes co-financed by the European Union, such as the 2014-2020 national operating programmes (PON) and the regional operating programmes (POR), and for the financing of the Trans-European networks (“2014-2020 Connecting Europe Facility”).

With respect to the GPC-S, on 16 June 2020, the first addendum to the 2016-2021 GPC-S between the MIT and RFI was admitted for registration by the Court of Auditors. With respect to the resources allocated in chapter 1541 of the MEF’s budget for ordinary maintenance and safety, security and ferrying under the GPC-S, the 2021 Budget Act assigned additional financing of €50 million for each of the three years from 2021 to 2023.

The Chairwoman



**FINANCIAL STATEMENTS AT 31 DECEMBER 2020**  
**FINANCIAL STATEMENTS**

## STATEMENT OF FINANCIAL POSITION

		<i>Euros</i>	
	Note	31.12.2020	31.12.2019
<b>Assets</b>			
Property, plant and equipment	(5)	34,471,610,169	34,134,291,747
Investment property	(6)	1,099,022,108	1,114,517,288
Intangible assets	(7)	787,458,933	695,256,574
Deferred tax assets		–	–
Equity investments	(8)	143,776,042	141,555,961
Financial assets (including derivatives)	(9)	110,525,954	575,395,107
Trade receivables	(12)	1,754,646	1,676,576
Other assets	(10)	3,236,147,348	4,037,578,944
<b>Total non-current assets</b>		<b>39,850,295,200</b>	<b>40,700,272,197</b>
Inventories	(11)	928,399,837	863,848,979
Trade receivables	(12)	578,713,729	676,855,930
Financial assets (including derivatives)	(9)	558,737,137	689,333,428
Cash and cash equivalents	(13)	338,868,500	540,334,140
Tax assets	(14)	266,367	16,515,637
Other assets	(10)	1,438,006,336	2,125,444,149
<b>Total current assets</b>		<b>3,842,991,906</b>	<b>4,912,332,263</b>
<b>Assets held for sale and disposal groups</b>		<b>–</b>	<b>–</b>
<b>Total assets</b>		<b>43,693,287,106</b>	<b>45,612,604,460</b>
<b>Equity</b>			
Share capital	(15)	31,528,425,067	31,528,425,067
Reserves	(15)	172,585,606	157,488,956
Reserves for unrealised gains and losses	(15)	(175,689,614)	(184,174,945)
Retained earnings	(15)	2,098,466,919	1,911,630,567
Profit for the year	(15)	38,291,246	301,933,002
<b>Total equity</b>		<b>33,662,079,224</b>	<b>33,715,302,647</b>
<b>Liabilities</b>			
Loans and borrowings	(16)	1,897,419,663	2,497,189,276
Post-employment and other employee benefits	(17)	446,460,912	513,963,378
Provisions for risks and charges	(18)	579,362,830	473,714,028
Deferred tax liabilities		–	–
Financial liabilities (including derivatives)	(19)	40,764,849	53,570,861
Trade payables	(21)	18,020,947	18,682,221
Other liabilities	(20)	111,472,121	122,878,990
<b>Total non-current liabilities</b>		<b>3,093,501,322</b>	<b>3,679,998,754</b>
Loans and borrowings and current portion of non-current loans and borrowings	(16)	1,295,082,314	1,740,196,258
Trade payables	(21)	2,547,169,562	3,180,907,749
Tax liabilities		–	43,581
Financial liabilities (including derivatives)	(19)	14,292,029	14,006,040
Other liabilities	(20)	3,081,162,655	3,282,149,431
<b>Total current liabilities</b>		<b>6,937,706,560</b>	<b>8,217,303,059</b>
<b>Liabilities held for sale and disposal groups</b>		<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>10,031,207,882</b>	<b>11,897,301,813</b>
<b>Total equity and liabilities</b>		<b>43,693,287,106</b>	<b>45,612,604,460</b>

**INCOME STATEMENT**

	Note	2020	Euros 2019
Revenue from sales and services	(22)	2,375,561,265	2,648,789,988
Other income	(23)	115,952,912	126,058,305
<b>Total revenue</b>		<b>2,491,514,177</b>	<b>2,774,848,293</b>
Personnel expense	(24)	(1,373,857,506)	(1,520,424,449)
Raw materials, consumables, supplies and goods	(25)	(739,717,843)	(889,089,520)
Services	(26)	(827,117,031)	(736,882,714)
Use of third-party assets	(27)	(32,921,276)	(32,624,686)
Other operating costs	(28)	(69,910,555)	(107,522,620)
Internal work capitalised	(29)	884,768,853	992,525,234
<b>Total operating costs</b>		<b>(2,158,755,358)</b>	<b>(2,294,018,755)</b>
<b>Amortisation and depreciation</b>	(30)	<b>(90,141,561)</b>	<b>(118,739,101)</b>
<b>Impairment gains</b>	(31)	<b>(44,513,422)</b>	<b>(23,665,447)</b>
<b>Provisions</b>	(32)	<b>(127,000,000)</b>	<b>12,177,721</b>
<b>Operating profit</b>		<b>71,103,836</b>	<b>350,602,711</b>
<b>Net financial expense</b>		<b>(32,812,416)</b>	<b>(34,401,342)</b>
Financial income	(33)	1,315,892	8,513,329
Financial expense	(34)	(34,128,308)	(42,914,671)
<b>Pre-tax profit</b>		<b>38,291,420</b>	<b>316,201,369</b>
Income taxes	(36)	(174)	(14,268,367)
<b>Profit from continuing operations</b>		<b>38,291,246</b>	<b>301,933,002</b>
<b>Profit (loss) from assets held for sale, net of taxes</b>		<b>-</b>	<b>-</b>
<b>Profit for the year</b>		<b>38,291,246</b>	<b>301,933,002</b>

*\*For a better accounting presentation in 2020, performance regime penalty income and expense were reclassified to revenue from sales and services and revenue from other repayments was reclassified to costs for services. Comparative figures were adjusted accordingly.*

## STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	<i>Euros</i> 2019
<b>Profit for the year</b>		<b>38,291,246</b>	<b>301,933,002</b>
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial losses	(17)	(6,912,757)	(11,521,490)
Tax effect on actuarial gains (losses)			
<b>Items reclassified to profit or loss</b>	(17)	<b>10,873,331</b>	<b>13,491,509</b>
<b>Items that will or may be reclassified to profit or loss, net of the tax effect:</b>			
Cash flow hedges - effective portion of changes in fair value	(17)	4,524,757	3,874,319
Net exchange gains (losses)			
Cash flow hedges - tax effect of the effective portion of changes in fair value			
Available-for-sale financial assets			
Tax effect of available-for-sale financial assets			
<b>Other comprehensive income, net of the tax effect</b>		<b>8,485,331</b>	<b>5,844,338</b>
<b>Comprehensive income</b>		<b>46,776,577</b>	<b>307,777,340</b>

## STATEMENT OF CHANGES IN EQUITY

(Euros)									
Equity									
	Share/quota capital	Reserves			Other reserves	Total reserves	Retained earnings	Profit for the year	Total equity
		Reserves	Reserves for unrealised gains and losses						
		Legal reserve	Hedging reserve	Actuarial reserve					
<b>Balance at 1 January 2019</b>	<b>31,528,425,067</b>	<b>69,920,074</b>	<b>(59,631,647)</b>	<b>(130,387,636)</b>	<b>78,508,050</b>	<b>(41,591,159)</b>	<b>1,751,144,183</b>	<b>274,196,193</b>	<b>33,512,174,284</b>
Dividend distribution						-		(100,000,000)	(100,000,000)
Allocation of profit for the previous year		13,709,810				13,709,810	160,486,383	(174,196,193)	-
Changes due to demerger						-			-
Recognised profits/(losses) of which:						-			-
Cash flow hedges - effective portion of changes in fair value			3,874,319			3,874,319			3,874,319
Net actuarial losses				(11,521,490)		(11,521,490)			(11,521,490)
Other changes			13,491,509			13,491,509			13,491,509
Non-recurring transactions					(4,648,978)	(4,648,978)			(4,648,978)
Profit for the year						-		301,933,002	301,933,002
<b>Balance at 31 December 2019</b>	<b>31,528,425,067</b>	<b>83,629,884</b>	<b>(42,265,819)</b>	<b>(141,909,126)</b>	<b>73,859,072</b>	<b>(26,685,988)</b>	<b>1,911,630,566</b>	<b>301,933,002</b>	<b>33,715,302,647</b>
<b>Balance at 1 January 2020</b>	<b>31,528,425,067</b>	<b>83,629,884</b>	<b>(42,265,819)</b>	<b>(141,909,126)</b>	<b>73,859,072</b>	<b>(26,685,988)</b>	<b>1,911,630,566</b>	<b>301,933,002</b>	<b>33,715,302,647</b>
Dividend distribution								(100,000,000)	(100,000,000)
Allocation of profit for the previous year		15,096,650				15,096,650	186,836,352	(201,933,002)	-
Recognised profits/(losses) of which:						-			-
Cash flow hedges - effective portion of changes in fair value			4,524,757			4,524,757			4,524,757
Net actuarial losses				(6,912,757)		(6,912,757)			(6,912,757)
Other changes			10,873,331			10,873,331			10,873,331
Non-recurring transactions						-			-
Profit for the year								38,291,246	38,291,246
<b>Balance at 31 December 2020</b>	<b>31,528,425,067</b>	<b>98,726,534</b>	<b>(26,867,731)</b>	<b>(148,821,883)</b>	<b>73,859,072</b>	<b>(3,104,007)</b>	<b>2,098,466,918</b>	<b>38,291,246</b>	<b>33,662,079,224</b>

## STATEMENT OF CASH FLOWS

	Note	2020	2019
<i>Euros</i>			
<b>Profit for the year</b>		<b>38,291,246</b>	<b>301,933,002</b>
Income taxes	(36)	174	14,268,367
Net financial expense	(33)(34)	32,812,417	36,651,043
Amortisation and depreciation	(30)	90,141,562	118,739,101
<b>Accruals to provisions and impairment losses</b>		<b>249,965,274</b>	<b>77,594,492</b>
Gains on sales	(23) (28)	(57,460,112)	(75,434,801)
Change in inventories	(11)	(11,345,416)	(122,631,904)
Change in trade receivables	(12)	98,088,838	(485,090)
Change in trade payables	(21)	(634,421,785)	(19,170,503)
Change in other assets and liabilities	(10) (14) (20)	1,283,922,387	(535,667,925)
Utilisation of the provisions for risks and charges	(18)	(72,463,020)	(102,337,367)
Payment of employee benefits	(17)	(75,932,430)	(95,017,889)
Financial income collected/financial expense paid	(34)(35)	(94,428,339)	(119,388,664)
Taxes (paid)/collected	(36)	16,205,733	(5,349,273)
<b>Net cash flows generated by (used in) operating activities</b>		<b>863,376,529</b>	<b>(526,297,411)</b>
Increases in property, plant and equipment	(5)	(4,629,063,090)	(4,614,884,856)
Investment property	(6)	(2,903,827)	(432,306)
Decreases in intangible assets	(7)	(116,525,890)	(113,050,936)
Increases in equity investments	(8)	(152,092,000)	(118,552,000)
<b>Investments, before grants</b>		<b>(4,900,584,807)</b>	<b>(4,846,920,098)</b>
Property, plant and equipment	(5)	4,189,542,853	4,046,289,655
Grants for investment property	(6)	-	-
Grants for intangible assets	(7)	-	-
Grants for equity investments	(8)	149,792,000	112,344,000
<b>Grants</b>		<b>4,339,334,853</b>	<b>4,158,633,655</b>
Decreases in property, plant and equipment	(5)	35,160,284	18,527,532
Decreases in investment property	(6)	2,380,922	1,114,663
Decreases in intangible assets	(7)	-	-
Decreases in equity investments and profits	(8)	-	9,740,500
<b>Decreases</b>		<b>37,541,206</b>	<b>29,382,695</b>
<b>Net cash flows used in investing activities</b>		<b>(523,708,748)</b>	<b>(658,903,748)</b>
Disbursement and repayment of non-current loans	(16)	(429,684,108)	(526,884,777)
Disbursement and repayment of current loans	(16)	(610,000,000)	1,056,918,999
Change in lease liabilities	(19)	(14,676,320)	(13,169,523)
Change in financial assets	(9)	575,848,307	598,502,279
Change in financial liabilities	(19)	(17,908)	105,850
Dividends	(15)	(100,000,000)	(100,000,000)
Non-recurring transactions /other changes in equity	(15)	-	(911,975)
<b>Net cash flows generated by financing activities</b>		<b>(578,530,029)</b>	<b>1,014,560,853</b>
<b>Total cash flows</b>		<b>(238,862,248)</b>	<b>(170,640,306)</b>
<b>Opening cash and cash equivalents</b>		<b>639,766,215</b>	<b>810,406,521</b>
<b>Closing cash and cash equivalents</b>	(9) (13)	<b>400,903,967</b>	<b>639,766,215</b>
<b>of which: intragroup current account</b>		<b>62,035,467</b>	<b>99,432,074</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

## 1. Introduction

Rete Ferroviaria Italiana (the “company” or “RFI”) is a company set up in accordance with Italian law and is based in Italy. Its registered office is in Rome.

It is managed and coordinated by Ferrovie dello Stato Italiane S.p.A..

The directors approved these financial statements on 8 March 2021 and they will be made available to the shareholder for approval and subsequent filing within the terms established by law. The shareholder has the power to make changes to these financial statements.

The company opted not to prepare consolidated financial statements in accordance with the exemption allowed by IFRS 10. The consolidated financial statements are prepared by Ferrovie dello Stato Italiane S.p.A. which is RFI’s direct parent. This company has its registered office in Piazza della Croce Rossa 1, Rome, and the consolidated financial statements can be obtained at the above address in accordance with the terms and methods set out in the current regulations.

KPMG S.p.A. was appointed independent auditor for the 2020-2022 three-year period.

## 2. Basis of preparation

These financial statements have been prepared in accordance with IFRS (which include the 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 Regulation (EC) no. 1606/2002 and in effect at the reporting date (“IFRS”). Specifically, the company consistently applies the IFRS to all periods presented in these financial statements.

Furthermore, these financial statements have been prepared on the basis of the best knowledge of the IFRS and considering best practices in this respect. Any future guidance and interpretations will be applied in future years, as established by the standards over time.

The 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 it operates. Unless otherwise stated, all amounts included in the tables and comments of the following notes are expressed in thousands of Euros.

These financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and the notes thereto. Specifically:

- the statement of financial position has been prepared by classifying assets and liabilities as “current/non-current”, with the specific separation of assets/liabilities held for sale or included in a disposal group;
- the income statement has been prepared by classifying operating costs by nature, indicating the profit (loss) from continuing operations separately from any profit (loss) from discontinued operations;
- the statement of comprehensive income includes the profit (loss) for the year and other changes in equity attributable to transactions that are not carried out with owners in their capacity as owners;



- the statement of changes in equity shows the profit (loss) for the year separately from any other changes not through profit or loss;
- the statement of cash flows has been prepared by presenting cash flows from operating activities using the indirect method.

The annual report also includes the directors' report accompanying the financial statements.

These financial statements have been prepared on a going-concern basis, as the directors established that there are no financial or operational indicators 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 12 months. Reference should be made to note 4 - Financial risk management for a description of the company's financial risk management procedures.

The financial statements have been prepared on the historical cost basis, except for those items which are measured at fair value, as required.

Furthermore, "current" refers to the 12 months immediately after the reporting date, while "non-current" refers to periods more than 12 months after the reporting date.

These financial statements have been prepared using the same accounting policies applied when drawing up the financial statements at 31 December 2019, except for that set out below.

### **3. Significant accounting policies**

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

#### **Property, plant and equipment**

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. It is no longer capitalised when all operations to bring the asset in the conditions necessary to ensure its use have been completed. 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 taken to profit or loss when incurred. Costs to upgrade or replace an existing element or for extraordinary maintenance are capitalised as a direct increase in the asset. Where inspections or replacement of parts at regular intervals are planned, the related charges are capitalised.

Depreciation begins when the asset becomes available for use and is calculated based on the cost of the asset, net of the residual amount, being the estimated recoverable amount of the infrastructure at the end of the concession.

Depreciation is charged systematically and 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 is calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, applied to the depreciable cost of the infrastructure at the reporting date, and considering future investments which guarantee a sufficient efficiency and security level of the infrastructure equal to that of the current year (in particular, extraordinary maintenance and renewals), being fully covered by grants and therefore economically borne by the government. Consequently, future investments are considered in the calculation of the infrastructure's total production capacity, and, accordingly, with an impact on the calculation of the depreciation rate. If there are no government grants, the depreciation of the network is calculated based on the ratio of quantities generated in the year to total production expected throughout the concession term, without considering those related to the future costs necessary to ensure the efficiency of the infrastructure in the same period (in particular, extraordinary maintenance and renewals).

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 as shown in the table below.

For each line, RFI 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 2020 and 2019 are as follows:

	Production indicators	
	2020	2019
Po valley line and international transits (Line A)	1.93%	2.29%
North Tyrrhenian line and confluent lines (Line B)	2.08%	2.38%
Backbone and confluent lines (Line C)	1.90%	2.28%
South Tyrrhenian line (Line D)	2.06%	2.27%
Adriatic line and Apennines cross-rails (Line E)	2.09%	2.33%
Complementary network (Line F)	2.04%	2.30%
HS/HC network (Line G)	1.32%	2.10%

The depreciation rates and the residual carrying amount are revised and updated where necessary at each year end. Land is depreciated only in respect of capitalised reclamation costs.

Property, plant and equipment are derecognised when they are sold or when no more future economic benefits are expected from their use or disposal. Any gain or loss (calculated as the difference between the disposal amount, net of sale costs, and the carrying amount) is recognised in profit or loss in the year the asset is derecognised.

### Leased assets

#### i. Identification

At the inception date of the lease (i.e., the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease) and, subsequently, the company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed. In particular, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the company accounts for each lease component within the contract as a lease separately from non-lease components of the contract, which are accounted for in accordance with other standards.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. It is determined by assessing the length of the non-cancellable period of a lease, i.e., the period in which the contract is enforceable, including any rent-free periods provided to the lessee by the lessor. In addition to this term, the company considers:

- the period covered by the option to renew the lease if the company is reasonably certain to exercise the renewal option;
- periods after the termination option if the company is reasonably certain not to exercise the option.

Options to terminate the lease held only by the lessor are not considered.

The company has opted not to recognise short-term leases (i.e., those with a term of 12 months or less) or leases for low-value assets (i.e., assets that, when new, are worth €5,000 or less or leases with a contractual value of €5,000 or less) in accordance with IFRS 16. The company recognises the lease payments associated with these

types of leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

ii. Subsequent measurement

At the commencement date of a lease, the company recognises the right-of-use asset under the relevant non-current assets caption depending on the nature of the asset subject to the lease contract and the lease liability in current and non-current financial liabilities. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received

The company measures the lease liability at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate if it cannot. The lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate, any residual value guarantees, the exercise price of a purchase option (if the company is reasonably certain to exercise that option), the exercise price of an extension option (if the company is reasonably certain to exercise that option) and payments of penalties for terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

The right-of-use asset is subsequently depreciated on a straight-line basis over the entire term of the contract, unless the contract provides for the transfer of ownership at the end of the lease or the cost of the lease reflects the fact that the purchase option will be exercised. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are calculated using the same depreciation requirements as those for the relevant intangible assets or property, plant and equipment. Furthermore, the right-of-use asset is recognised net of any impairment losses on the cash-generating unit (CGU) and is adjusted to reflect the remeasurement of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured whenever there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in the amount that the company expects to be payable under a residual value guarantee or when the company changes its assessment of an option to purchase the underlying asset or extend or terminate the lease. If the lease liability is remeasured, the company adjusts the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount is recognised in profit or loss.

In the statement of financial position, the company includes right-of-use assets within the same captions as those within which the corresponding assets would be presented if they were owned, and the lease liabilities in other financial liabilities. In the income statement, interest expense on the lease liability is a component of financial expense and is presented separately from the depreciation charge for the right-of-use asset.

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## 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. This caption is recognised using the criteria applied to Property, plant and equipment.

If a property development project is launched to be subsequently sold, the properties are reclassified to inventories following the change in use. Their carrying amount at the date of the change in use is considered a cost for subsequent recognition under inventories and depreciation is suspended.

Transfers to, or from, investment property are made only when there is a change in use. In and of itself, a change in management's intentions for the use of a property does not provide evidence of a change in use.

## 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 incurred to make the asset available for use, net of accumulated amortisation 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 calculated using the criteria applied to property, plant and equipment.

Intangible assets comprise: development expenditure; concessions, licences, trademarks and similar rights; assets under development and payments on account.

Research expenditure is recognised in profit or loss when incurred, while development expenditure is recognised under intangible assets when 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.

If the research phase of an identified internal project to create an intangible asset cannot be distinguished from the development phase, the expenditure on that project is fully charged to profit or loss as if it had been 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.

## Service concession arrangements

Service concession arrangements, where the grantor is a public sector entity and the operator is a private sector entity (public-to-private) fall under the scope of IFRIC 12 only when the requirements for service regulation and

control of the residual interest are met. This interpretation is applied when the infrastructure is essential to provide the public with services and the arrangement establishes that the grantor:

- controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls - through ownership or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The company does not recognise infrastructure for concessions under the scope of IFRIC 12 as property, plant and equipment but rather recognises at fair value either alternatively or jointly: the intangible asset, if the operator has the right to charge users of the public service for the construction or upgrading of the infrastructure; and the financial asset when its construction or upgrade generate an unconditional contractual right to receive cash from or at the direction of the grantor and the grantor has little, if any, discretion to avoid payment. The operator recognises revenue and costs in line with the contractual terms and the stage of completion as provided by construction contracts. Revenue from the prices paid by users continues to be recognised in line with that set out in the subsequent paragraph on revenue recognition. Any intangible assets are amortised over the concession term using a method that reflects the estimated consumption of the economic benefits embedded in the right and the manner of consumption. Accordingly, amortisation is calculated considering the concession term. Provisions for concession commitments include accruals made for the operator's obligation to restore the infrastructure to a specified condition or replace the infrastructure to return it to its normal state of use. They are made when the concession arrangement includes these obligations and the grantor does not receive additional financial benefits.

### **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, intangible assets and investment property 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 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 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

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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.

#### Intangible assets not yet available for use

The recoverable amount of 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.

### **Investments in subsidiaries, associates, joint arrangements and other investments**

Investments in subsidiaries, associates and joint arrangements are measured at cost, including directly-attributable costs, adjusted for impairment.

The company's investments in companies that are neither subsidiaries or associates and which are not listed in an active market and for which the use of an appropriate measurement model is not reliable, are in any case measured at cost which is deemed to reflect the best estimate of fair value.

Impairment losses on investments measured at cost are recognised in profit or loss. If the reasons for an impairment loss no longer apply, the carrying amount of the investment is reversed up to its original cost. Impairment gains are recognised in profit or loss.

### **Business combinations**

IFRS 3 defines business combinations as the transaction or event with which assets acquired and liabilities assumed constitute a business. Specifically, a business is such if production factors and processes applied to such factors contribute to the ability to create outputs.

A business combination may be structured in a variety of ways for legal, taxation or other reasons. It may also include the acquisition, by an entity, of the capital of another entity, the acquisition of the net assets of another entity, the assumption of the liabilities of another entity or the acquisition of part of the net assets of another entity that, when combined, constitute one or more businesses. Business combination may also take place by issuing equity instruments, transferring cash, cash equivalents or other assets, or a combination thereof. The transaction can take place among the owners of the combining entities or between an entity and the owners of another entity. It may also involve the setting up of a new entity that controls the combined entities or the net assets transferred or the restructuring of one or more combined entities.

Business combinations are accounted for using the acquisition method. The acquisition price shall be reflected on the carrying amount of the acquiree's assets and allocated based on the fair value of the assets and liabilities, instead of their carrying amount. Any residual difference constitutes goodwill, if positive, or badwill, if negative.

The FS Italiane group recognises business combinations under common control, which are not covered by IFRS 3 or other standards, in accordance with IAS 8 in order to reliably and fairly present the transaction in accordance with OPI 1 (Assirevi's preliminary guidance on the IFRS).

## Financial instruments

### i. Classification and measurement of financial assets

The company's financial assets are classified and measured considering both the business model used to manage such assets and the characteristics of their cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The company performs SPPI (Solely Payment of Principal and Interest) tests on each instrument to determine whether these contractual cash flows are solely payments of principal and interest (in which case the SPPI test is passed).

Financial assets are classified in one of the following categories at initial recognition:

- at amortised cost (AC)
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

#### *(a) Financial assets measured at amortised cost*

This category includes all financial assets that meet both of the following conditions:

- the financial asset is held solely to collect contractual cash flows (HTC - Held To Collect - business model); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed).

In this category, financial instruments are initially recognised at fair value, inclusive of transaction costs, and subsequently measured at amortised cost. Interest, calculated using the effective interest method, impairment losses (impairment gains), exchange gains (losses) and gains (losses) on derecognition are recognised in profit or loss.

#### *(b) Financial assets at fair value through other comprehensive income (FVTOCI)*

This category includes all financial assets that meet both of the following conditions:

- the asset is held to collect not only contractual cash flows but also the cash flows generated from its sale (HTC&S model); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed).

In this category, the financial assets are initially measured at fair value, inclusive of transaction costs. Interest (calculated using the effective interest method), impairment losses (impairment gains), exchange gains (losses) and gains (losses) on derecognition are recognised in profit or loss. Other fair value gains or losses are recognised in OCI. Upon derecognition, all cumulative gains or losses previously recognised in OCI will be reclassified to profit or loss.

For information about equity instruments which fall under the scope of IFRS 9, reference should be made to the paragraph on Investments in subsidiaries, associates, joint arrangements and other investments.

#### *(c) Financial assets at fair value through profit or loss (FVTPL)*



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This category includes all financial assets not classified as measured at amortised cost or fair value through other comprehensive income. Financial instruments classified under this category are initially and subsequently measured at fair value. Transaction costs and fair value gains and losses are recognised in profit or loss.

#### ii. Classification and measurement of financial liabilities

Loans and borrowings, 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 and borrowings, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term of more than 12 months after the reporting date and those for which the company has an unconditional right to defer their settlement for at least 12 months after the reporting date. Loans and borrowings, trade payables and other financial liabilities are derecognised when repaid and when the company has transferred all risks and charges related to the instrument.

#### iii. Classification and measurement of derivatives

Pending the IASB's completion of the macro hedge accounting project to simplify hedge accounting, the company has opted to continue to apply the macro fair value hedge accounting model under IAS 39.

The company uses derivatives as part of its hedging strategies to mitigate the risk of fair value gains or losses on recognised assets or liabilities or firm commitments (fair value hedges) or changes in cash flows expected from firm commitments or highly probable transactions (cash flow hedges). 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 gains or losses on the hedge to those on 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 gains or losses on hedged assets or liabilities attributable to the hedged risk.

Cash flow hedges: fair value gains or losses on derivatives designated as cash flow hedges and 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.

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 iv. Subsequent measurement: impairment losses

The company applies the expected credit loss (ECL) model to determine impairment losses, which entails a significant assessment level of the impact of the changes in economic factors on the ECL, which are probability-weighted.

Loss allowances are measured using the general deterioration method and the simplified approach. Specifically:

- under the general deterioration method, the financial instruments are to be classified in three stages which reflect the level of deterioration from the moment the financial instrument is acquired and provide for a different ECL calculation method;
- under the simplified approach, some simplifications may be applied to trade receivables, contract assets and lease assets so that the entities are not required to monitor credit risk changes, as required instead by the general approach. Under the simplified approach, lifetime expected credit losses are recognised, therefore, no stage allocation is necessary. Losses are calculated over the residual life of the asset or receivable, which does not generally exceed 12 months.

As mentioned earlier, when the general deterioration method applies, financial instruments are classified into three stages based on the deterioration of credit quality between initial recognition and the measurement date:

- Stage 1: includes all financial assets under assessment on the date of initial recognition regardless of qualitative indicators (e.g., ratings) and except for situations with objective evidence of impairment. Upon subsequent measurement, all financial instruments whose credit risk has not increased significantly since the date of initial recognition or whose credit risk at the reporting date is low, remain in Stage 1. For these exposures, 12-month ECL are provided for that represent the ECL that result from default events that are possible within the 12 months after the reporting date. Interest on Stage 1 financial instruments is calculated on the gross carrying amount (without deducting the loss allowance);
- Stage 2: includes the financial instruments whose credit risk has increased significantly since the date of initial recognition, which, however, do not show objective evidence of impairment. For these assets, only lifetime ECL are provided for, i.e., ECL that result from all possible default events over the expected life of a financial instrument. Interest on Stage 2 financial instruments is calculated on the gross carrying amount (without deducting the loss allowance);
- Stage 3: includes financial assets with objective evidence of impairment at the reporting date. For these assets, only lifetime ECL are provided for, i.e., ECL that result from all possible default events over the expected life of a financial instrument.

In order to identify the methodological approach to be applied to the assets that are in scope of the impairment requirements and, specifically, the correct probability of default, the company defined a conventional cluster segmentation based on counterparty:

- Public administration: all loans and receivables with the government, regions, provinces, municipalities, the EU or related bodies;
- Intragroup: all loans and receivables with the parent, subsidiaries and associates;
- Deposits: all deposits with banks;
- Amounts from third parties: loans and receivables other than those above, with non-financial companies, producers and consumers.

Furthermore, the company opted to apply the low credit risk exemption allowed by IFRS 9 to assets other than trade receivables that are rated investment grade (between AAA and BBB-). Accordingly, there is no stage allocation: in fact these assets are directly allocated to Stage 1 with a one-year provision.

Therefore, the application of the impairment model entails the following steps:

- Separation between loans and trade receivables: this distinction isolates the scope of the assets subject to the stage allocation criteria, i.e., all loans. Conversely, these criteria do not apply to trade receivables following the application of the simplified approach whereby expected credit losses are always classified on a lifetime basis.
- Calculation of expected credit losses - loans: the expected credit loss is calculated for each cluster, once the relevant stage has been identified;
- Calculation of expected credit losses - trade receivables: for each cluster, trade receivables are broken down by due date (specifically, falling due, past due up to one year, past due up to two years, past due by more than two years). The expected credit losses are then calculated accordingly.

### **Fair value estimates**

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 measured 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 company 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 directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable inputs.

The company's portfolio includes over-the-counter (OTC) instruments measured at 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 interest rate swaps;
- using market value calculation models for collars.

The inputs used to feed the above models reflect observable market parameters 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).

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In accordance with IFRS 13, starting from the amount of the IRS and the option (for the collar) unadjusted by credit risk (FVMID), the related credit value adjustment and credit adjusted fair value have been calculated.

### **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. The net realisable value of finished products and property is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The net realisable value of raw materials, consumables and supplies is replacement cost.

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.

### **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, net of impairment losses calculated in accordance with IFRS 9. At the reporting date, current account overdrafts are classified in the statement of financial position as loans and borrowings under current liabilities. Cash and cash equivalents are measured at fair value, which usually coincides with their nominal amount, through profit or loss.

### **Employee benefits**

#### Short-term 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 12 months after the reporting date during the which the employees provide their service. These benefits are accounted for as personnel expense components in the period in which the employees provide their service .

#### Defined benefit plans and defined contribution plans(Post-employment benefits and Free Travel Card)

The company has both defined benefit and defined contribution 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 does not have sufficient assets to meet the commitments with employees. With respect to the defined contribution plans, the company 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. For these plans, the actuarial and the investment risks are borne by employees.

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.

Specifically, the company 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 amendments and additions, 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.

The company also has a defined benefit pension plan in place, the "Free Travel Card" 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 the Ferrovie dello Stato group.

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 to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. A provision is recognised when there is a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The provisions are stated as the best estimate of the expenditure required to settle the obligation. The current amount of the liability is measured using a rate which reflects the current market value and considers the risk specific 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.

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Risks for which a liability is only possible are disclosed in the specific section on contingent liabilities without accruing any provisions.

### **Revenue from contracts with customers**

#### **i. Initial recognition and subsequent measurement**

The company recognises revenue in order to depict the transfer of the promised goods and/or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognised using the five step model, which entails: i) identifying the contract with the customer, ii) identifying the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contract and v) recognising revenue.

Revenue is measured considering the contract terms and the commercial practices usually applied to transactions with customers. The transaction price is the amount of consideration (which may include fixed amounts, variable amounts, or both) to which the company expects to be entitled in exchange for transferring promised goods or services to a customer. Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset (good/service). The total consideration of contracts for the provision of services is allocated among all services based on the selling prices of the related services as if they had been sold separately. For each contract, the reference element for the recognition of revenue is the single performance obligation. For each performance obligation, the company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For performance obligations satisfied over time, revenue is recognised over time, assessing the progress towards complete satisfaction of the performance obligation at each reporting date. The company measures progress in accordance with an input method (cost-to-cost method). Accordingly, revenue is recognised based on the inputs used to satisfy the obligation up to the reporting date, compared to the total inputs assumed to satisfy the entire obligation. When the inputs are distributed consistently over time, the company recognises the corresponding revenue on a straight-line basis. In some circumstances, when the company is unable to reasonably measure the outcome of a performance obligation, revenue is recognised only to the extent of the costs incurred. The nature and timing of performance obligations and the significant terms for the satisfaction of performance obligations are summarised below for the company's main contracts with customers.

The nature and timing of performance obligations and the significant terms for the satisfaction of performance obligations are summarised below for the company's main contracts with customers:

Products and services	IFRS 15 recognition
<b>Sale of goods and services and construction contracts (standard)</b>	<p><b>Nature and terms of performance obligations, significant terms of payment</b></p> <p>Under IFRS 15, revenue is measured considering the contract terms and the commercial practices usually applied to transactions with customers. The transaction price is the amount of consideration (which may include fixed amounts, variable amounts, or both) to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset (good/service). The total consideration of contracts for the provision of services is allocated among all services based on the selling prices of the related services as if they had been sold separately.</p> <p>Under IFRS 15, for each contract, the reference element for the recognition of revenue is the single performance obligation. For each separately-identified performance obligation, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.</p> <p>For performance obligations satisfied over time, revenue is recognised over time, assessing the progress towards complete satisfaction of the performance obligation at each reporting date. The Group measures progress in accordance with an input method (cost-to-cost method). Accordingly, revenue is recognised based on the inputs used to satisfy the obligation up to the reporting date, compared to the total inputs assumed to satisfy the entire obligation. When the inputs are distributed consistently over time, the Group recognises the corresponding revenue on a straight-line basis. In some circumstances, when the Group is unable to reasonably measure the outcome of a performance obligation, revenue is recognised only to the extent of the costs incurred.</p>
<b>Fees</b>	<p>It is the amount paid to use the train paths necessary to carry out the long and short haul domestic passenger rail transport and for freight transport (chapter 5 of the network prospectus (PIR)) which reflect the individual performance obligations (POs).</p> <p>The fee is calculated as the sum of components A and B (chapter 6 of the PIR):</p> <ul style="list-style-type: none"> <li>- component A relates to the wear and tear of the infrastructure;</li> <li>- component B relates to the market segments' ability to pay.</li> </ul> <p>Revenue is calculated every month with progress bills based on the contractually-agreed amounts.</p> <p>Adjustment takes place every quarter based on the actual number of trains in operation. This figure is calculated for each train by pricing the train paths under the contract and those actually used by each railway company.</p>
<b>Ferry services</b>	<p>This service relates to the transport of trains by ferry and is part of the minimum access package ("MAP").</p> <p>Although it also comprises shunting, boarding and disembarking services, this service is considered a single performance obligation.</p> <p>The tariff is governed by chapter 6 of the PIR and is calculated by multiplying the market segments' ability to pay by the km travelled.</p>

	<p>Revenue is recognised and progress bills are issued.</p> <p>Adjustment takes place every quarter based on the actual number of trains transported.</p>
<b>Electric traction (traffic-related services)</b>	<p>Chapter 5 of the PIR includes the supply of electrical energy for traction under additional services.</p> <p>The fee for this service is calculated in accordance with the Ministry of Economic Development decree dated 22 December 2015 and set out in chapter 6 of the PIR. It is equal to the sum of the fee for the indirect supply costs and the unit cost of energy, multiplied by electric km.</p> <p>Revenue is recognised every month based on progress billing with quarterly adjustments. The actual cost of electrical energy for traction is calculated within the following year and the billed cost is adjusted with the railway companies.</p>
<b>Other traffic-related services (excluding electric traction)</b>	<p>This contract refers to the traffic-related services covered by chapter 5 of the PIR (e.g., stopping, water supply, washing sidings, pre-heating, shunting services, fast track, parking, etc.), excluding those covered by the MAP and electric traction.</p> <p>The tariffs for each service are listed in chapter 6 of the PIR.</p> <p>Each traffic-related service is considered an individual performance obligation. Consequently, each fee refers to a single PO.</p> <p>Revenue is recognised monthly, while invoices are issued every three months based on the amounts calculated for each railway company and each service.</p>
<b>Health services</b>	<p>The group's Health department offers many different health services to FS Italiane group companies and companies, transport public bodies and accredited private bodies and private parties. These services include fitness assessments for various types of driving licences, checking the mental and physical soundness of transport workers, specialist check-ups, etc..</p> <p>Once the service has been provided and completed, it is entered into the WEB VINE system which will transfer the relevant data necessary for revenue recognition and to issue the related invoice.</p>
<b>Revenue from GSMR</b>	<p>This contract governs the service that RFI provides to telephone operators, granting non-exclusive access to the GSM frequency band inside railway tunnels, and the maintenance of the related systems. The consideration paid by the above operators is invoiced in accordance with the terms and conditions of the relevant contract.</p>
<b>Processing for third parties</b>	<p>This usually covers long-term contracts for the execution of a work or a group of closely interrelated works. These are contract works performed in accordance with the customer's technical specifications and are not carried out for the protection or safety of the railway operations. This category also includes the services generally related to the construction of an asset, agreed as a single item as per the customer's specific instructions. When the agreement is signed with the customer, an "Internal contract" is created which comprises the figures related to the works necessary for revenue recognition purposes. Invoices are issued after reporting, unless in the case of contract advances.</p>
<b>Sale of materials</b>	<p>These contracts cover the sale of "new" materials (mainly technological materials) and "serviceable" materials (mainly superstructure materials). New materials are sold at the more favourable price between the standard and the purchase price, while the sale price of serviceable second-hand materials is usually based on the</p>



	price of new materials, reduced by a percentage discount to reflect certain variables (e.g., consumption, type, exclusion of transport, etc.). For each delivery of materials, the Site Manager prepares a delivery report, a copy of which is sent to the person in charge of issuing the sale order and the related invoice.
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#### ii. Variable consideration

If the consideration promised in a contract includes a variable amount (e.g., because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or because the consideration is contingent on the occurrence or non-occurrence of a future event), an entity shall estimate the amount of consideration to which it is entitled. The company estimates variable considerations consistently for similar items, using the expected value or the most likely amount method. They subsequently include in the transaction price the amount of variable consideration estimated, only to the extent that it is highly probable.

#### iii. Existence of a significant financing component

When a significant financing component exists, revenue is adjusted, both when companies are financed by their customer (advance collection) and when they finance it (deferred collection). The existence of a significant financing component is identified when the contract is signed by comparing expected revenue against the payments to be received. It is not recognised if the period between when the entity transfers a promised good or service and when the customer pays for that good or service is one year or less.

#### iv. Incremental costs of obtaining a contract and costs to fulfil a contract

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission), which it expects to recover. Conversely, if no contract is obtained, they are recognised provided that they are explicitly chargeable to the customer. The company recognises the costs incurred to fulfil a contract only when they relate directly to a contract, generate or enhance resources that will be used in satisfying performance obligations in the future and are expected to be recovered.

### **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 the company will comply with any conditions attached to the grant and that the grants will be received, are recognised on an accruals basis.

#### *Grants related to assets*

They refer to amounts paid by the government and other public authorities to the company 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.

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### *Grants related to income*

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

### **Dividends**

They are recognised in profit or loss when the shareholder's right to receive payment arises, which usually coincides with the shareholder's resolution approving dividend distribution.

Dividends distributed to the company's shareholder are presented as a change in equity and recognised under liabilities when their distribution is approved by the shareholder.

### **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 profit and in accordance with ruling tax legislation. Deferred tax assets, related to carry forward tax losses, are recognised when it is probable that future taxable profit 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 under 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 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.

When the conditions set out by IAS 12 are not met, no current or deferred taxes are recognised.

### **Translation of foreign currency amounts**

Any transactions in a currency other than the company's 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 differences are taken to profit or loss.

## Assets 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 and may not exceed 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 on or after 1 January 2020.

#### ***Amendments to references to the conceptual framework in IFRS standards***

On 29 March 2018, the IASB issued the revised version of the Conceptual framework for financial reporting. The main changes compared to the 2010 version include: a new chapter on measurement, improved definitions and guidance, specifically with respect to the definition of liability, clarifications of major concepts, such as stewardship, prudence and measurement uncertainties. The EU endorsed this amendment on 29 November 2019. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these financial statements.

#### ***Amendments to IFRS 3 Business Combination***

On 22 October 2018, the IASB issued an amendment to IFRS 3 Business combinations. The amendment relates to the definition of business which, at present, is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. Previously, it was an integrated set of activities and assets that was capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or

participants. The EU endorsed this amendment on 21 April 2020. The amendment applies to all business combinations and assets acquired after 1 January 2020. Early application is permitted. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these financial statements.

#### ***Amendments to IAS 1 and IAS 8 Definition of material***

On 31 October 2018, the IASB issued an amendment to IAS 1 and IAS 8 Definition of material. The main changes relate to the alignment of the references and quotes included in some standards in order to reflect the new version of the Conceptual Framework, which was approved in March 2018, instead of the 2010 version. The amendment applies to annual periods beginning on or after 1 January 2020. The EU endorsed this amendment on 29 November 2019. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these financial statements.

#### **Amendments to IFRS 9, IAS 39 and IFRS 7**

On 26 September 2019, the IASB published Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7), which amends the hedge accounting requirements under IFRS 9, IAS 39 and IFRS 7.

The EU endorsed this amendment on 15 January 2020. The amendments became effective on 1 January 2020 and early application is permitted. The application of these changes, where applicable and because of their nature, has not had any significant impacts on these financial statements.

#### ***Amendments to IFRS 16 Leases Covid-19- Related Rent Concessions***

On 28 May 2020, the IASB issued "Covid-19- Related Rent Concessions (Amendment to IFRS 16)". The amendment permits lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. Therefore, lessees that use this practical expedient may recognise the effects of such rent concessions directly in profit or loss at the effective date of the concession. This amendment applies to annual periods beginning on or after 1 June 2020 and early application at 1 January 2020 is permitted. The application of this amendment has not had any significant impacts on these financial statements. With Regulation (EU) 2020/1434 of 9 October 2020, published in the Official Journal of the European Union on 12 October 2020, IASB document "Covid-19- Related Rent Concessions (Amendment to IFRS 16)" was endorsed.

#### **Standards, amendments and interpretations endorsed by the European Union, but not yet applied**

#### ***Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39 and IAS 37 Interest Rate Benchmark Reform– Phase 2***

On 27 August 2020, the IASB issued amendments to IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement. The European Commission endorsed the amendments with Regulation (EC) no. 25/2021 of 13 January 2021. The company shall apply the amendments, at the latest, as from the commencement date of its first year starting on or after 1 January 2021.

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## Standards, amendments and interpretations not yet endorsed by the European Union

### ***Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current and classification of liabilities as current or non-current – Deferral of effective date***

On 23 January 2020, the IASB issued amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current which clarify how to classify liabilities as current or non-current.

The amendments were initially meant to go into force as from 1 January 2022, but the IASB postponed the effective date to 1 January 2023 with the issue of a second document on 15 June 2020.

### ***Amendments to IFRS 3, IAS 16, IAS 37, Annual Improvements 2018-2020***

On 14 May 2020, the IASB issued amendments to the following standards:

- IFRS 3 Business combinations
- IAS 16 Property, plant and equipment
- IAS 37 Provisions, contingent liabilities and contingent assets
- Annual Improvements 2018-2020.

All amendments are effective from 1 January 2022.

## USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements in accordance with IFRS, the directors applied 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 - foremost the impact of the COVID-19 pandemic, which is still unfolding and which could lead to widely disparate potential future scenarios with many different effects. 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 material impact on the financial figures if there were a change in the conditions underlying the assumptions used.

### **Impairment losses - non-financial assets**

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 company 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.

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**Impairment losses - financial assets**

According to the company's impairment model, an expected loss is the sum of the expected losses that result from possible default events on a financial instrument over a specific time horizon; this results in the recognition of a loss using both past and present figures and forward-looking information. Determining expected credit losses, especially when there are credit-impaired financial assets or which show objective evidence of impairment requires the directors to make subjective valuations based on the information available within the company (e.g., estimating expected cash flows) and in the market, as well as from past experience. 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.

**Extension/termination options in leases**

For leases that include extension/termination options, at the commencement date of the lease, the company assesses whether it is reasonably certain to exercise the options and reassesses them whenever a significant event or significant change in circumstances under its control occurs. Assessing the extension option may require the directors to make subjective judgements based on the information available at the lease measurement date and on past experience.

**Residual value of property, plant and equipment, investment property and intangible assets with a finite useful life**

Under IAS 16, 38 and 40, the depreciable cost of an item of property, plant and equipment, investment property and intangible assets with a finite useful life is calculated by subtracting its residual value. The residual value of the infrastructure and investment property 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 company 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.

**Amortisation and depreciation**

The cost of property, plant and equipment, intangible assets with a finite useful life and investment property is depreciated/amortised based on production volumes, as described in detail in the note to property, plant and equipment. The company assesses any technological, usage and sector changes to update these volumes 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.

Calculating the amortisation/depreciation of these assets entails a complex accounting estimate that is influenced by a number of factors, including the estimated production volumes expressed as train-km, the estimated residual value and any changes to the regulatory framework.

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### **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 the company's financial statements.

### **Fair value of derivatives**

The fair value of derivatives that are not quoted on active markets is measured using valuation techniques. The company 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.

### **Operating segments**

At the date of these financial statements, the company had no debt instruments or shares quoted on a regulated market and was included in the scope of consolidation of the FS Italiane group, which provides information on its operating segments in the notes to the consolidated financial statements, in accordance with IFRS 8.2 b.

## **STATEMENT OF FINANCIAL POSITION**

### **4. Financial risk management**

The activities that the company carries out expose it to various types of risks that include market risk (interest rate 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 tries to minimise 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, loans with the public administration, derivatives and the company's cash and cash equivalents.

In particular, the COVID-19 pandemic did not change the company's risk structure.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the company applies a specific policy that defines concentration thresholds by counterparty and credit rating.

The table below shows the company's exposure to the credit risk:

	(€'000)	
	31.12.2020	31.12.2019
Non-current financial assets (including derivatives)	110,709	575,918
Loss allowance	(183)	(523)
<b>Non-current financial assets (including derivatives), net of the loss allowance</b>	<b>110,526</b>	<b>575,395</b>
Non-current trade receivables	1,757	1,679
Loss allowance	(3)	(2)
<b>Non-current trade receivables, net of the loss allowance</b>	<b>1,755</b>	<b>1,677</b>
Other non-current assets	3,238,498	4,040,517
Loss allowance	(2,360)	(2,946)
<b>Other non-current assets, net of the loss allowance</b>	<b>3,236,138</b>	<b>4,037,571</b>
Current trade receivables	705,494	827,626
Loss allowance	(126,781)	(150,770)
<b>Current trade receivables, net of the loss allowance</b>	<b>578,714</b>	<b>676,856</b>
Current financial assets (including derivatives)	559,140	689,830
Loss allowance	(403)	(497)
<b>Current financial assets (including derivatives), net of the loss allowance</b>	<b>558,737</b>	<b>689,333</b>
Cash and cash equivalents	338,840	540,272
Allowance for inventory write-down	(244)	(389)
<b>Cash and cash equivalents, net of the loss allowance</b>	<b>338,596</b>	<b>539,883</b>
Other current assets	1,459,122	2,142,623
Loss allowance	(37,293)	(39,180)
<b>Other current assets, net of the loss allowance</b>	<b>1,421,829</b>	<b>2,103,443</b>
<b>Total exposure, net of the loss allowance (*)</b>	<b>6,246,295</b>	<b>8,624,158</b>

(\*) Tax assets, equity investments, cash in hand and prepayments and accrued income are not included

A significant portion of trade receivables and loans relates to government and public authorities, such as the MEF and the regions.

The table below shows the exposure to credit risks by counterparty, excluding cash and cash equivalents, in absolute terms and as a percentage:

	(€'000)	
	31.12.2020	31.12.2019
Public administration, Italian government and regions	5,086,314	6,964,452
Ordinary customers	305,041	502,478
Financial institutions*	448,575	625,722
Other debtors	406,366	531,506
<b>Total exposure, net of the loss allowance</b>	<b>6,246,295</b>	<b>8,624,158</b>

\*cash and cash equivalents net of cash in hand (€272 thousand at 31 December 2020)

	31.12.2020	31.12.2019
Public administration, Italian government and regions	81%	81%
Ordinary customers	5%	6%
Financial institutions	7%	7%
Other debtors	7%	6%
<b>Total exposure, net of the loss allowance</b>	<b>100%</b>	<b>100%</b>



The amount of financial assets whose recoverability is uncertain is negligible. However, an adequate loss allowance was accrued in this respect.

The following tables give a breakdown of financial assets and trade receivables at 31 December 2020 and 2019 by past due brackets and related to the Public administration, the Italian government, the regions, ordinary customers and financial institutions.

(€'000)						
31.12.2020						
Past due by						
	Not past due	0-180 days	180-360 days	360-720 days	More than 720 days	Total
Public administration, Italian government and regions (gross)	5,049,160	3,150	369	6,496	40,832	5,100,008
Loss allowance	(4,625)	(3)	–	(6)	(9,059)	(13,694)
<b>Public administration, Italian government and regions (net)</b>	<b>5,044,535</b>	<b>3,147</b>	<b>369</b>	<b>6,490</b>	<b>31,773</b>	<b>5,086,314</b>
Group companies	385,601	4,303	5,781	10,047	13,939	419,671
Loss allowance	(266)	(3)	(4)	(7)	(13,026)	(13,306)
<b>Group companies (net)</b>	<b>385,335</b>	<b>4,300</b>	<b>5,777</b>	<b>10,040</b>	<b>913</b>	<b>406,366</b>
Third party customers (gross)	217,547	40,525	19,849	28,263	138,803	444,986
Loss allowance	(26,489)	(4,934)	(2,417)	(3,441)	(102,664)	(139,945)
<b>Third party customers (net)</b>	<b>191,058</b>	<b>35,591</b>	<b>17,432</b>	<b>24,821</b>	<b>36,139</b>	<b>305,041</b>
Financial institutions	448,893					448,893
Loss allowance	(318)					(318)
<b>Financial institutions (net)</b>	<b>448,575</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>448,575</b>
<b>Total exposure, net of the loss allowance</b>	<b>6,069,503</b>	<b>43,038</b>	<b>23,578</b>	<b>41,351</b>	<b>68,825</b>	<b>6,246,295</b>

(€'000)						
31.12.2019						
Past due by						
	Not past due	0-180 days	180-360 days	360-720 days	More than 720 days	Total
Public administration, Italian government and regions (gross)	6,939,168	2,294	4,999	24,043	19,063	6,989,567
Loss allowance	(24,934)	(8)	(18)	(86)	(68)	(25,115)
<b>Public administration, Italian government and regions (net)</b>	<b>6,914,234</b>	<b>2,286</b>	<b>4,981</b>	<b>23,956</b>	<b>18,995</b>	<b>6,964,452</b>
Group companies	502,086	12,030	8,367	4,702	17,583	544,769
Loss allowance	(12,222)	(293)	(204)	(115)	(428)	(13,263)
<b>Group companies (net)</b>	<b>489,864</b>	<b>11,737</b>	<b>8,163</b>	<b>4,588</b>	<b>17,155</b>	<b>531,506</b>
Third party customers (gross)	471,709	34,368	24,679	23,791	103,410	657,958
Loss allowance	(111,468)	(8,121)	(5,832)	(5,622)	(24,437)	(155,479)
<b>Third party customers (net)</b>	<b>360,241</b>	<b>26,247</b>	<b>18,848</b>	<b>18,169</b>	<b>78,974</b>	<b>502,478</b>
Financial institutions	626,172					626,172
Loss allowance	(450)					(450)
<b>Financial institutions (net)</b>	<b>625,722</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>625,722</b>
<b>Total exposure, net of the loss allowance</b>	<b>8,390,060</b>	<b>40,270</b>	<b>31,991</b>	<b>46,713</b>	<b>115,124</b>	<b>8,624,158</b>

Amounts from ordinary customers, past due by more than 720 days, mainly arise from sundry disputes. The legal actions commenced for the recovery of some amounts are still underway.

Sometimes, in order to recover the amounts, the offsetting of receivables and payables with the same customer/supplier was proposed and carried out.

Amounts receivable from the public administration, past due by more than 720 days, mainly refer to local bodies facing financial difficulties as part of the unfavourable national economic situation.

The total exposure and the impairment of each category was reclassified by risk class at 31 December 2020, as per Standard & Poor's rating, shown below:

(€'000)

<b>2020</b>			
<b>Amortised cost</b>			
	<b>12-month expected credit losses</b>	<b>Lifetime-not impaired</b>	<b>Total</b>
from AAA to BBB-	1,008,311	4,960,271	5,968,582
from B to CCC	378	444,598	444,975
Gross carrying amount	1,008,689	5,404,869	6,413,559
Loss allowance	(830)	(166,433)	(167,263)
<b>Carrying amount</b>	<b>1,007,859</b>	<b>5,238,436</b>	<b>6,246,295</b>

(€'000)

<b>2019</b>			
<b>Amortised cost</b>			
	<b>12-month expected credit losses</b>	<b>Lifetime-not impaired</b>	<b>Total</b>
from AAA to BBB-	1,805,641	6,354,867	8,160,508
from B to CCC	378	657,579	657,957
Gross carrying amounts	1,806,019	7,012,446	8,818,465
Loss allowance	(1,408)	(192,899)	(194,307)
<b>Carrying amount</b>	<b>1,804,611</b>	<b>6,819,547</b>	<b>8,624,158</b>

The table below shows changes in impairment losses and gains on financial assets:

(€'000)

	<b>12-month expected credit losses</b>	<b>Lifetime-not impaired</b>	<b>Total</b>
Balance at 1 January 2020	<b>(1,408)</b>	<b>(192,899)</b>	<b>(194,307)</b>
Repaid financial assets	591	2,934	3,525
New financial assets acquired	(13)	(79)	(92)
Non-recurring transactions	0	0	0
Accrual to the loss allowance	0	(6,161)	(6,161)
Release of the allowance	0	15,513	15,513
Utilisation of the allowance	0	14,259	14,259
<b>Balance at 31 December 2020</b>	<b>(830)</b>	<b>(166,433)</b>	<b>(167,263)</b>

## Liquidity risk

Liquidity risk is the risk that an entity may have difficulties in meeting obligations from financial liabilities to be settled with cash or another financial asset.

Cash flows, cash requirements and liquidity are monitored to ensure efficient and effective management of financial resources. The company's objective is the prudent management of the liquidity risk arising from ordinary operations.

As for FS Italiane group's other main companies, the parent's Finance department oversees RFI's liquidity management using the intragroup current account, whereby the company can manage its cash needs for ordinary operations, including by using committed and uncommitted lines that it may request from the parent. At 31 December 2020, RFI had exclusively used committed lines for €350 million.

Furthermore, RFI holds a non-interest bearing current account with the MEF, included under cash and cash equivalents to ensure that the amounts disbursed by the government to finance the portion of RFI's investment match the progress of the investments.

The company's financial liabilities mainly refer to the financial resources used for the investments in HS/HC sections.

The following table shows the due dates of financial liabilities, including interest to be paid:

	(€'000)						
31.12.2020	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
<b>Non-derivative financial liabilities*</b>							
Bank loans and borrowings	1,000,428	1,094,108	111,833	111,908	174,154	318,724	377,490
Lease liabilities	44,877	49,771	7,470	6,988	14,055	12,347	8,911
Loans and borrowings from other financial backers	56,036	56,804	15,902	15,902	12,500	12,500	–
Loans and borrowings from group companies	2,136,038	2,225,760	406,276	681,855	9,267	413,361	715,001
<b>Total</b>	<b>3,237,379</b>	<b>3,426,443</b>	<b>541,481</b>	<b>816,652</b>	<b>209,977</b>	<b>756,931</b>	<b>1,101,402</b>
<b>Trade payables</b>	<b>2,565,191</b>	<b>2,565,191</b>	<b>446,933</b>	<b>2,100,237</b>	<b>18,021</b>		
<b>Derivatives*</b>	<b>9,546</b>	<b>9,900</b>	<b>2,686</b>	<b>2,231</b>	<b>3,134</b>	<b>1,849</b>	<b>–</b>

\*For a better accounting presentation, financial liabilities are shown gross of accrued expenses

	(€'000)						
31.12.2019	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years
<b>Non-derivative financial liabilities*</b>							
Bank loans and borrowings	1,391,920	1,632,296	114,976	115,082	230,410	580,962	590,866
Lease liabilities	52,532	55,995	6,672	6,430	12,506	19,802	10,585
Loans and borrowings from other financial backers	86,093	88,610	15,902	15,902	31,804	25,002	–
Loans and borrowings from group companies	2,951,426	3,094,726	1,066,407	490,750	737,104	27,519	772,946
<b>Total</b>	<b>4,289,917</b>	<b>4,631,838</b>	<b>1,204,082</b>	<b>628,259</b>	<b>1,012,075</b>	<b>519,855</b>	<b>1,267,567</b>
<b>Trade payables</b>	<b>3,199,590</b>	<b>3,199,590</b>	<b>228,723</b>	<b>2,952,185</b>	<b>18,682</b>		
<b>Derivatives*</b>	<b>14,682</b>	<b>14,802</b>	<b>3,396</b>	<b>2,923</b>	<b>4,420</b>	<b>4,052</b>	<b>12</b>

\*For a better accounting presentation, financial liabilities are shown gross of accrued interest

The contractual flows from variable-rate loans have been calculated using the forward rates estimated at the reporting date. Loans and borrowings from group companies comprise the current portion of loans from the parent which, due to their nature, are among those due within six months.

With respect to contractual payment dates, the most significant portion relates to trade payables for contracts and works which are mainly repaid through government grants. The residual part is repaid using cash flows from operations.

The following tables show the repayment dates of financial liabilities at 31 December 2020 and 2019 within one year, from 1 to 5 years and after 5 years.

(€'000)				
31.12.2020	Carrying amount	Within one year	1-5 years	After 5 years
<b>Non-derivative financial liabilities*</b>				
Bank loans and borrowings	1,000,428	207,505	445,922	347,001
Lease liabilities	44,877	13,658	22,807	8,412
Loans and borrowings from other financial backers	56,036	31,036	25,000	–
Loans and borrowings from group companies	2,136,038	1,056,897	389,302	689,838
<b>Total</b>	<b>3,237,379</b>	<b>1,309,097</b>	<b>883,032</b>	<b>1,045,251</b>

\*For a better accounting presentation, non-derivative financial liabilities are shown gross of accrued expenses

(€'000)				
31.12.2019	Carrying amount	Within one year	1-5 years	After 5 years
<b>Non-derivative financial liabilities*</b>				
Bank loans and borrowings	1,199,866	199,901	581,234	418,731
Lease liabilities	52,532	12,226	30,425	9,881
Loans and borrowings from other financial backers	86,093	30,057	56,036	–
Loans and borrowings from group companies	2,951,426	1,510,237	702,086	739,103
<b>Total</b>	<b>4,289,918</b>	<b>1,752,421</b>	<b>1,369,782</b>	<b>1,167,715</b>

\*For a better accounting presentation, non-derivative financial liabilities are shown gross of accrued expenses

## Market 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 or interest rates. The objective of market risk management is to manage and maintain the company's exposure to this risk within acceptable levels, while optimising returns on investments. The company uses hedging transactions to manage the volatility of the results.

## Interest rate risk

Interest rate risk is associated with the intrinsic variability of market interest rates which generates uncertainties as to the future cash flows associated with financing activities.

With respect to the actual and forecast non-current indebtedness, the company, assisted by the financial risk management services of the parent's Finance department, has adopted an interest rate risk management policy which is aimed at (i) capping total financial expense (including in case of negative scenarios) within a level that does not exceed the assumptions set out in the business plan, while (ii) freeing additional resources with respect

to the assumed borrowing cost. RFI's derivatives are plain vanilla collars and interest rate swaps exclusively for hedging purposes in accordance with cash flow hedging requirements.

Interest rate collars with a total notional amount of €300 million were entered into between the end of 2011 and the first few months of 2012 to manage variable-rate debt.

50% of the specific liability is currently hedged, while the residual amount fell due in prior years.

At 31 December 2020, the outstanding notional amount is €25 million.

The interest rate swaps entered into by the company in 2012 following the exercise of the early termination option are the (economic) continuation of the hedges of the variable-rate loans raised in 2002.

At 31 December 2020, the outstanding notional amount is €240 million.

### Fair value estimate

The company's portfolio includes over-the-counter (OTC) instruments which are classified as 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 option contracts (caps and collars) using financial valuation models based on market standards.

The inputs used to feed the above models reflect observable market parameters 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).

The table below shows variable and fixed rate loans and borrowings (including the current portion):

	(€'000)					
	Carrying amount	Contractual flows	Current portion	1 and 2 years	2 and 5 years	after 5 years
- variable rate	1,346,099	1,377,545	486,736	87,116	246,347	557,347
- fixed rate	1,891,279	2,048,898	871,398	122,861	510,585	544,055
<b>Balance at 31 December 2020</b>	<b>3,237,379</b>	<b>3,426,443</b>	<b>1,358,133</b>	<b>209,977</b>	<b>756,931</b>	<b>1,101,402</b>
- variable rate	1,999,753	2,054,840	1,096,758	137,348	227,390	593,344
- fixed rate	2,237,632	2,521,004	722,480	862,222	272,663	663,639
<b>Balance at 31 December 2019</b>	<b>4,237,385</b>	<b>4,575,844</b>	<b>1,819,238</b>	<b>999,570</b>	<b>500,053</b>	<b>1,256,983</b>

\*For a better accounting presentation, financial liabilities are shown gross of accrued expenses

The table below shows the impact of variable- and fixed-rate loans (including the current portion), before and after hedging derivatives, which convert variable rates into fixed rates.

	31.12.2020	31.12.2019
<b>Before hedging with derivatives</b>		

variable rate	41.6%	47.3%
fixed rate	58.4%	52.7%
<b>After hedging with derivatives</b>		
variable rate	33.4%	37.6%
hedged variable rate	0.8%	2.4%
fixed rate	65.9%	60.1%

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 2020:

	<b>+ 50 bps shift</b>	<b>- 50 bps shift</b>
Interest expense on variable-rate liabilities	2,254	(1,501)
Net cash flow from hedges	(1,492)	1,196
<b>Total</b>	<b>762</b>	<b>(305)</b>

If, at the reporting date, the interest rates had been 50 basis points higher, with all other variables being equal, profit for the year net of the tax effect would have been €762 thousand higher. At the same date, had interest rates been 50 basis points lower, with all other variables being equal, profit for the year would have been €305 thousand lower.

The following sensitivity analysis shows the effects of a parallel shift of 50 basis points up or down in the swap rate curve at 31 December 2020 on the fair value of the derivative financial instruments. The effects would be substantially recognised in the specific equity reserve.

	<b>+ 50 bps shift</b>	<b>- 50 bps shift</b>
Fair value of hedging derivatives	2,121	(2,161)
<b>Total</b>	<b>2,121</b>	<b>(2,161)</b>

### Currency risk

RFI 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.

## 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 benefits for the various 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 above tables and the categories of financial assets and financial liabilities identified pursuant to IFRS 7.

			(€'000)
31.12.2020	Financial assets	Financial liabilities	of which: hedging derivatives
Non-current financial assets (including derivatives)	110,526		
Non-current trade receivables	1,755		
Other non-current assets	3,236,147		
Current trade receivables	578,714		
Current financial assets (including derivatives)	558,737		
Cash and cash equivalents	338,868		
Other current assets	1,438,006		
Non-current loans and borrowings		1,897,420	
Non-current financial liabilities (including derivatives)		40,765	40,765
Non-current trade payables		18,021	
Other non-current liabilities		111,472	
Current loans and borrowings and current portion of non-current loans and borrowings		1,295,082	
Current trade payables		2,547,170	
Current financial liabilities (including derivatives)		14,292	
Other current liabilities		3,081,163	

31.12.2019	Financial assets	Financial liabilities	of which: hedging derivatives
			(€'000)
Non-current financial assets (including derivatives)	575,395		
Non-current trade receivables	1,677		
Other non-current assets	4,037,579		
Current trade receivables	676,856		
Current financial assets (including derivatives)	689,333		
Cash and cash equivalents	540,334		
Other current assets	2,125,444		
Non-current loans and borrowings		2,497,189	
Non-current financial liabilities (including derivatives)		53,571	53,571
Non-current trade payables		18,682	
Other non-current liabilities		122,879	
Current loans and borrowings and current portion of non-current loans and borrowings		1,740,196	
Current trade payables		3,180,908	
Current financial liabilities (including derivatives)		14,006	
Other current liabilities		3,282,149	

## 5. Property, plant and equipment

The table below shows the opening and closing balances of property, plant and equipment and changes in the year. It also shows changes in Historical cost, Depreciation and impairment losses and Grants. The balance of extraordinary maintenance refers to extraordinary maintenance expense incurred and capitalised and, hence, subject to depreciation.

Placement in service mainly refers to extraordinary maintenance, safety upgrades and improvements and the Easy Station project.

For additional information on placement in service and the financial progress of works, reference should be made to the "Investments" section of the directors' report.

Depreciation amounts to €84,811 thousand, of which €14,014 thousand relates to right-of-use assets (IFRS 16).



(€'000)

	Land, buildings, railway and port infrastructure	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Extraordinary maintenance	Total
Historical cost	100,277,218	185,297	544,089	827,820	368,580	20,663,389	3,560,344	126,426,738
Depreciation and impairment losses	(23,660,651)	(69,604)	(246,610)	(360,407)	(206,509)	(1,553,597)	–	(26,097,378)
Grants	(46,302,938)	(50,640)	(199,976)	(346,793)	(80,303)	(15,654,075)	(3,560,344)	(66,195,068)
<b>Balance at 31.12.2019</b>	<b>30,313,630</b>	<b>65,053</b>	<b>97,504</b>	<b>120,620</b>	<b>81,768</b>	<b>3,455,717</b>	<b>–</b>	<b>34,134,292</b>
Investments	1,113	–	–	–	4,997	3,888,630	735,554	4,630,294
Placement in service	3,239,919	2,863	1,206	185,963	4,724	(2,383,290)	(1,051,384)	–
Depreciation	(72,344)	(19)	(2,011)	(2,660)	(7,776)	–	–	(84,811)
Impairment losses	(30,669)	–	–	–	–	(4,801)	–	(35,470)
Non-recurring transactions	–	–	–	–	–	–	–	–
Change in grants	(3,165,058)	(1,978)	(1,187)	(165,299)	(3,615)	(1,168,236)	315,830	(4,189,543)
<i>Increases for advances</i>	–	–	–	–	–	(3,453,989)	(735,554)	(4,189,543)
<i>Placement in service</i>	(3,165,058)	(1,978)	(1,187)	(165,299)	(3,615)	2,285,753	1,051,384	–
<i>Changes in grants due to reclassifications</i>	–	–	–	–	–	–	–	–
Disposals and divestments	(12,416)	–	–	(248)	(132)	–	–	(12,797)
<i>Decreases in historical cost due to disposals and divestments</i>	(16,659)	–	(54)	(2,408)	(3,190)	–	–	(22,311)
<i>Decreases in accumulated depreciation due to divestments</i>	1,364	–	36	1,800	1,457	–	–	4,656
<i>Decreases in grants due to other divestments</i>	341	–	19	292	1,476	–	–	2,128
<i>Decreases in impairment gains/losses due to divestments</i>	2,538	–	–	68	125	–	–	2,730
Other reclassifications	9,243	(1,263)	–	2	218	21,445	–	29,645
<i>Changes in historical cost due to other reclassifications</i>	15,747	(2,444)	–	828	(572)	(37,965)	–	(24,407)
<i>Changes in accumulated depreciation due to reclassifications</i>	(1,618)	602	–	–	(30)	–	–	(1,047)
<i>Changes in grants due to reclassifications</i>	(3,216)	341	–	(826)	825	59,410	–	56,534
<i>Changes in impairment gains/losses due to reclassifications</i>	(1,670)	238	–	–	(4)	–	–	(1,436)
<b>Total changes</b>	<b>(30,213)</b>	<b>(398)</b>	<b>(1,993)</b>	<b>17,757</b>	<b>(1,583)</b>	<b>353,747</b>	<b>–</b>	<b>372,789</b>
Historical cost	103,517,338	185,715	545,240	1,012,203	374,540	22,130,764	3,244,513	131,010,314
Depreciation and impairment losses	(23,763,050)	(68,783)	(248,585)	(361,201)	(212,738)	(1,558,398)	–	(26,212,755)
Grants	(49,470,871)	(52,277)	(201,144)	(512,625)	(81,617)	(16,762,901)	(3,244,513)	(70,325,949)
<b>Balance at 31.12.2020</b>	<b>30,283,417</b>	<b>64,655</b>	<b>95,511</b>	<b>138,377</b>	<b>80,185</b>	<b>3,809,464</b>	<b>–</b>	<b>34,471,610</b>

	Land, buildings, railway and port infrastructure	Plant and machinery	Other assets	Total
Historical cost	42,743	121	21,983	64,846
Accumulated depreciation	(7,299)	(7)	(5,282)	(12,588)
<b>Balance at 01.01.2020</b>	<b>35,444</b>	<b>114</b>	<b>16,700</b>	<b>52,258</b>
Investments (new leases)	1,027	-	4,997	6,025
Depreciation	(7,520)	(29)	(6,465)	(14,014)
Sales and disposals	(38)	-	-	(38)
<i>Historical cost</i>	<i>(121)</i>	-	<i>(1,068)</i>	<i>(1,189)</i>
<i>Accumulated depreciation</i>	<i>84</i>	-	<i>1,068</i>	<i>1,151</i>
<b>Total changes</b>	<b>(6,531)</b>	<b>(29)</b>	<b>(1,468)</b>	<b>(8,028)</b>
Historical cost	43,649	121	25,912	69,682
Depreciation and impairment losses	(14,736)	(36)	(10,680)	(25,451)
<b>Balance at 31.12.2020</b>	<b>28,913</b>	<b>85</b>	<b>15,233</b>	<b>44,231</b>

### Grants related to assets

In 2020, grants related to assets totalling €4,189,995 thousand were allocated to assets under construction. Of this amount, €3,806,576 thousand was given by the government. They mainly comprise:

- €3,479,160 thousand, of which €3,080,396 thousand as advances for grants related to assets from the MEF for infrastructure investments in the traditional network and €398,765 thousand to cover the advances paid to suppliers for investment projects covered by grants;
- €332,802 thousand, of which €160,723 thousand as advances for grants related to assets from the MIT for infrastructure investments in the traditional network and €172,079 thousand to cover the advances paid to suppliers for investment projects covered by grants;
- €378,033 thousand mainly related to funds from the EU and local bodies.

## 6. Investment property

The opening and the closing balances of investment property are given below.

(€'000)

	2020				2019			
	Land	Buildings	Assets under construction and payments on account	TOTAL	Land	Buildings	Assets under construction and payments on account	TOTAL
<b>Balance at 1 January</b>								
Cost	490,395	600,206	23,917	1,114,517	509,768	594,100	-	1,103,868
of which:								
Historical cost	1,549,743	1,628,639	23,917	3,202,299	1,575,433	1,540,814	-	3,116,248
Accumulated depreciation	-	(540,784)	-	(540,784)	-	(539,339)	-	(539,339)
Grants	(18,956)	(251,432)	-	(270,388)	(18,906)	(170,878)	-	(189,784)
Net impairment losses	(1,040,392)	(236,217)	-	(1,276,609)	(1,046,759)	(236,497)	-	(1,283,257)
<b>Carrying amount</b>	<b>490,395</b>	<b>600,206</b>	<b>23,917</b>	<b>1,114,517</b>	<b>509,768</b>	<b>594,100</b>	<b>-</b>	<b>1,103,868</b>
<b>Changes of the year</b>								
Acquisitions (placement in service)	-	55,904	(53,001)	2,903	52	88,700	(88,320)	432
Reclassifications	(2,618)	(510)	(737)	(3,864)	(2,821)	928	31,669	29,777
Changes in historical cost	(3,431)	(5,054)	54,709	46,224	(6,494)	834	112,236	106,577
Changes in accumulated depreciation	-	720	-	720	-	19	-	19
Changes in grants	(775)	3,651	(55,446)	(52,570)	(1)	(4)	(80,567)	(80,572)
Changes in impairment gains/losses	1,589	174	-	1,762	3,675	79	-	3,754
Disposals and divestments	(6,572)	(882)	-	(7,454)	(529)	(586)	-	(1,115)
Decreases in historical cost	(18,459)	(2,167)	-	(20,626)	(3,222)	(1,709)	-	(4,931)
Decrease in accumulated depreciation	-	1,004	-	1,004	-	905	-	905
Decreases in grants	-	70	-	70	-	17	-	17
Decreases in impairment gains/losses	11,887	211	-	12,098	2,693	201	-	2,894
Non-recurring transactions	-	-	-	-	-	-	-	-
Reclassifications from/to "Assets held for sale"	-	-	-	-	-	-	-	-
Increases/decreases due to impairment gains/losses	(5,073)	-	-	(5,073)	(16,027)	-	-	(16,027)
Change in grants	-	(51,172)	51,172	-	(49)	(80,567)	80,567	(49)
Depreciation	-	(2,006)	-	(2,006)	-	(2,370)	-	(2,370)
<b>Total changes</b>	<b>(14,263)</b>	<b>1,334</b>	<b>(2,566)</b>	<b>(15,495)</b>	<b>(19,373)</b>	<b>6,106</b>	<b>23,917</b>	<b>10,649</b>
<b>Balance at 31 December 2020</b>								
Cost	476,132	601,539	21,351	1,099,022	490,395	600,206	23,917	1,114,517
of which:								
Historical cost	1,527,852	1,677,322	25,625	3,230,799	1,549,743	1,628,639	23,917	3,202,299
Accumulated depreciation	-	(541,066)	-	(541,066)	-	(540,784)	-	(540,784)
Grants	(19,731)	(298,884)	(4,274)	(322,889)	(18,956)	(251,432)	-	(270,388)
Net impairment losses	(1,031,989)	(235,833)	-	(1,267,822)	(1,040,392)	(236,217)	-	(1,276,609)
<b>Carrying amount</b>	<b>476,132</b>	<b>601,539</b>	<b>21,351</b>	<b>1,099,022</b>	<b>490,395</b>	<b>600,206</b>	<b>23,917</b>	<b>1,114,517</b>

## 7. Intangible assets

The table below shows the opening and closing balances of intangible assets and changes in the year.

	(€'000)			
	Development expenditure	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Total
Historical cost	123,914	557,971	558,568	1,240,453
Amortisation and impairment losses	(80,860)	(145,676)	(4,746)	(231,281)
Grants	(22,735)	(272,611)	(18,570)	(313,916)
<b>Balance at 31.12.2019</b>	<b>20,319</b>	<b>139,684</b>	<b>535,253</b>	<b>695,256</b>
Investments/acquisitions	–	137	116,388	116,525
<i>Historical cost of investments/acquisitions</i>	–	137	116,388	116,525
<i>Accumulated amortisation of investments/acquisitions</i>	–	–	–	–
Placement in service	493	3,744	(4,236)	–
Amortisation	(407)	(2,917)	–	(3,324)
Impairment losses	–	–	(292)	(292)
Changes and grants	(453)	(3,510)	3,964	1
Disposals and divestments	–	–	–	–
Non-recurring transactions	–	–	–	–
Other reclassifications	–	–	(20,708)	(20,708)
<i>Changes in historical cost due to other reclassifications</i>	–	–	(16,744)	(16,744)
<i>Changes in accumulated amortisation due to other reclassifications</i>	–	–	–	–
<i>Changes in grants due to other reclassifications</i>	–	–	(3,964)	(3,964)
<i>Changes in impairment gains/losses due to reclassifications</i>	–	–	–	–
<b>Total changes</b>	<b>(368)</b>	<b>(2,546)</b>	<b>95,116</b>	<b>92,202</b>
Historical cost	124,406	561,852	653,976	1,340,234
Amortisation and impairment losses	(81,267)	(148,593)	(5,038)	(234,897)
Grants	(23,188)	(276,121)	(18,570)	(317,879)
<b>Balance at 31.12.2020</b>	<b>19,951</b>	<b>137,138</b>	<b>630,369</b>	<b>787,459</b>

## 8. Equity investments

The tables below show equity investments' opening and closing balances, broken down by category.

	(€'000)	
	31.12.2020	31.12.2019
Investments in:		
Subsidiaries	87,767	85,467
Associates	7,077	7,077
Other companies	48,932	49,012
<b>Total</b>	<b>143,776</b>	<b>141,556</b>

	Carrying amount 31.12.2019	Changes of the year				Carrying amount 31.12.2020
		Acquisitions/ subscriptions	Impairment losses/ gains	Reclassifi- cations	Divestments/ repayments	
<b>Investments in subsidiaries</b>						
Blu Jet S.r.l.	200	-	-	-	-	200
Tunnel Ferroviario del Brennero - Società di partecipazioni S.p.A.	48,455	-	-	-	-	48,455
Terminali Italia S.r.l.	9,238	-	-	-	-	9,238
Bluferries S.r.l.	21,229	-	-	-	-	21,229
Grandi Stazioni Rail S.p.A.	3,145	-	-	-	-	3,145
Infrarail Firenze S.r.l.	3,200	2,300	-	-	-	5,500
<b>Investments in associates</b>						
Quadrante Europa Terminal Gate S.p.A.	7,077	-	-	-	-	7,077
<b>Other companies</b>						
Isfort S.p.A.	48	-	-	-	-	48
Stretto di Messina S.p.A. in liquidation	48,882	-	-	-	-	48,882
Interporto Marche S.p.A.	82	-	(80)	-	-	2
<b>Total</b>	<b>141,556</b>	<b>2,300</b>	<b>(80)</b>	-	-	<b>143,776</b>

	Carrying amount 31.12.2018	Changes of the year				Carrying amount 31.12.2019
		Acquisitions/ subscriptions	Impairment losses/ gains	Reclassifi- cations	Divestments/ repayments	
<b>Investments in subsidiaries</b>						
Blu Jet S.r.l.	200	-	-	-	-	200
Tunnel Ferroviario del Brennero - Società di partecipazioni S.p.A.	48,455	-	-	-	-	48,455
Terminali Italia S.r.l.	6,538	2,700	-	-	-	9,238
Bluferries S.r.l.	21,229	-	-	-	-	21,229
Grandi Stazioni Rail S.p.A.	3,145	-	-	-	-	3,145
UM Ferro S.r.l.	-	308	-	-	(308)	-
Infrarail Firenze S.r.l.	-	3,200	-	-	-	3,200
<b>Investments in associates</b>						
Quadrante Europa Terminal Gate S.p.A.	7,077	-	-	-	-	7,077
<b>Other companies</b>						
Isfort S.p.A.	48	-	-	-	-	48
Stretto di Messina S.p.A. in liquidation	48,882	-	-	-	-	48,882
Interporto Marche S.p.A.	82	-	-	-	-	82
<b>Total</b>	<b>135,656</b>	<b>6,208</b>	-	-	<b>(308)</b>	<b>141,556</b>

In 2020, equity investments, amounting to €143,776 thousand, increased by €2,220 thousand. The rise is due to the combined effect of the subscription of the capital increase of Infrarail Firenze S.r.l. and the reduction of the investment in Interporto Marche S.p.A.. Furthermore, the €149,792 thousand increase in the investment in Tunnel Ferroviario del Brennero-Società di Partecipazioni S.p.A. is not shown, as it was entirely offset by the rise in grants related to assets received from the MEF and transferred to the subsidiary in connection with chapter 7122.

In the following table, the carrying amounts of investments in subsidiaries and associates are compared with the corresponding portions of equity.

								(€'000)
	Registered office	Share/quota capital	Profit (loss) for the year	Equity at 31.12.2020	% of investment	Attributable equity (a)	Carrying amount at 31.12.2020 (b)	Difference (b) - (a)
<b>Investments in subsidiaries</b>								
Blu Jet S.r.l.	Messina, Via Calabria 1	200	31	1,283	100.00%	1,283	200	(1,083)
Tunnel Ferroviario del Brennero - Società di partecipazioni S.p.A.	Rome, Piazza della Croce Rossa 1	985,791	2	987,838	89.74%	886,516	48,455	(838,061)
Terminali Italia S.r.l.	Rome, Piazza della Croce Rossa 1	7,346	2,222	24,000	100.0%	24,000	9,238	(14,762)
Bluferries S.r.l.	Messina, Via Calabria 1	20,100	3,923	35,704	100.0%	35,704	21,229	(14,475)
Grandi Stazioni Rail S.p.A.*	Rome, Via Giolitti 34	4,304	5,905	55,952	100.0%	55,952	3,145	(52,807)
Infrarail Firenze S.r.l.	Florence, Via Circondaria 32-34	5,500	1,210	6,653	100.0%	6,653	5,500	(1,153)
<b>Investments in associates</b>								
Quadrante Europa Terminal Gate S.p.A.	Verona, Via Sommacampagna 61	16,876	(55)	14,189	50.0%	7,094	7,077	(17)

\*The company applies IFRS.

											(€'000)
	% of investment	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Loss	
31.12.2020											
<b>Investments in associates</b>											
Quadrante Europa Terminal Gate S.p.A.	50.00%	1,016	16,730	<b>17,746</b>	950	2,607	<b>3,557</b>	1,167	1,221	<b>(55)</b>	
31.12.2019											
<b>Investments in associates</b>											
Quadrante Europa Terminal Gate S.p.A.	50.00%	1,028	17,208	<b>18,237</b>	1,105	2,942	<b>4,047</b>	1,167	1,277	<b>(110)</b>	

## 9. Non-current and current financial assets (including derivatives)

Financial assets are broken down below.

(€'000)									
Carrying amount									
31.12.2020			31.12.2019			Change			
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial assets</b>									
Fifteen-year grants from the MEF	–	497,060	497,060	489,094	590,326	1,079,420	(489,094)	(93,266)	(582,360)
Loans	110,709	–	110,709	86,824	–	86,824	23,885	–	23,885
Other loans	–	62,080	62,080	–	99,504	99,504	–	(37,424)	(37,424)
<b>Total</b>	<b>110,709</b>	<b>559,140</b>	<b>669,849</b>	<b>575,918</b>	<b>689,830</b>	<b>1,265,748</b>	<b>(465,209)</b>	<b>(130,690)</b>	<b>(595,899)</b>
Loss allowance	(183)	(403)	(586)	(523)	(497)	(1,020)	340	94	434
<b>Total net of the loss allowance</b>	<b>110,526</b>	<b>558,737</b>	<b>669,263</b>	<b>575,395</b>	<b>689,333</b>	<b>1,264,728</b>	<b>(464,869)</b>	<b>(130,596)</b>	<b>(595,465)</b>

Fifteen-year grants from the MEF, of €497,060 thousand, can be analysed as follows:

- €97,060 thousand related to the fifteen-year grants pursuant to article 1.84 of the 2006 Finance Act for the implementation of railway investments, obtained by means of discounting;
- €400,000 thousand related to the fifteen-year grants pursuant to article 1.964 of the 2007 Finance Act for the continuation of the projects involving the HS/HC system of the Turin-Milan-Naples line.

The €582,360 thousand decrease in the amounts due from the MEF is mainly due to:

- the net decrease of €190,326 thousand in the grants as per article 1.84 of the 2006 Finance Act, due to the combined effect of the additional allocation of €9,674 thousand for interest accrued in 2020, and the collection of €200,000 thousand of the annual grant from the granting body in accordance with the collection proxy that it was given;
- the net decrease of €392,034 thousand in the grants as per article 1.964 of the 2007 Finance Act, due to the combined effect of the additional allocation of €7,966 thousand for interest accrued in 2020, and the collection of €400,000 thousand in 2020.

Non-current loans of €110,709 thousand mainly relate to the restricted current accounts with Unicredit (€89,418 thousand) and BNL (€20,387 thousand). The amounts are generally restricted following attachment by third party suppliers as a result of unhonoured orders/injunctions to pay.

The €37,424 thousand decrease in Other loans is mainly due to the current portion of this caption and refers to the reduction in the amount due from the parent for the intragroup current account compared to 31 December 2019.

## 10. Other current and non-current assets

They can be analysed as follows:

	31.12.2020			31.12.2019			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
	(€'000)								
Other assets from group companies	14,763	30,049	44,812	16,205	49,315	65,520	(1,442)	(19,266)	(20,708)
VAT assets	9	-	9	9	-	9	-	-	-
MEF and MIT	3,220,266	1,210,490	4,430,756	4,020,967	1,752,388	5,773,355	(800,701)	(541,898)	(1,342,599)
Grants related to assets from the EU, other Ministries and other	-	12,079	12,079	-	11,636	11,636	-	443	443
Other government authorities	-	91,403	91,403	-	51,334	51,334	-	40,069	40,069
Sundry assets	3,469	127,529	130,998	3,344	290,126	293,470	125	(162,597)	(162,472)
Prepayments and accrued income	-	3,745	3,745	-	9,825	9,825	-	(6,080)	(6,080)
<b>Total</b>	<b>3,238,507</b>	<b>1,475,295</b>	<b>4,713,802</b>	<b>4,040,525</b>	<b>2,164,624</b>	<b>6,205,149</b>	<b>(802,018)</b>	<b>(689,329)</b>	<b>(1,491,347)</b>
Loss allowance	(2,360)	(37,289)	(39,649)	(2,946)	(39,180)	(42,126)	586	1,891	2,477
<b>Total net of the loss allowance</b>	<b>3,236,147</b>	<b>1,438,006</b>	<b>4,674,153</b>	<b>4,037,579</b>	<b>2,125,444</b>	<b>6,163,023</b>	<b>(801,432)</b>	<b>(687,438)</b>	<b>(1,488,870)</b>

The net decrease of €20,708 thousand in Other assets from group companies is mainly due to the combined effect of the following factors:

- the decrease in the VAT asset from the parent due within one year (€4,328 thousand) following the offsetting against the VAT liability recognised in 2020;
- the decrease in VAT assets from the parent due after one year (€1,441 thousand) following the release of the 2006 interest income on VAT assets;
- the decrease in assets from the performance regime (€14,947 thousand);
- the increase in assets for guarantee deposits (€35 thousand).

The amounts due from the MEF and the MIT at 31 December 2020 are analysed below:

	(€'000)				
	31.12.2019	Increases	Decreases	Other changes	31.12.2020
<b>Grants related to income:</b>					
- MEF: chap. 1541	-	1,015,557	(1,015,557)		-
- MIT: chap. 7255	7,100	5,680	(7,100)		5,680
- Chap 1300: Grants pursuant to article 196 of Decree law no. 34 of 19 May 2020		270,000	(270,000)		-
<b>Grants related to goods:</b>					
- MIT: chap. 1274 - 7302	119,906	100,000	(101,003)		118,903
<b>Grants related to assets and investments:</b>					
- MEF: chap. 7122-7123-8000	4,411,537	3,596,900	(4,332,879)		3,675,558
- MIT: chap. 7060-7515-7518-7528-7540-7564-7549-1274	1,234,812	20,000	(624,196)		630,616
<b>Total</b>	<b>5,773,355</b>	<b>5,008,137</b>	<b>(6,350,735)</b>	<b>-</b>	<b>4,430,757</b>



During the year, the caption decreased by a net €1,342,599 thousand due to the combined effect of the following factors:

- the recognition of new grants related to income, goods, assets and investments of €5,008,137 thousand, broken down as follows:
  - €1,015,557 thousand granted using the chapter 1541 funds of the MEF in accordance with Law no. 160 of 27 December 2019 (the 2020 Budget Act).
  - €270,000 thousand granted pursuant to article 196 of Decree law no. 34 of 19 May 2020;
  - grants related to goods of €100,000 thousand pursuant to article 1.294 of Law no. 190/2014, allocated to the MIT with article 11.2-ter of Decree law no. 185 of 25 November 2015 to be transferred to railway companies pertaining to 2020;
  - €5,680 thousand using chapter 7255 funds earmarked for “passenger transport in the Messina Strait”, services that RFI provided in 2020 through the subsidiary Blu Jet S.r.l.;
  - grants related to assets of €3,596,900 thousand (MEF chapters), of which:
    - €750,000 thousand (chapter 7122 – MP5) for 2020, allocated under article 1.73 of Law no. 147/2013 (2014 Stability Act), refinanced by Law no. 190/2014 (2015 Stability Act), for extraordinary maintenance in relation to the amounts due as part of the 2016 - 2021 Government Programme Contract - Services, as amended by the first addendum currently in force;
    - €360,000 thousand (chapter 7122 – MP7) for 2020, allocated under article 1.76 of Law no. 147/2013 (2014 Stability Act) for the Brescia Verona Padua – Apice Orsara line, and refinanced by Law no. 190/2015 (2015 Stability Act);
    - €564,000 thousand (chapter 7122 – MP2) reformulated in 2020 by other MPs under chapter 7122 of MP2;
    - €1,445,442 thousand following the recognition of additional grants related to assets from the MEF for the resources covered by chapter 7122 MP2 for the 2021-2023 three-year period covering both work performed and advances disbursed during the year;
    - €40,000 thousand following the recognition of additional grants related to assets from the MEF for the resources covered by chapter 7122 MP10 for the 2021-2023 three-year period to finance the work performed in 2020;
    - €343,961 thousand following the recognition of additional grants related to assets from the MEF for the resources covered by chapter 7122 MP11 for the 2021-2023 three-year period to finance the work performed in 2020;
    - €93,497 thousand following the recognition of additional grants related to assets from the MEF for the resources covered by chapter 7122 MP4 for the 2021-2023 three-year period to finance the work performed in 2020;
  - €20,000 thousand under chapter 7518 from the MIT allocated under Law no. 164/2014 as reformulated by Law no. 208 of 28 December 2015 (2016 Stability Act) for the HS/HC Milan-Genoa line: Third Giovi pass;
- decreases due to collections of €6,350,735 thousand, broken down as follows:
  - €1,015,557 thousand (MEF chapter 1541 – grants related to income);

- 
- €7,100 thousand using chapter 7255 funds earmarked for “passenger transport in the Messina Strait”;
  - €270,000 thousand (MIT chapter 1300) granted pursuant to article 196 of Decree law no. 34 of 19 May 2020;
  - €4,332,879 thousand (MEF chapter 7122) for various management programmes (MP1-MP2-MP4-MP5-MP6-MP7-MP8-MP10-MP11);
  - €69,861 thousand (MIT chapter 7540) covered by Law decree no. 69/2013 for work to improve the railway network;
  - €62,575 thousand (MIT chapter 7060) allocated under Law no. 443/2001, for the HS/HC Milan-Genoa line: Third Giovi pass;
  - €68,226 thousand (MIT chapter 7060) allocated under Law no. 443/2001, for the Milan-Verona HS/HC line: Treviglio Brescia section;
  - €20,095 thousand (MIT chapter 7060) allocated under Law no. 443/2001, for the “Upgrading of the Munich-Verona rail link: Brenner Base Tunnel - Construction Lot I - Work in progress”;
  - €31,873 thousand (MIT chapter 7518) allocated under Law no. 164/2014;
  - €103,306 thousand (MIT chapter 7518) allocated under CIPE resolution no. 86/2011, covered by article 1.32 of Law decree no. 98/2011 and assigned to RFI for the HS/HC Milan-Genoa line: Third Giovi pass;
  - €2,617 thousand (MIT chapter 7549) allocated by Law no. 164/2014;
  - €88,970 thousand allocated by Law no. 164/2014 for the HS/HC Verona – Padua line: Verona - Vicenza intersection;
  - €52,000 thousand allocated by Law no. 164/2014 for “Upgrading of the Munich-Verona rail link: Brenner Base Tunnel - Construction Lot III”;
  - €124,674 thousand (MIT chapter 7564) allocated by article 3 b) of Law decree no. 133/2014 converted into Law no. 164/2014, for works related to the quadrupling of the Pistoia - Lucca line;
  - €99,906 thousand (MIT chapter 1274) allocated to incentivise freight transport in 2019 and transferred to the railway companies;
  - €1,096 thousand (MIT chapter 7302) allocated upgrade the braking systems for freight wagons and transferred to the railway companies.

Grants related to assets - EU, other Ministries and ordinary customers of €12,079 thousand include the grants received from the European Union, other Ministries and other bodies.

Sundry assets and prepayments and accrued income can be analysed as follows:

	(€'000)		
	31.12.2020	31.12.2019	Change
Advances to suppliers - current services	45,278	202,582	(157,304)
Personnel	6,554	6,676	(122)
Social security institutions	10,628	7,468	3,160
Assets under collection	497	497	-
Insurance compensation from insurance companies	277	279	(2)
Other non-trade amounts	67,762	75,968	(8,206)
	<b>130,996</b>	<b>293,470</b>	<b>(162,474)</b>
Prepayments and accrued income	3,745	9,825	(6,080)
<b>Total</b>	<b>134,741</b>	<b>303,295</b>	<b>(168,554)</b>

The decrease in Sundry assets and prepayments and accrued income (€168,554 thousand) is mainly due to the combined effect of the reduction in advances to suppliers (€157,304 thousand), especially electrical energy suppliers, and the increase in amounts due from social security institutions (€3,160 thousand), mainly because of INAIL premium payments made during the year and post-employment benefits paid in advance to employees. Specifically, other non-trade amounts mainly reflect amounts for foreign VAT recovery (€13,647 thousand), tax assets (€12,432 thousand), tolls from other railway companies (€2,169 thousand) and performance regime amounts (€1,706 thousand).

The following table gives a breakdown of other non-current and current assets by geographical segment:

	(€'000)		
	31.12.2020	31.12.2019	Change
Italy	4,710,514	6,188,268	(1,477,754)
Eurozone countries	1,281	1,000	281
United Kingdom	84	89	(5)
Other European countries (EU, non-Euro)	-	1	(1)
Other non-EU European countries	1,918	15,751	(13,833)
United States	5	5	-
Other countries	-	35	(35)
	<b>4,713,802</b>	<b>6,205,149</b>	<b>(1,491,347)</b>

## 11. Inventories

Inventories may be analysed as follows:

	(€'000)		
	31.12.2020	31.12.2019	Change
Raw materials, consumables and supplies	941,970	877,094	64,876
Allowance for inventory write-down	(13,570)	(13,245)	(325)
<b>Total inventories</b>	<b>928,400</b>	<b>863,849</b>	<b>64,551</b>

The net increase in raw materials, consumables and supplies amounts to €64,551 thousand and is mainly due to the combined effect of the following:

- the purchase of materials (€588,074 thousand);
- the use of materials (€664,537 thousand);
- the production output at the national workshops of Bari, Pontassieve and Bologna for the production of frogs, switches, glued insulating joints and electric devices (€141,339 thousand);
- the net increase of €325 thousand in the allowance for inventory write-down due to the analysis of low-use and/or obsolete materials.

## 12. Non-current and current trade receivables

They can be analysed as follows:

	31.12.2020			31.12.2019			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Ordinary customers	181	301,940	302,121	97	351,974	352,071	84	(50,034)	(49,950)
Government and other public authorities	1,577	59,490	61,067	1,582	68,090	69,672	(5)	(8,600)	(8,605)
Foreign railways	-	576	576	-	1,517	1,517	-	(941)	(941)
Railways under concession	-	2	2	-	2	2	-	-	-
Assets from group companies	-	283,158	283,158	-	355,354	355,354	-	(72,196)	(72,196)
<b>Total</b>	<b>1,758</b>	<b>645,166</b>	<b>646,924</b>	<b>1,679</b>	<b>776,937</b>	<b>778,616</b>	<b>79</b>	<b>(131,771)</b>	<b>(131,692)</b>
Loss allowance	(3)	(126,484)	(126,487)	(2)	(150,511)	(150,513)	(1)	24,027	24,026
<b>Total net of the loss allowance</b>	<b>1,755</b>	<b>518,682</b>	<b>520,437</b>	<b>1,677</b>	<b>626,426</b>	<b>628,103</b>	<b>78</b>	<b>(107,744)</b>	<b>(107,666)</b>
Contract assets	-	60,329	60,329	-	50,690	50,690	-	9,639	9,639
Loss allowance	-	(297)	(297)	-	(260)	(260)	-	(37)	(37)
<b>Total contract assets</b>	<b>-</b>	<b>60,032</b>	<b>60,032</b>	<b>-</b>	<b>50,430</b>	<b>50,430</b>	<b>-</b>	<b>9,602</b>	<b>9,602</b>
<b>Total current and non-current trade receivables</b>	<b>1,755</b>	<b>578,714</b>	<b>580,469</b>	<b>1,677</b>	<b>676,856</b>	<b>678,533</b>	<b>78</b>	<b>(98,142)</b>	<b>(98,064)</b>

The €50,034 thousand decrease in trade receivables from ordinary customers (current portion) on the previous year end, gross of the related loss allowance, mainly refers to the reduction in the amounts due from railway companies as a result of the decrease in tolls caused by the COVID-19 pandemic.

The current portion of amounts due from the government and other public authorities decreased by €8,600 thousand on 31 December 2019, gross of the related loss allowance, mainly as a consequence of the collection of the Veneto Region invoice related to agreement no. 115/2017.

Assets from group companies decreased by a net €72,196 thousand mainly due to the following factors:

- the €66,161 thousand decrease in amounts due from related companies, mainly attributable to fewer invoices for tolls issued to Trenitalia (€117,137 thousand), Trenord (€5,270 thousand), Mercitalia Rail (€8,052 thousand) and the collection of the invoices issued to FS Sistemi Urbani (€2,922 thousand) for sundry works, partly offset by the increase in invoices to be issued (€70,834 thousand);
- the €2,056 thousand decrease in amounts due from subsidiaries, mainly due to the collection of lease payments from Terminali Italia;
- the €12 thousand decrease in amounts due from associates;
- the €3,967 thousand decrease in amounts due from the parent.

Contract assets amounting to €60,329 thousand reflect the amount due from customers for construction contracts in progress. The €9,639 thousand increase on 31 December 2019 is essentially due to the percentage of completion, which is higher than the amount of progress payments.

In order to show the progress of work considering the amounts already invoiced for contract assets, this caption should be considered together with the corresponding portion included under contract liabilities. The €13,577 thousand balance, which increased by €1,992 thousand, is mainly due to the fact that progress payments are higher than the percentage of completion of contract work in progress.

	31.12.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Contract work in progress	214,368	38,720	183,906	32,478
Progress payments from customers	(154,039)	(52,297)	(133,216)	(44,063)
<b>Total</b>	<b>60,329</b>	<b>(13,577)</b>	<b>50,690</b>	<b>(11,585)</b>

Amounts are shown gross of the loss allowance.

The maximum exposure to credit risk, broken down by geographical segment, is as follows:

	(€'000)		
	31.12.2020	31.12.2019	Change
Italy	701,887	822,416	(120,529)
Eurozone countries	2,547	4,228	(1,681)
United Kingdom	1	7	(6)
Other European countries			-
Other European countries (EU, non-Euro)	96	100	(4)
Other non-EU European countries	2,704	2,539	165
United States			-
Other countries	18	16	2
	<b>707,253</b>	<b>829,306</b>	<b>(122,053)</b>

### 13. Cash and cash equivalents

They can be analysed as follows:

	(€'000)		
	31.12.2020	31.12.2019	Change
Bank and postal accounts	3,283	3,173	110
Cash and cash on hand	272	452	(180)
Treasury current accounts	335,446	536,987	(201,541)
Other	112	111	1
<b>Total</b>	<b>339,113</b>	<b>540,723</b>	<b>(201,610)</b>
Allowance for inventory write-down	(244)	(389)	145
<b>Total net of the loss allowance</b>	<b>338,869</b>	<b>540,334</b>	<b>(201,465)</b>

The overall decrease in the caption on 31 December 2019 is substantially due to the reduction in the treasury current account which receives the payments made by the MEF in relation to the Government Programme Contract and those related to other grants disbursed by the European Commission and subsequently transferred to the intragroup current account in accordance with cash needs. For information on the reasons underlying changes in cash and cash equivalents, reference should be made to the statement of cash flows.

Furthermore, attachments were notified to banks without generating availability restrictions (labour disputes), totalling €21,776 thousand, in addition to attachments which qualify as "restricted amounts on bank and postal accounts" of €1,845 thousand.

### 14. Tax assets

The €16,249 thousand decrease on the previous year end is due to the total reimbursement of the IRAP asset related to advances made for the 2014 tax year in excess of the tax due for the current and subsequent years.

### 15. Equity

Changes in the main equity captions in 2020 are shown in the statement of changes in equity to which reference should be made.

#### Share capital

At 31 December 2020, the company's fully subscribed and paid-up share capital is made up of 31,528,425,067 ordinary shares with a nominal amount of €1 each, for a total of €31,528,425,067.

#### Legal reserve

At 31 December 2020, it amounts to €98,727 thousand, following the allocation of a portion of the profit for 2019, equal to €15,097 thousand.

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**Other reserves**

The reserve for non-recurring transactions amounts to €73,859 thousand and is unchanged compared to the previous year end balance.

**Valuation reserves****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 residual 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 2020, this reserve was negative by €26,868 thousand, up by €15,398 thousand on 31 December 2019. The increase is due to the following factors:

- the fair value measurement of hedging instruments at the reporting date (increase of €4,525 thousand);
- the release of the portion of the year following the above-mentioned early termination of contracts in 2012 (increase of €10,873 thousand).

**Actuarial reserve**

The actuarial reserve includes the effects of actuarial gains and losses on post-employment benefits and the Free Travel Card. The net balance of this reserve is a negative €148,822 thousand at the reporting date, up on the previous year-end balance following the changes of the year. The total actuarial loss amounts to €6,913 thousand.

**Retained earnings**

At 31 December 2020, retained earnings amount to €2,098,467 thousand, a net increase of €186,836 thousand on the previous year due to the allocation of the profit for 2019 resolved by shareholder in the meeting of 31 March 2020.

**Profit for the year**

The company ended the year with a profit of €38,291 thousand.

The origin, availability and distribution of equity captions, as well as their use in the past three years, are shown below.

(€'000)

Origin	Balance at 31.12.2020 (a+b)	Unavailable portion (a)	Possibility of use ***	Summary of uses in the past three years**						
				Available portion (b)	Available portion of (b)	Capital increase	Coverage of losses	Dividends	Other (Demergers)	
<b>Share capital:</b>										
Share capital	31,528,425	31,528,425								-
<b>Income-related reserve:</b>										
Legal reserve	98,727	98,727	B							
Retained earnings *	2,098,467	(65,342)	A, B, C	2,163,809	1,133,452					
<b>Other reserves:</b>										
Hedging reserve	(26,868)	(26,868)								
Income-related reserve and actuarial losses	(148,822)	(148,822)								
Reserve for non-recurring transactions	73,859		A,B,C	73,859	73,859					(4,649)
<b>TOTAL</b>	<b>33,623,788</b>	<b>31,386,120</b>	<b>-</b>	<b>2,237,668</b>	<b>1,207,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,649)</b>

\* total equity is shown net of the profit for 2020

\*\* 2017-2018-2019

\*\*\* A = Capital increase; B = Coverage of losses; C = Dividends



**16. Non-current loans and borrowings**

(€'000)			
<b>Non-current loans and borrowings</b>	<b>31.12.2020</b>	<b>Carrying amount 31.12.2019</b>	<b>Change</b>
Bank loans and borrowings	792,923	999,965	(207,042)
Loans and borrowings from other financial backers	25,000	56,036	(31,036)
Loans and borrowings from group companies	1,079,497	1,441,188	(361,691)
<b>Total</b>	<b>1,897,420</b>	<b>2,497,189</b>	<b>(599,769)</b>

(€'000)			
<b>Current loans and borrowings and current portion of non-current loans and borrowings*</b>	<b>31.12.2020</b>	<b>Carrying amount 31.12.2019</b>	<b>Change</b>
Bank loans and borrowings (current portion)	207,505	199,901	7,604
Loans and borrowings from other financial backers (current portion)	31,036	30,057	979
Loans and borrowings from group companies (current portion)	1,056,541	1,510,238	(453,697)
<b>Total</b>	<b>1,295,082</b>	<b>1,740,196</b>	<b>(445,114)</b>

\* It mainly refers to the current portion of non-current loans and borrowings

(€'000)			
<b>Loans and borrowings</b>	<b>31.12.2020</b>	<b>Carrying amount 31.12.2019</b>	<b>Change</b>
Bank loans and borrowings	1,000,428	1,199,866	(199,438)
Loans and borrowings from other financial backers	56,036	86,093	(30,057)
Loans and borrowings from group companies	2,136,038	2,951,426	(815,388)
<b>Total loans and borrowings</b>	<b>3,192,502</b>	<b>4,237,385</b>	<b>(1,044,883)</b>

Bank loans and borrowings (non-current and current) amount to €1,000,428 thousand and are shown gross of accrued expenses not yet paid (€3,018 thousand). This caption is entirely comprised of liabilities with the European Investment Bank (EIB). The €199,438 thousand decrease on the previous year end refers to the €198,034 thousand decrease due to the principal repaid in 2020 and the €1,404 thousand decrease in accrued expenses included under the current portion.

Loans and borrowings from other financial backers (non-current and current) amount to €56,036 thousand and are entirely comprised of liabilities with Cassa Depositi e Prestiti (CDP). The €30,057 thousand decrease on 31 December 2019 is due to the principal of the same amount repaid in 2020.

Loans and borrowings from group companies (non-current and current) amount to €2,136,038 thousand and are shown gross of accrued expenses not yet paid (€4,386 thousand). Specifically, they refer to liabilities with the parent related to two intragroup agreements for the transfer of contracts that the parent signed with CDP and the EIB, respectively, to finance investments and for the loans and borrowings related to the tranches of the bond that Ferrovie dello Stato Italiane S.p.A. placed on the market in 2013 and between 2017 and 2020 as part of the FS

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EMTN Programme, in addition to the intragroup loan as part of to a bank loan agreement entered into by FSI and Unicredit in 2020.

Specifically, in 2020, the parent entered into the following two non-current intragroup agreements:

- €90,000,000 from the bank loan agreement entered into by FSI and Unicredit covering the funding requirements for the HS/HC Turin-Milan-Naples investments (three years);
- €250,000 thousand from a new 10-year private bond placed by FS Italiane S.p.A. as part of the FS EMTN Programme.

The €815,388 thousand decrease in these liabilities on 31 December 2019 is due to the combined effect of the following factors:

- the €90,000 thousand increase following the signing of the new intragroup loan agreement as part of the bank loan granted by Unicredit to the parent;
- the €250,000 thousand increase following the signing of the new intragroup loan agreement for the bond placed as part of the EMTN Programme;
- the €897 thousand increase in amortised cost accruals.
- the €250,000 thousand decrease due to the repayment of the intragroup loan for the first instalment of the bond placed as part of the EMTN Programme;
- the €610,000 thousand decrease due to the repayment of the short-term revolving credit lines;
- the €4,827 thousand decrease in accrued expenses, included under the current portion;
- the €291,458 thousand decrease due to the repayment of the principal of the loans and borrowings from Ferrovie dello Stato Italiane S.p.A. for Cassa Depositi e Prestiti (traditional network and HS/HC network) made in 2020, which corresponds with the change in the corresponding amounts due from the MEF. For additional information, reference should be made the note to financial assets.

The terms and conditions of non-current loans and borrowings in place, net of accrued interest, are summarised in the table below:

(€'000)

Type of work	Creditor	Currency	Note	Nom. interest rate	Year of expiry	31.12.2020		31.12.2019	
						Nom. amount	Carr. amount	Nom. amount	Carr. amount
HS/HC	EIB 1	€		Fixed	2023	73,285	73,285	99,955	99,955
HS/HC	EIB 2	€		Fixed	2023	60,336	60,336	78,448	78,448
HS/HC	EIB 3	€	(1)	Variable	2024	194,444	194,444	250,000	250,000
HS/HC	EIB 4	€	(3)	Fixed/Var.	2030	294,664	294,664	319,544	319,544
HS/HC	EIB 5	€	(1)	Variable	2025	8,889	8,889	10,667	10,667
HS/HC	EIB 6	€	(2)	Fixed	2032	130,199	130,199	138,481	138,481
HS/HC	EIB 7	€	(3)	Fixed/Var.	2032	185,593	185,593	198,349	198,349
HS/HC	CASSA DEPOSITI E PRESTITI 1	€	(4)	Fixed	2021	18,536	18,536	36,094	36,094
HS/HC	CASSA DEPOSITI E PRESTITI 2	€	(1) (4)	Variable	2023	37,500	37,500	50,000	50,000
HS/HC	INTRAGROUP CDDPP/FS HS	€	(7)	Fixed	2020	-	-	97,060	97,060
Traditional netw.	INTRAGROUP CDDPP/FS TN	€	(7)	Fixed	2021	97,060	97,060	190,326	190,326
HS/HC	INTRAGROUP EIB/FS	€		Fixed	2021	105,870	105,870	207,002	207,002
						<b>1,206,376</b>	<b>1,206,376</b>	<b>1,675,925</b>	<b>1,675,925</b>
HS/HC	EIB 300	€	(5) (6)	Variable	2021	50,000	50,000	100,000	100,000
HS/HC	INTRAGROUP EMTN 1 TR/FS	€	(6)	Fixed	2020	-	-	250,000	249,701
HS/HC	INTRAGROUP EMTN 2 TR/FS	€	(6)	Fixed	2021	500,000	499,582	500,000	499,156
HS/HC	INTRAGROUP EMTN 6 TR/FS	€	(6)	Fixed	2025	300,000	299,411	300,000	299,286
HS/HC	INTRAGROUP EMTN 9 TR/FS	€	(6)	Variable	2030	200,000	200,000	200,000	200,000
HS/HC	INTRAGROUP EMTN 11 TR/FS	€	(6)	Variable	2029	100,000	99,838	100,000	99,816
HS/HC	INTRAGROUP EMTN 12 TR/FS	€	(6)	Variable	2029	140,000	140,000	140,000	140,000
HS/HC	INTRAGROUP UNICREDIT/FS	€	(6)	Variable	2023	90,000	89,891		
HS/HC	INTRAGROUP EMTN 15 TR/FS	€	(6)	Fixed	2030	250,000	250,000		
						<b>1,630,000</b>	<b>1,628,722</b>	<b>1,590,000</b>	<b>1,587,960</b>
<b>TOTAL</b>						<b>2,836,376</b>	<b>2,835,098</b>	<b>3,265,925</b>	<b>3,263,885</b>
(1) The rate was converted from variable to fixed following a swap hedging the interest rate risk.									
(2) Fixed for each tranche used.									
(3) Fixed for the first three tranches, variable for the subsequent ones.									
(4) Amount factored by Cassa Depositi e Prestiti to CPG Società di cartolarizzazione a.r.l. as part of a factoring transaction carried out in accordance with Law no. 130/1999									
(5) Amount subject to interest rate risk hedging transactions (collars)									
(6) Tolls will guarantee financial coverage									
(7) The loan is linked to the discounting of the fifteen-year grants pursuant to article 1.84 of the 2006 Finance Act.									

The EIB 300 loan includes covenants in line with international practice which require compliance with a number of financial parameters throughout the term of the contract.

Specifically, these parameters refer to:

- the debt/equity ratio which should remain below 30%;
- equity which should be equal to at least €26 billion;
- total assets which should be equal to at least €36.5 billion.

To date, all financial covenants have been complied with.

The table below shows net financial debt at 31 December 2020 compared with that at the previous year end. It improved by €255,626 thousand following the €112,444 thousand improvement in current net financial debt and the €143,182 thousand improvement in net non-current financial debt.

	(€'000)		
	31.12.2020	31.12.2019	Changes
<b>Net current financial debt</b>	<b>411,479</b>	<b>523,924</b>	<b>(112,444)</b>
Treasury current accounts	(335,204)	(536,600)	201,396
Other financial assets	(62,036)	(99,432)	37,397
Financial assets from the MEF for the fifteen-year grants	(496,702)	(589,901)	93,200
Bank loans and borrowings	207,505	199,901	7,605
Loans and borrowings from other financial backers	31,036	30,057	979
Loans and borrowings from group companies	1,056,541	1,510,238	(453,697)
Lease liabilities due within one year (IFRS 16)	13,658	13,032	626
Other	(3,320)	(3,371)	51
<b>Net non-current financial debt</b>	<b>1,818,113</b>	<b>1,961,294</b>	<b>(143,182)</b>
Financial assets from the MEF for the fifteen-year grants	-	(488,741)	488,741
Loans	(110,526)	(86,654)	(23,872)
Bank loans and borrowings	792,923	999,965	(207,042)
Loans and borrowings from other financial backers	25,000	56,036	(31,036)
Loans and borrowings from group companies	1,079,497	1,441,188	(361,691)
Lease liabilities due after one year (IFRS 16)	31,219	39,500	(8,281)
<b>Total</b>	<b>2,229,592</b>	<b>2,485,218</b>	<b>(255,626)</b>

The following table shows changes in financial items, indicated separately from those that generated/used cash flows.

(€'000)	31.12.19	Monetary items	Non-monetary items				Change (IFRS 9)	Change in time value (IFRS13)	31.12.20
			Change in accruals	Other non-monetary changes	IFRS 16	Fair value change (IFRS 13)			
Disb./repaym. of loans and borrow.	4,237,385	(1,039,684)	(6,096)	897	-	-	-	3,192,502	
Change in financial assets	(1,165,296)	575,847	267	(17,640)	-	-	(407)	(607,228)	
Change in financial liabilities (Hedges)	67,577	(14,694)	(322)	-	7,021	(4,525)	-	55,057	

## 17. Post-employment and other employee benefits (CLC)

	(€'000)	
	31.12.2020	31.12.2019
Present value of post-employment benefit obligations	414,540	480,510
Present value of CLC obligations	32,092	33,615
Other provisions (health care trust, former National Social Security and Welfare Institute for Ferrovie dello Stato employees)	(171)	(162)
Other changes (advance on Italian revaluation tax)	-	-
<b>Total present value of obligations</b>	<b>446,461</b>	<b>513,963</b>

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

	(€'000)	
Post-employment benefits and Free Travel Card	31.12.2020	31.12.2019
Defined benefit obligations at 1 January	514,125	594,856
Service cost	218	182
Interest cost (*)	937	2,945
Benefits paid	(73,247)	* (94,722)
Transfers in (out)	663	1,731
Other changes (estimated benefit payments)	(2,977)	* (2,388)
Actuarial losses recognised in equity	6,913	11,521
<b>Defined benefit obligations</b>	<b>446,632</b>	<b>514,125</b>
Other provisions (health care trust, former National Social Security and Welfare Institute for Ferrovie dello Stato employees)	(171)	* (162)
Other changes		
<b>Post-employment and other employee benefits (CLC)</b>	<b>446,461</b>	<b>513,963</b>

(\*) through profit or loss

In accordance with the IFRS, the post-employment benefits accrued up to 1 January 2007 and the Free Travel Cards have been considered defined post-employment-benefits, the amount of which is calculated on an actuarial basis in accordance with the relevant standards.

In 2020, a total of €75,560 thousand in post-employment benefits was used (benefits paid, transfers in/out, other changes, estimated benefit payments). This refers to the benefits paid to employees who left the company in 2020 and employees' advances and transfers from/to other group companies.

In 2020, actuarial losses total €6,913 thousand compared to €11,521 thousand in 2019. The actuarial losses are due to the considerable decrease in the discount rate from 0.17% in 2019 to -0.08% in 2020 and from 0.77% in 2019 to 0.34% in 2019 for post-employment benefits and the Free Travel Card, respectively.

Specifically, the actuarial reports on post-employment benefits and the Free Travel Card ("CLC") show total losses based on financial assumptions (including the discount rate) of approximately €302 thousand and residual actuarial assumptions of roughly €6,611 thousand, which, summed together, generate total actuarial losses of €6,913 thousand.

Other provisions include negligible amounts which were not subject to actuarial valuation since they did not meet the requirements of defined benefit obligations set out in IAS 19. Consequently, they were presented separately.

## Actuarial assumptions

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

	31.12.2020	31.12.2019
Discount rate (TFR)	(0.08%)	0.17%
Discount rate (CLC)	0.34%	0.77%
Future increases in pensions	75% inflation +1.5 percentage points	75% inflation +1.5 percentage points
<i>Expected turnover rate for employees</i>	4.00%	4.00%
Expected rate of advances	2.00%	2.00%
Probability of death	RG48 mortality rate published by the General Accounting Office	RG48 mortality rate published by the General Accounting Office

The expected mortality assumptions are based on published statistics and mortality rates.

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 tables below show the contribution expected for the subsequent year, the average term of the defined benefit obligation and the payments scheduled by the plan.

<b>SENSITIVITY ANALYSIS OF TFR AND CLC</b>		(€'000)	
<b>31.12.2020</b>	<b>TFR</b>	<b>CLC</b>	
Turnover rate +1.00%	412,270		
Turnover rate -1.00%	417,036		
Inflation rate +0.25%	418,275		32,624
Inflation rate -0.25%	410,862		31,577
Discount rate +0.25%	408,712		31,357
Discount rate -0.25%	420,551		32,858
Future service cost			211
Plan duration (years)	6.3		10
Total employees at year end	26,395		

<b>Estimated future TFR and CLC</b>		(€'000)	
<b>31.12.2020</b>	<b>TFR</b>	<b>CLC</b>	
Payment - first year	115,544		2,856
Payment - second year	18,308		2,677
Payment - third year	26,740		2,508
Payment - fourth year	31,343		2,348
Payment - fifth year	29,153		2,197

## 18. Provisions for risks and charges

The opening and the closing balances of the provisions for risks and charges and changes in 2020 are shown below. The provisions are deemed adequate to cover the company's probable charges.

	(€'000)					
	31.12.2019	Adjustments/ Reclassifications	Accrual	Utilisations	Release of excess provisions	31.12.2020
Provision for taxation	20,248		69	(1,137)	(6,879)	12,301
Other	453,466	(30,943)	208,987	(34,244)	(30,204)	567,062
<b>TOTAL</b>	<b>473,714</b>	<b>(30,943)</b>	<b>209,056</b>	<b>(35,381)</b>	<b>(37,083)</b>	<b>579,363</b>

### Provision for taxation

It includes probable future tax charges.

At 31 December 2020, the provision decreased by a total of €7,947 thousand on the previous year end, mainly due to the combined effect of the following:

- utilisations (€1,137 thousand) for ICI (property tax) on stations and the 2015 mortgage and cadastral tax;
- releases (€6,879 thousand) relating to prior year accruals for IMU/TASI (local property taxes);
- accruals (€68 thousand) for penalties and 2013-2016 VAT.

### Other provisions

This caption refers to the following items which changed as follows:

	(€'000)					
	31.12.2019	Adjustments/ Reclassifications	Accrual	Utilisations	Release of excess provisions	31.12.2020
Expense related to						
- personnel	45,649		16,713	(14,915)		47,447
- third parties	233,682	(700)	17,060	(19,009)	(741)	230,292
Reclamation	49,358	2		(17)		49,343
Equity investments	48,882					48,882
Other provisions for risks and charges	75,895	(30,245)	175,214	(303)	(29,463)	191,098
<b>TOTAL</b>	<b>453,466</b>	<b>(30,943)</b>	<b>208,987</b>	<b>(34,244)</b>	<b>(30,204)</b>	<b>567,062</b>

### Provisions for expense related to personnel and third parties

This provision comprises the probable charges in respect of economic and labour claims and compensation for occupational illness. It refers to pending disputes brought before the competent labour courts.

In 2020, €14,915 thousand was used to cover the contribution charges and costs related to disputes with personnel (in court or out of court). It was increased by €16,713 thousand to meet the needs calculated at 31 December 2020.

The provision for expense related to third parties mainly refers to lawsuits pending with suppliers for subcontracting, services and supplies and the out-of-court dispute for suppliers' claims.

In 2020, €19,009 thousand was used following the unfavourable settlement of disputes, while €17,060 thousand was accrued in respect of pending disputes.

With respect to pending judicial investigations and criminal court proceedings, as there are no indications that the company may be exposed to significant liabilities, no accruals were recognised.

### Reclamation provision

This provision was accrued and used to cover the costs incurred to reclaim sites polluted by works to be sold/that have been sold. The initial calculation of this provision considered the costs to restore the affected areas based on their previous industrial use.

### Provision for equity investments

This provision was accrued at 31 December 2013 to cover the investment in Stretto di Messina S.p.A. in liquidation. It was unchanged in 2019.

### Provisions for other risks and charges

These provisions mainly refer to:

- fund for the pursuit of pro-active policies to support income and employment (€127,000 thousand);
- performance regime, related to amounts due for penalties due from railway companies as an incentive mechanism pursuant to the PIR (€65 thousand);
- other risks (€64,033 thousand).

During the year, €127,000 thousand was accrued to the provision for income and employment assistance.

## 19. Non-current and current financial liabilities (including derivatives)

(€'000)									
Carrying amount									
31.12.2020			31.12.2019			Change			
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
<b>Financial liabilities</b>									
Hedging derivatives	9,546	290	9,836	14,071	611	14,682	(4,525)	(321)	(4,846)
Other financial liabilities	–	345	345	–	363	363	–	(18)	(18)
Lease liabilities	31,219	13,657	44,876	39,500	13,032	52,532	(8,281)	625	(7,656)
<b>Total</b>	<b>40,765</b>	<b>14,292</b>	<b>55,057</b>	<b>53,571</b>	<b>14,006</b>	<b>67,577</b>	<b>(12,806)</b>	<b>286</b>	<b>(12,520)</b>

The €12,520 thousand decrease in financial liabilities (non-current and current) reflects the €7,656 thousand reduction in lease liabilities.

The €4,525 thousand decrease in the non-current portion of hedging derivatives is due to the fair value measurement of derivatives at 31 December 2020 (2020 - 2019 FV difference). Specifically, the effect is due to the



increase in the hedging reserve (€4,525 thousand), due to the fair value measurement of swaps, forward rate agreements and the intrinsic value of collars.

The current portion mainly reflects the carrying amount of the accruals related to derivatives.

Financial liabilities measured at fair value are comprised of hedging derivatives and are measured at Level 2, as described in paragraph 17 Financial risk management to which reference should be made. Paragraph 17 also provides a definition of the hierarchy levels within the fair value estimate.

### Extension/termination options

Property leases include extension/termination options. At the commencement date of a lease, the company assesses whether it is reasonably certain to exercise that option and reassesses them whenever a significant event or significant change in circumstances under its control occurs.

Based on this analysis, RFI concluded that it was reasonably certain that the lease of Villa Patrizi would be extended.

The table below shows potential future payments:

Recognised lease liabilities	Potential future lease payments	Rate at which lease extension/termination options have been exercised in the past
44,876	31,936	50%

## 20. Other non-current and current liabilities

	(€'000)								
	31.12.2020			31.12.2019			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Advances for grants	-	2,469,332	2,469,332	-	2,731,347	2,731,347	-	(262,015)	(262,015)
Advances to customers	-	-	-	-	-	-	-	-	-
Social security charges payable	24,101	94,075	118,176	30,127	101,714	131,841	(6,026)	(7,639)	(13,665)
Other liabilities with group companies	102	118,438	118,540	196	80,282	80,478	(94)	38,156	38,062
Other liabilities	84,086	387,273	471,359	92,399	352,419	444,818	(8,313)	34,854	26,541
Accrued expenses and deferred income	3,183	12,045	15,228	157	16,387	16,544	3,026	(4,342)	(1,316)
<b>Total</b>	<b>111,472</b>	<b>3,081,163</b>	<b>3,192,635</b>	<b>122,879</b>	<b>3,282,149</b>	<b>3,405,028</b>	<b>(11,407)</b>	<b>(200,986)</b>	<b>(212,393)</b>

At 31 December 2020, advances for grants related to assets amount to €2,469,332 thousand and can be analysed as follows:

	(€'000)				
	31.12.2019	Increases	Decreases	Other changes	31.12.2020
<b>Advances for grants:</b>					
Ministry of the Economy and Finance	691,878	3,614,541	(3,538,346)	(149,792)	618,282
Ministry of Infrastructure and Transport	1,529,977	20,000	(332,802)		1,217,175
European Regional Development Fund	49,171	110,456	(127,510)		32,117
Trans-European network	22,762	12,695	(1,090)		34,366
Other PA	433,479	379,265	(249,432)		563,312
Other third parties	4,080				4,080
<b>Total</b>	<b>2,731,347</b>	<b>4,136,957</b>	<b>(4,249,180)</b>	<b>(149,792)</b>	<b>2,469,332</b>

The €262,015 thousand net decrease in advances is due to the combined effect of the increases in amounts due from the MIT, the MEF and other bodies which were recognised under Other non-current and current assets and Non-current and current financial assets, the decreases due to uses through the allocation to assets under construction and the coverage of financial expense, and the €149,792 thousand net decrease included under Other changes reflecting the capital increases of Società Tunnel Ferroviario del Brennero S.p.A. as described in the note to Equity investments to which reference should be made.

Other liabilities with group companies amount to €118,540 thousand. The €38,062 thousand increase on 31 December 2019 is mainly due to:

- the €99,141 thousand increase in liabilities with the parent due to the combined effect of the dividend (€100,000 thousand) on the profit for 2019, partly offset by the €859 thousand decrease in sundry liabilities;
- the €61,079 thousand decrease in liabilities with other group companies mainly related to the payment of the 2019 freight grant (€54,300 thousand), the reduction in penalties for the performance regime (€10,310 thousand), partly offset by the decrease in other penalties (€3,605 thousand).

Other current liabilities mainly refer to amounts due to personnel (€136,869 thousand), guarantee deposits (€41,871 thousand), holidays accrued but not taken (€18,981 thousand), the fund for income and employment assistance (€6,677 thousand), performance regime liabilities (€2,662 thousand) and the safety agency surcharge (€8,541 thousand), other tax liabilities for withholdings applied by RFI on employees' and contract workers' remuneration (€36,026 thousand), advances for the 2020 freight grant (€118,903 thousand) and liabilities with insurance companies (€16,757 thousand).

At 31 December 2020, accrued expenses and deferred income totalling €15,228 thousand decreased by €1,316 thousand mainly as a consequence of lower commercial deferred income relating to properties.

## 21. Non-current and current trade payables

They can be analysed as follows:

	(€'000)								
	31.12.2020			31.12.2019			Change		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Trade payables	11,923	1,986,374	1,998,297	12,553	2,528,337	2,540,890	(630)	(541,963)	(542,593)
Advances	6,098	60,675	66,773	6,129	55,620	61,749	(31)	5,055	5,024
Trade payables to group companies	-	486,544	486,544	-	585,365	585,365	-	(98,821)	(98,821)
Contract liabilities	-	13,577	13,577	-	11,586	11,586	-	1,991	1,991
<b>Total</b>	<b>18,021</b>	<b>2,547,170</b>	<b>2,565,191</b>	<b>18,682</b>	<b>3,180,908</b>	<b>3,199,590</b>	<b>(661)</b>	<b>(633,738)</b>	<b>(634,399)</b>

Current trade payables decreased by €541,963 thousand on 31 December 2019. This reduction is mainly due to the payments made during the year, mainly in connection with investments.

Current and non-current advances refer to ordinary customers and group companies (€66,773 thousand), slightly down up €5,024 thousand on 31 December 2019.

Current trade payables to group companies decreased by a net €98,821 thousand mainly due to the combined effect of the following factors:

- the €16,398 thousand increase in liabilities with the parent;
- the €1,208 thousand increase in liabilities with subsidiaries;
- the €74,829 thousand decrease in invoices to be received from related companies;
- the €24,663 thousand decrease in liabilities with the related company Fercredit following factoring by third-party and group suppliers;
- the €16,936 thousand decrease in invoices received from related companies, mainly Italferr S.p.A..

Contract liabilities of €13,577 thousand reflect the gross amount due to customers for contracts the costs of which, net of recognised profit margins, exceed progress payments. This caption corresponds with Contract assets, to which reference should be made.

## NOTES TO THE INCOME STATEMENT

## 22. Revenue from sales and services

The tables and comments below give a breakdown of revenue from sales and services.

	(€'000)		
	2020	2019	Change
<b>Revenue from transport services</b>	–	–	–
<b>Revenue from infrastructure services</b>	<b>771,139</b>	<b>1,193,242</b>	<b>(422,103)</b>
✓ Service concessions	9,961	2,500	7,461
✓ Fees	752,642	1,180,699	(428,057)
✓ Ferrying services	8,536	10,043	(1,507)
<b>Other service revenue</b>	<b>256,241</b>	<b>308,650</b>	<b>(52,409)</b>
Revenue from traffic-related services	147,853	203,658	(55,805)
Sundry service revenue	48,064	57,121	(9,057)
✓ Health services	29,418	39,553	(10,135)
✓ GSM-R revenue	4,121	3,387	734
✓ Other sundry revenue	14,525	14,181	344
Processing for third parties	57,322	42,985	14,337
Sale of materials	3,002	4,886	(1,884)
<b>Revenue from contracts with customers</b>	<b>1,027,380</b>	<b>1,501,892</b>	<b>(474,512)</b>
Sundry revenue	<b>1,242,933</b>	<b>1,033,152</b>	<b>209,781</b>
✓ Government grants	1,291,237	1,022,656	268,581
✓ EU grants	38	238	(200)
✓ Freight and other accruals or releases	(48,342)	10,258	(58,600)
<b>Revenue from property management</b>	<b>105,248</b>	<b>113,746</b>	<b>(8,498)</b>
✓ Leases	87,469	94,892	(7,423)
✓ Recharging of building expense and IRE (registration tax)	14,600	14,243	357
✓ Sale of advertising spaces	3,179	4,611	(1,432)
<b>Other revenue from sales and services</b>	<b>1,348,181</b>	<b>1,146,898</b>	<b>201,283</b>
<b>Total revenue from sales and services*</b>	<b>2,375,561</b>	<b>2,648,790</b>	<b>(273,229)</b>

\*For a better accounting presentation, in 2020, performance regime penalty income and expense were reclassified to revenue from sales and services. Comparative figures were adjusted accordingly.

Revenue from infrastructure services decreased by €422,103 thousand, due to the combined effect of the following factors:

- the decrease in toll revenue (€428,057 thousand), €420,864 thousand of which was due to the reduction in railway traffic volumes caused by the measures to counter the spread of the pandemic, and €7,193 thousand of which was due to the reclassification of net performance regime penalty expense and for breach of contract (previously allocated to Other income and Other operating costs) and to the recognition of traffic-related penalties introduced by ART decision no. 40/2020;
- the increase in revenue from service concessions (€7,461 thousand) related to invoices to the Umbria region following the merger of UM Ferro S.r.l. into RFI in July 2019;
- the decrease in revenue from ferrying services (€1,507 thousand) due to the significant reduction in the number of trips made (approximately 5,892 in 2019 compared to approximately 5,008 in 2020) as a result of the global pandemic.

Other service revenue decreased by €52,409 thousand due to the following factors:

- the €55,805 thousand decrease in revenue from traffic-related services due to:

- ✓ the €39,928 thousand decrease in revenue from the sale of electrical energy for traction mainly as a consequence of the decline in train traffic and the fall in energy prices that began in 2019 (approximately €32,928 thousand). In addition, during the year, credit notes were issued for 2018 adjustments (€7,000 thousand);
  - ✓ the €15,477 thousand decrease in revenue from transport-related services mainly due to:
    - the €9,879 thousand drop in revenue from parking areas caused by the COVID-19 pandemic;
    - the decrease in revenue from parking services (€1,320 thousand), fast track (€109 thousand), use of freight stations and terminals (€55 thousand), pre-heating and water supply (€83 thousand) due to the pandemic that caused temporary gate closures and major reductions in services related to railway traffic;
    - the €1,730 thousand reclassification of revenue from passenger station services which, for the purposes of a more correct presentation, have been recognised under revenue from property management;
    - the €1,895 thousand reduction in revenue from assistance services to passengers with reduced mobility caused by the public health emergency and the restrictive measures adopted to contain it;
  - ✓ the €298 thousand decrease in shunting services, again due to the reduction in traffic caused by the COVID-19 pandemic;
  - ✓ the €174 thousand decrease in revenue from the management of freight terminals, partially offset by the €72 thousand increase in revenue from connecting tracks;
- the €14,337 thousand increase in revenue from processing for third parties essentially due to the resumption of the construction work on the Palermo metro rail and related to the increase in the relevant costs;
  - the €1,884 thousand decrease in revenue from the sale of materials;
  - the €9,057 thousand decrease in sundry service revenue mainly due to the combined effect of the reduction in revenue from health services (€10,136 thousand), caused by the fewer checkups carried out during the lockdown, lower revenue from work sites and tunnels (€1,870 thousand) and training activities (€168 thousand), partly offset by the increase in revenue from GSM-R services (€734 thousand), engineering services (€86 thousand) and penalties (€2,278 thousand).

Greater sundry revenue (€209,781 thousand) mainly as a consequence of the combined effect of the following factors:

- the €270,000 thousand increase in grants under Legislative decree no. 34/2020 as described in the directors' report "COVID-19 emergency" section to which reference should be made, partly offset by the lower revenue from the GPC (€1,420 thousand) and EU grants (€200 thousand);
- the €175 thousand increase in revenue from leases and indemnities;
- the €58,426 thousand increase in accruals and releases due to the combined effect of accruals (€48,215 thousand) related to ART decision no. 43/2019 and the €10,210 thousand decrease in the release under ART decision no. 11/2019 made in 2019 and which did not take place in 2020.

Revenue from property management decreased by €8,498 thousand as a result of the following changes:

- ✓ the €358 thousand increase in revenue from the recharging of building expense payments due to the rise in cleaning and sanitation costs in stations;
- ✓ the €7,423 thousand decrease in lease payments mainly due to the €7,000 thousand discount granted to the lessees of commercial premises that were heavily hit by the pandemic, as a relief to mitigate the economic consequences suffered;
- ✓ the €1,431 thousand rise in revenue from the sale of advertising spaces.

Revenue from contracts with customers may be analysed as follows:

	(€'000)	
	2020	2019
Italy	1,024,746	1,497,376
EU	1,785	2,909
Non-EU	849	1,607
<b>Total revenue from contracts with customers</b>	<b>1,027,380</b>	<b>1,501,892</b>
<b>Product lines/services*</b>		
Revenue from infrastructure services	771,139	1,193,242
Revenue from traffic-related services	147,853	203,658
Sundry service revenue	48,063	57,121
Processing for third parties	57,323	42,985
Sale of materials	3,002	4,886
<b>Total revenue from contracts with customers</b>	<b>1,027,380</b>	<b>1,501,892</b>
<b>Moment of recognition</b>		
At a point in time	34,756	44,499
Over time	992,624	1,457,393
<b>Total revenue from contracts with customers</b>	<b>1,027,380</b>	<b>1,501,892</b>

With respect to the services listed above, the company has a single-segment structure.

The table below provides information about contract assets and liabilities:

	(€'000)	
	31.12.2020	31.12.2019
Contract assets classified under current/non-current trade receivables	140,570	322,290
Contract assets	180,481	121,109
Contract liabilities	(13,577)	(11,586)

Contract assets and invoices to be issued are gross of the loss allowance.

The table below shows the significant changes in contract assets and liabilities for the year:

	(€'000)	
	<b>Contract assets</b>	<b>Contract liabilities</b>
Revenue recognised during the year included in the opening balance of "contract liabilities"		6,242
Increase in contract liabilities net of amounts recognised under revenue during the year		(8,233)
Reclassifications from contract assets recognised at the beginning of the year	(80,557)	
Increases in contract assets due to the provision of services	139,670	
<b>Change in assets / liabilities</b>	<b>59,113</b>	<b>(1,991)</b>

### Other revenue from sales and services

This caption includes lease and sub-lease income amounting to €105,248 thousand.

The table below includes an ageing analysis of payments to be received in future years for assets that the company has given under operating lease:

	(€'000)						
	<b>Within one year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 3 years</b>	<b>Between 3 and 4 years</b>	<b>Between 4 and 5 years</b>	<b>After five years</b>	<b>TOTAL</b>
Undiscounted payments to be received for operating leases	105,248	107,891	109,112	110,354	112,054	112,054	<b>656,714</b>

### 23. Other income

This caption can be analysed as follows:

	(€'000)		
	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Other sundry income*</b>			
Income and sundry services	55,240	56,461	(1,221)
Gains	60,713	69,597	(8,884)
<b>Total</b>	<b>115,953</b>	<b>126,058</b>	<b>(10,105)</b>

\*For a better accounting presentation, in 2020, performance regime penalty income and expense were reclassified to revenue from sales and services and revenue from other repayments was reclassified to costs for services. Comparative figures were adjusted accordingly.

The €10,105 thousand decrease in Other sundry income is due to the combined effect of:

- the €1,221 thousand decrease in sundry services mainly due to:
  - ✓ the €4,086 thousand decrease in revenue from other penalties;
  - ✓ the decrease in revenue from sundry services (€3,355 thousand) and from the recovery of legal fees (€447 thousand);
  - ✓ the €47 thousand decrease in revenue from reimbursements from personnel;
  - ✓ the €6,823 thousand increase in other sundry income due to the forfeiture of the surety issued by SIS S.C.p.A. for the work carried out on the Palermo hub;

- the €8,884 thousand decrease in gains from the sale of property in 2020 compared to 2019 (€11,300 thousand), partly offset by the increase in sales of materials no longer in use and removed from the infrastructure (+€2,416 thousand).

## 24. Personnel expense

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
<b>Employees</b>	<b>1,340,869</b>	<b>1,485,623</b>	<b>(144,754)</b>
✓ <i>Wages and salaries</i>	985,649	1,103,847	(118,198)
✓ <i>Social security contributions</i>	251,411	297,311	(45,900)
✓ <i>Other expense for employees</i>	17,702	(1,266)	18,968
✓ <i>Post-employment benefits</i>	70,391	71,730	(1,339)
✓ <i>Accruals/releases</i>	15,716	14,001	1,715
<b>Consultants and contract workers</b>	<b>125</b>	<b>98</b>	<b>27</b>
✓ <i>Wages and salaries</i>	11	66	(55)
✓ <i>Social security contributions</i>	114	32	82
<b>Other costs</b>	<b>32,864</b>	<b>34,703</b>	<b>(1,839)</b>
✓ <i>Temporary workers/Seconded personnel and trainees</i>	3,572	4,223	(651)
✓ <i>Other costs</i>	29,292	30,480	(1,188)
<b>Total</b>	<b>1,373,858</b>	<b>1,520,424</b>	<b>(146,566)</b>

Personnel expense decreased by €146,566 thousand on 2019, because of lower personnel expense for employees (€144,754 thousand, of which €35,454 thousand attributable to the COVID-19 pandemic) and the decrease in other costs (€1,839 thousand), partly offset by higher costs for consultants and contract workers (€27 thousand).

The average workforce of the years is as follows:

<b>Average</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Managers	258	246	12
Junior managers	5,352	5,615	(263)
Other	20,585	20,466	119
<b>TOTAL</b>	<b>26,195</b>	<b>26,327</b>	<b>(132)</b>

## 25. Raw materials, consumables, supplies and goods

They can be analysed as follows:

	(€'000)		
	2020	2019	Change
Raw materials and consumables	570,293	678,804	(108,511)
Electrical energy and fuel for traction	125,282	152,225	(26,943)
Lighting and driving force	42,494	55,322	(12,828)
Accruals/Releases	1,649	2,739	(1,090)
<b>Total</b>	<b>739,718</b>	<b>889,090</b>	<b>(149,372)</b>

The overall decrease in Raw materials, consumables, supplies and goods (€149,372 thousand) is mainly due to the public health emergency caused by the outbreak of the COVID-19 pandemic, as better shown below:



- the €117,243 thousand decrease in the consumption of materials mainly due to the long lockdown period caused by the public health emergency, broken down as follows:
  - the €111,587 thousand reduction in materials used for investments;
  - the €5,656 thousand decrease in grants used for operations;
- the €2,135 thousand decrease in the prices of materials in stock because of the new strategy being implemented as part of the “360 materials” project (purchase of inventories and on demand), and the programme for reusing excess materials at local production departments;
- the €2,067 thousand increase in the purchase costs for consumables mainly due to the rise in purchases of medical and accident prevention equipment;
- the €8,800 thousand decrease in revenue from internal work, mainly due to the lack of production during the shutdowns of the Bari, Pontassieve and Bologna workshops as a consequence of the public health emergency;
- the €26,943 thousand decrease in electrical energy and fuel costs for train traction due to the public health emergency which had a significant impact on rail traffic, which hit its lowest level in a decade;
- the €12,828 thousand decrease in costs for lighting and driving force due to the reduction in the cost of electricity, which hit an all-time low since the start of the electricity market, and the public health emergency;
- the €1,090 thousand decrease in accruals to the allowance for inventory write-down.

## 26. Services

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
<b>Transport services</b>	<b>17,561</b>	<b>16,548</b>	<b>1,013</b>
Other transport-related services	–	(26)	26
Shunting services	910	559	351
Ferrying services	12,007	10,799	1,208
Freight transport services	4,644	5,216	(572)
<b>Maintenance, cleaning and other contracted services</b>	<b>501,959</b>	<b>390,525</b>	<b>111,434</b>
Contracted services and work on behalf of third parties	50,472	23,926	26,546
Contracted cleaning and other services	147,430	108,582	38,848
Maintenance and repair of immovable and movable property	304,057	258,017	46,040
Maintenance accruals and releases	–	–	–
<b>Property services and utilities</b>	<b>99,868</b>	<b>102,961</b>	<b>(3,093)</b>
<b>Administrative and IT services</b>	<b>91,093</b>	<b>78,304</b>	<b>12,789</b>
<b>External communication and advertising expense</b>	<b>288</b>	<b>982</b>	<b>(694)</b>
<b>Other sundry services</b>	<b>116,348</b>	<b>147,563</b>	<b>(31,215)</b>
√ Consultancies	560	382	178
√ Insurance	10,855	7,938	2,917
√ Professional services	8,373	8,961	(588)
√ Agencies' fees	3	3	–
√ Group common costs	3,314	2,111	1,203
√ Other	81,224	110,542	(29,318)
√ Accruals/releases	12,019	17,626	(5,607)
<b>Total</b>	<b>827,117</b>	<b>736,883</b>	<b>90,234</b>

\*For the purposes of a more correct presentation, in 2020, revenue from other repayments was reclassified to costs for services. Comparative figures were adjusted accordingly.

Costs for services increased by €90,234 thousand on 2019, partly as a consequence of the rise in COVID-19-related costs (€2,402 thousand).

Specifically, the increase is the combined effect of the following factors:

- the €46,040 thousand increase in costs for maintenance and repair of movable and immovable property related to: non-recurring maintenance of property (€17,252 thousand), building maintenance (€2,478 thousand), line maintenance (€17,245 thousand) and greater costs for building maintenance (€9,065 thousand). The increase due to the COVID-19 pandemic amounts to €6,453 thousand.
- the €26,546 thousand increase in costs for contracted services and work on behalf of third parties due to the resumption of the construction work on the Palermo metro rail, which correlates with the corresponding rise in revenue;
- the €22,463 thousand increase in contracted cleaning mainly due to higher costs for plant cleaning caused by the COVID-19 pandemic (€17,032 thousand);
- the €16,385 thousand increase in contracted services because of higher upkeep costs (+€2,788 thousand), higher costs for other contracted cleaning services (+€17,983 thousand) and for the removal of infrastructure (+€4,869 thousand), partly offset by the drop in assistance to passengers with reduced mobility (-€6,299 thousand), fewer ice scraping and snow removal runs (-€1,029 thousand), lower contracted station services (-€1,741 thousand) and lower waste disposal and sewage treatment (-€186 thousand). This caption was also affected by the COVID-19 pandemic (€2,411 thousand);
- the €31,215 thousand decrease in sundry costs, mainly due to the drop in costs for travel and accommodations (-€16,263 thousand), because of fewer trips taken as a result of the pandemic, lower Polfer (railway police) costs (-€1,846 thousand) and greater reimbursements of service costs (€28,641 thousand, of which €14,203 thousand incurred to take people's temperature at stations and to sanitise spaces), partly offset by greater services provided to the parent (+€6,632 thousand), higher sundry costs (+€3,142 thousand) and other third party services (+€8,975 thousand, including €3,375 thousand due to COVID-19). In addition, costs decreased in relation to provisions and releases (-€5,607 thousand) and professional services (-€588 thousand) offset by greater insurance costs (+€2,917 thousand) and higher shared costs (+€1,203 thousand);
- the €12,789 thousand increase in costs for administrative and IT services, of which €12,645 thousand and €144 thousand related to IT services and administrative services, respectively;
- the €1,013 thousand increase in costs for transport services;
- the €694 thousand decrease in external communications and advertising expense;
- the €3,093 thousand decrease in property services and utilities mainly due to the combined effect of the reduction in fees and other property services (€6,575 thousand), partly offset by the increase in COVID-19-related costs (€3,482 thousand).

## 27. Use of third-party assets

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Lease payments, building expense and IRE	26,860	25,893	967
Leases and indemnities for rolling stock and other	5,962	5,616	346
IT and other services	99	1,116	(1,017)
<b>Total</b>	<b>32,921</b>	<b>32,625</b>	<b>297</b>

Use of third-party assets increased slightly by €297 thousand, mainly due to the effect of greater costs due to COVID-19 (€378 thousand).

Specifically, the increase is due to:

- the €968 thousand increase in lease payments, building expense and IRE;
- the €346 thousand increase in leases and indemnities for rolling stock and other;
- the €1,017 thousand decrease in costs for IT and other services due to the reduction in trademark licensing fees.

## 28. Other operating costs

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Other costs*	73,668	106,070	(32,402)
Losses	3,253	427	2,826
Accruals/Releases	(7,010)	1,026	(8,036)
<b>Total</b>	<b>69,911</b>	<b>107,523</b>	<b>(37,612)</b>

\*For a better accounting presentation, in 2020, performance regime penalty income and expense were reclassified to revenue from sales and services. Comparative figures were adjusted accordingly.

Other operating costs decreased by €37,612 thousand mainly as a consequence of the combined effect of the following changes:

- the €25,125 thousand decrease in costs related to the Free Travel Card mainly due to the reduction in the number of operated train journeys during the lockdown caused by the COVID-19 pandemic (€24,148 thousand);
- the €10,364 thousand decrease in costs for taxes and duties mainly due to lower costs for registration tax (€1,082 thousand), other taxes and duties (€8,978 thousand) and TASI (€905 thousand), partly offset by the increase in IMU;
- the €3,072 thousand increase in contract penalties mainly due to the compensation for damage relating to Roma Tiburtina;
- the €1,130 thousand decrease in sanctions and penalties;
- the €802 thousand increase in membership fees;
- the €282 thousand increase in sundry expense;
- the €2,826 thousand increase in losses, mainly on expropriations in Pescara;
- the €8,036 thousand decrease in accruals and releases due to the combined effect of the increase in releases (€6,940 thousand) and the decrease in accruals (€1,096 thousand) compared to 2019.

## 29. Internal work capitalised

This caption amounts to €884,769 thousand and refers to internal costs for the use of personnel and overheads of €364,110 thousand and costs for materials used in investments of €520,659 thousand.

The €107,756 thousand decrease is mainly due to the reduction in the use of materials as a consequence of the COVID-19 containment measures applied.

### 30. Amortisation and depreciation

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Amortisation of intangible assets	3,324	3,806	(482)
Depreciation of property, plant and equipment	84,812	112,564	(27,752)
Depreciation of investment property	2,006	2,369	(363)
<b>Total</b>	<b>90,142</b>	<b>118,739</b>	<b>(28,597)</b>

The decrease in this caption is mainly due to the change in rates and, specifically, the train-km reduction during the year caused by the decrease in traffic on the network following the COVID-19 pandemic (€30,024 thousand). It was partly offset by higher amortisation and depreciation resulting from the application of IFRS 16 (€1,427 thousand).

### 31. Impairment losses

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Net impairment losses on intangible assets	292	6	286
Net impairment losses on property, plant and equipment	41,063	16,853	24,210
Net impairment losses on loans and receivables	3,303	6,961	(3,658)
Net fair value gains on cash and cash equivalents	(145)	(155)	10
<b>Total</b>	<b>44,513</b>	<b>23,665</b>	<b>20,848</b>

This caption increased by €20,848 thousand on 2019, mainly due to:

- the €24,210 thousand increase in impairment losses on property, plant and equipment. Impairment losses on property, plant and equipment amount to €41,063 million and refer to assets under construction (€5,092 thousand) relating to vehicle detection systems and land (€35,971 thousand);
- the €286 thousand increase in net impairment losses on intangible assets;
- the €3,658 thousand decrease in net impairment losses on loans and receivables.

### 32. Provisions

This caption rose by €139,178 thousand as result of the combined effect of the releases made in 2019 (€12,178 thousand) and the accruals recognised in 2020 (€127,000 thousand) concerning the extraordinary solidarity benefits under the fund for income and employment assistance.

### 33. Financial income

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Other financial income	1,171	6,772	(5,601)
Exchange gains	145	1,596	(1,451)
Dividends	–	145	(145)
<b>Total</b>	<b>1,316</b>	<b>8,513</b>	<b>(7,197)</b>

In 2020, this caption decreased by €7,197 thousand mainly as a result of the gain on the sale of the investment in CS Retail S.p.A. (€6,265 thousand) in 2019 and the reduction in exchange gains (€1,451 thousand), partly offset by the increase in sundry financial income (€653 thousand).

### 34. Financial expense

This caption can be analysed as follows:

	(€'000)		
	2020	2019	Change
Borrowing costs	33,469	40,542	(7,073)
Impairment losses on financial assets	(354)	(494)	140
Exchange losses	17	2,011	(1,994)
Financial expense on lease liabilities	996	856	140
Accruals/releases	–	–	–
<b>Total</b>	<b>34,128</b>	<b>42,915</b>	<b>(8,787)</b>

Financial expense decreased by €8,787 thousand, mainly due to the following factors:

- the €7,073 thousand decrease in borrowing costs due to the combined effect of lower interest and other expense to others (€2,271 thousand), other group companies (€119 thousand) and the interest cost of post-employment benefits (€2,434 thousand), lower interest to the parent (€2,146 thousand) and lower accruals/releases (€103 thousand);
- the €140 thousand increase in impairment losses on financial assets, mainly due to the impairment loss on the investment in Interporto Marche (€80 thousand) and the application of IFRS 9 (€60 thousand);
- the €1,994 thousand decrease in exchange losses;
- the €140 thousand increase in financial expense on lease liabilities due to the application of IFRS 16.

### 35. Capitalised financial expense

It was calculated based on the portion of financing allocated to assets under construction and amounts to €13,314 thousand.

### 36. Current and deferred taxes

The €14,268 thousand decrease is due to the adjustments of the regional tax on productive activities (IRAP) made in 2019 following the settlement of the dispute with the tax authorities for the 2010-2014 period, concerning the undue deduction - in the calculation of the IRAP tax - of grants related to income that RFI paid to Trenitalia S.p.A. for the free transport of Free Travel Card holders.

	(€'000)		
	2020	2019	Change
IRAP	-	-	-
Deferred taxes	-	-	-
Adjustments to prior year income taxes	-	14,268	(14,268)
Accruals and releases	-	-	-
<b>Total</b>	<b>-</b>	<b>14,268</b>	<b>(14,268)</b>

The following table provides a breakdown of the depreciable cost used for tax purposes which, following the application of the specific IFRS-compliant provisions set out in article 1.86 and 87 of Law no. 266/2005, is shown gross of the corresponding government grants related to assets to the railway infrastructure operator.

	(€'000)
	<b>2020</b>
Depreciable cost under Italian Civil Code criteria	4,845,067
Government grants related to assets up to 2020	47,200,430
Government grants related to assets for 2020 extraordinary maintenance	3,244,514
Government grants related to assets up to 2060	34,523,607
Impairment loss as per IFRS	3,579,881
Total depreciable cost under tax criteria	93,393,499
<b>Total fiscally-driven portion</b>	<b>1,672,498</b>

### 37. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities mainly relate to the disputes underway described in the Litigation and disputes section of the directors' report to which reference should be made for additional details.

The company's main contingent assets and liabilities are reported below.

With regard to the contingent liability set out below, the company assessed the risk of loss and considered it remote or possible.

#### **RFI - Gruppo COSIAC S.p.A.**

In 2011, Gruppo COSIAC S.p.A. brought a legal action before the Rome Civil Court claiming compensation for damage (roughly €1.039 billion) following the alleged violation of rules of integrity, impartiality and good faith in the performance of the integrated service concession for the laying of double tracks on the Tommaso Natale – Carini railway line, and the connection to the Punta Raisi airport. With ruling no. 9769/2015, the Rome Court, admitting all RFI's arguments and ordering COSIAC S.p.A. to pay all legal fees, declared that it did not have jurisdiction, while the administrative judge did, and denied all claims of liability (contractual, pre-contractual and non-contractual). COSIAC S.p.A. appealed against the ruling. With ruling no. 1477 of 1 March 2019, the Rome Court of Appeal partially admitted COSIAC S.p.A.'s appeal and transferred the case to the Court, recognising the ordinary judge's jurisdiction on the assumption that COSIAC S.p.A. claim in the case was an expression of its subjective right arising from a contract subject to private law. RFI S.p.A. appealed against this ruling before the Court of Cassation and requested its revocation before the Court of Appeal, as it was in contrast with the cases already pending in civil and administrative court, including with respect to jurisdiction. With summons notified on 3 May 2019, COSIAC S.p.A. reinstated the case before the Rome Civil Court. RFI S.p.A. appeared in court and requested a stay of the proceedings pending the decisions of the Court of Cassation and the Court of Appeal for revocation on the matters of jurisdiction and conflicting cases.

The judge postponed any decision on the requested stay of the proceedings until reading of the parties' briefs. Having granted the time limits pursuant to article 183.6 of the Italian Code of Civil Procedure, the case was postponed for the admission of evidence to the hearing of 31 March 2021.

Meanwhile, with ruling no. 28388/2020 of 14 December 2020, the Court of Cassation rejected RFI's appeal, confirming the decision of the appeal judge. In this respect, the further actions to be taken are currently being assessed.

On the other hand, the above-mentioned revocation request before the Court of Appeal is still pending, being in contrast with the cases already pending in civil and administrative court, including with respect to jurisdiction.

#### **Council of State ruling no. 6108/2019 partially cancelling ART decision no. 70/2014**

With ruling no. 6108 of 9 September 2019, the Council of State admitted RFI's appeal against the Piedmont Regional Administrative Court's ruling no. 541/2017 and cancelled the section of ART decision no. 70/2014 in which the provisions applicable to the fees to access the infrastructure - as they did not adequately consider the operator's right to the full remuneration of the invested capital - prevented it from fully recovering the costs during the validity of the above decision.

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As part of the above ruling before the Council of State, RFI filed a document quantifying the amount not recovered for the period of validity of ART decision no. 70/2014 (6 November 2014-31 December 2015) as €101 million or €140 million, depending on the calculation method used to determine the cost item of the return on invested capital. This ruling highlighted the retroactive nature of the cancellation of ART decision no. 70/2014 and required ART to “renew the [preliminary] proceedings for the period [...] from 6 November 2014 to 31 December 2015” in order to “fill the regulatory void caused by the aforementioned cancellation [...]” and to perform a preliminary investigation that takes into account the principles set out in the ruling. Trenitalia S.p.A., another railway company and – incidentally – the ART appealed against the Council of State’s ruling no. 6108/2019. At the same time, the ART requested, as a precautionary measure, the suspension of the effects of the ruling.

The ART also appealed against the Council of State’s ruling before the Joint Sections of the Court of Cassation on the alleged grounds that it went beyond the outer bounds of the administrative court’s jurisdiction. With ruling no. 5534/2019, the Council of State denied the station manager’s (the former Grandi Stazioni S.p.A.) appeal against ruling no. 1025/2017, thereby confirming – inter alia – that the spaces set up to greet and assist passengers also fall within the scope of application of ART regulations.

On 12 November 2020, a hearing was held to discuss the appeals for revocation filed by NTV, Trenitalia and the ART. With ruling no. 1262 of 12 February 2021, the Council of State, after meeting, rejected the above appeals.

This therefore confirms the Council of State’s ruling no. 6108/2019 whereby the unit value of the fee to access the infrastructure recognised as per ART decision no. 70/14 does not fully include remuneration on invested capital in its risk capital component. Accordingly, ART is required to commence regulatory proceedings to determine the amounts to be recovered in favour of RFI.

At present, only the appeal brought by the ART on 23 December 2019 before the Joint Sections of the Court of Cassation on Council of State’s ruling no. 6108/2019 on the alleged grounds that it went beyond the outer bounds of the administrative court’s jurisdiction and arbitrarily violated the scope of activities reserved for the ART by exercising jurisdiction and decision-making powers not provided for by law, remains pending.

With respect to this last ruling, no request for suspension of the effects of the Council of State’s ruling no. 6108/2019 was submitted and, at present, no hearing has been set.



**38. 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, it is noted that the total fees due to the independent auditors and its network amount to €534 thousand and include the fees paid for services other than the statutory audit (approximately €254 thousand).

**39. DIRECTORS' AND STATUTORY AUDITORS' FEES**

The following fees were paid to directors and statutory auditors for the performance of their duties, as per the relevant resolutions.

	(€'000)		
	2020	2019	Changes
Directors *	303	303	–
Statutory auditors	84	84	–
<b>Total</b>	<b>387</b>	<b>387</b>	<b>–</b>

\* In addition, fees of €45 thousand were paid to the non-group members of the Supervisory body.

**40. MANAGEMENT AND COORDINATION**

The key figures of the direct parent at 31 December 2019 are available on the company's website [www.fsitaliane.it](http://www.fsitaliane.it) and at the head office of Ferrovie dello Stato Italiane.

	(€'000)	
	31 December 2019	31 December 2018
<b>Assets</b>		
Total non-current assets	44,931,064	44,848,061
Total current assets	4,956,169	3,894,254
Assets held for sale and disposal groups		22,395
<b>Total assets</b>	<b>49,887,233</b>	<b>48,764,710</b>
<b>Equity</b>		
Share capital	39,204,174	39,204,174
Reserves	53,586	50,721
Retained earnings	374,612	315,334
Profit for the year	226,673	62,397
<b>Total equity</b>	<b>39,859,045</b>	<b>39,632,626</b>
<b>Liabilities</b>		
Total non-current liabilities	5,966,161	6,369,095
Total current liabilities	4,062,027	2,762,989
<b>Total liabilities</b>	<b>10,028,188</b>	<b>9,132,084</b>
<b>Total equity and liabilities</b>	<b>49,887,233</b>	<b>48,764,710</b>
	<b>2019</b>	<b>2018</b>
Revenue	187,257	180,129
Operating costs	263,695	237,018
Amortisation and depreciation	24,516	24,453
Net impairment losses	1,417	15,770
Provisions		
Net financial income	175,839	30,809
Income taxes	153,204	128,700
<b>Profit (loss) from assets held for sale, net of taxes</b>		
<b>Profit for the year</b>	<b>226,673</b>	<b>62,397</b>

## 41. RELATED PARTIES

### 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 with the same entities at market conditions.

	(€'000)	
	2020	2019
Short-term benefits	4,697	4,623
Post-employment benefits	364	314
Termination benefits	0	0
<b>Total</b>	<b>5,061</b>	<b>4,937</b>

In addition to short-term benefits, a variable portion is to be paid in 2021, for an amount not exceeding €1,000 thousand, once checks have been made on whether objectives have been reached.

The key managers did not carry out any transactions, directly or through close family members, with the company or companies controlled directly or indirectly by the latter.

### Related party transactions

The main transactions between the company and its related parties, which were all carried out on an arm's length basis, are described below.

		Assets	Liabilities
<b>Subsidiaries</b>			
Bluferries S.r.l.	Trade and other: health services, provision of services, leases and recharging of building expense, company officers.		Trade and other: reimbursement for seconded personnel and sundry leases.
Blu Jet S.r.l.	Trade and other: reimbursement for company officers, health and other services.		Trade and other: ferrying services and material.
Infrarail Firenze S.r.l.	Trade and other: reimbursement of personnel expense.		Trade and other: reimbursement of personnel expense.
Terminali Italia S.r.l.	Trade and other: freight terminal leases, reimbursement for seconded company officers.		Trade and other: shunting services, building expense. Group services (utilities) and maintenance of rolling stock. Use of third-party assets (rolling stock and carriage hire), lighting and driving force, buildings used in operations.
Grandi Stazioni Rail S.p.A.	Trade and other: concession fees, revenue from services, supplies and works. Company officers.		Trade and other: expense for failure to vacate some properties, building expense, leases and ancillary charges related to premises. Expense for maintenance of buildings used in operations.
<b>Associates</b>			
Quadrante Europa S.p.A.	Trade and other: company officers. Financial: shareholder loan.		-
<b>Parents</b>			
Ferrovie dello Stato Italiane S.p.A. (a)	Trade and other: services, works and supplies, training, health services and leases. Financial: interest income.		Trade and other: licences to use the trademark, seconded personnel, leases and ancillary charges related to premises, information services, labour lawyer, finance area, external relations and institutional affairs. Recruitment and development services, professional training and consultancy, non-financial fees.

		Financial: interest expense on intragroup current account, bonds, bank and postal commissions.
<b>Other related companies</b>		
Sita S.p.A. in liquidation	Trade and other: leases.	-
Ferservizi S.p.A. (b)	Trade and other: operating building leases, health services and reimbursement for company officers.	Trade and other: global service provider activities, administrative services, personnel management, training, accounting and treasury services, services for purchasing travel tickets and hotel bookings, facilities, railway hotels, administrative management of catering, seconded personnel costs and building expense.
FS Technology S.p.A.	Trade and other: revenue from company officers - managers - and health services.	Trade and other: IT services and maintenance of buildings.
Italcertifer ScpA (b)	Trade and other: health services, leases, GSM-R utilities, repayments for testing, certification and consultancy.	Trade and other: preliminary activities and investigations for the certification of components and railway systems, carriage hire and rolling stock maintenance.
Mercitalia Logistics S.p.A. (b)	Trade and other: services and health services.	Trade and other: freight transport, leases and ancillary charges.
Mercitalia Rail S.r.l.	Trade and other: leases of buildings used and not used in operations, leases of land, recharging of building expense, revenue from use of GSM-R, services provided to the railway companies (sale of energy, ferrying services, electrical energy used for traction, traffic-related services), health services, revenue from works and supplies and performance regime penalty income.	Trade and other: transport and shipping services, rolling stock maintenance, carriage hire, contracting services, seconded personnel.
Mercitalia Shunting & Terminal (formerly Serfer S.p.A.)	Trade and other: leases of land, revenue from use of GSM-R, services provided to the railway companies (sale of energy, electrical energy used for traction, traffic-related services), health services, revenue from works and supplies, professional training and tolls. Performance regime penalty income.	Trade and other: rolling stock maintenance, carriage hire, transport and shipping and third party services.
Fercredit S.p.A. (b)	Trade and other: health and other services.	Trade and other: supplier analyses. Financial: default interest.
Italferr S.p.A. (b)	Trade and other: health services, leases of buildings used in operations, professional training and revenue from the use of GSM-R.	Trade: network investment works oversight, design and control and training courses.
Metropark S.p.A.	Trade and other: lease of buildings and areas, reimbursement for seconded personnel, health services and revenue from supplies and services.	Trade and other: contracted and third-party services.
Mercitalia Intermodal S.p.A. (formerly Cemat S.p.A.)	Trade: leases of freight terminals and health services.	Trade and other: seconded personnel costs.
Grandi Stazioni Immobiliare S.p.A. (b)	-	Trade and other: lease and building expense
Trenitalia S.p.A. (b)	Trade and other: tolls, electrical energy used for traction, ferrying and shunting services, health services, leases, leases of land, use of GSM-R, sale of HV energy, traffic-related services, recharge of building expense, spare materials, services and supplies and performance regime penalty income.	Trade and other: transport services for employees for work and leisure, IT services, leases and related costs, carriage hire, purchase and maintenance of rolling stock, shunting and freight transport services, travel and seconded personnel expenses and other services.
Trenitalia TPER Scarl	Trade and other: tolls, electrical energy used for traction, health services, leases, use of GSM-R, traffic-related services, recharge of building expense, services and supplies and performance regime penalty income.	Trade and other: group repayments for services.
Cremonesi Workshop	Trade and other: health services.	-
TX Logistik AG	Trade and other: tolls, traction, shunting and traffic-related services, freight terminal leases, health services and professional training; performance regime penalty income.	Trade and other: performance regime penalty expense.

TX Austria Gmbh	Trade and other: services provided to the railway companies (tolls, electrical energy used for traction and shunting services) and health services.	Trade and other: leases.
TX Logistik GmbH	Trade and other: services provided to the railway companies (shunting and traffic-related services).	-
Thello Sas	Trade and other: health services.	-
FS Sistemi Urbani S.r.l. (b)	Trade and other: provision of works, services and supplies, health services and sundry reimbursements for company officers.	Trade and other: leases and ancillary charges related to premises and services.
Trenord S.r.l.	Trade and other: fees, traction and shunting services, health services, revenue from the use of GSM-R, sale of HV energy, traffic-related services, leases, services and supplies, performance regime penalty income.	Trade and other: contracted services as per the master agreement. Reimbursement of costs for intragroup services.
Busitalia - Sita Nord (b)	Trade and other: health services, revenue from GSM-R utilities, performance regime penalty income, leases and fees.	Trade and other: seconded personnel BoD fees.
Busitalia - Campania S.p.A. (b)	Trade and other: health services, leases and land leases.	-
BUSITALIA Rail Service	Trade and other: health services and leases for operating areas.	Trade and other: use of third-party assets.
SITAF S.p.A.	Trade and other: level crossings and special accesses.	Trade and other: motorway tolls for vehicles.
ATAF Gestioni S.r.l.	Trade and other: health and other services.	-
Busitalia Veneto S.p.A.	Trade and other: health services.	-
Ferrovie Sud Est S.r.l. (b)	Trade and other: health services, revenue from services, works and supplies.	Trade and other: seconded personnel reimbursement.
ANAS Group	Trade and other: services, works and supplies; revenue from company officers - managers.	Trade and other: leases.
<b>Associates of subsidiaries</b>		
BBT S.p.A.	Trade and other: reimbursement for company officers, leases, level crossings and accesses to the railway infrastructure, sundry services and supplies and spare materials.	Trade and other: seconded personnel services.
Terminal Tremestieri S.r.l.	Trade and other: company officers.	-
<b>Group associates</b>		
Eurogateway S.r.l.	Trade and other: traffic-related services and use of GSM-R.	-
Metro 5	Trade and other: company officers.	-
LI-NEA S.p.A.	Trade and other: health services.	-
<b>Other related parties</b>		
CDDPP group	Trade and other: high-voltage network maintenance, level crossings and special accesses, network operation and remote control.	Trade and other: lighting and driving force, processing for third parties and electrical energy for train traction, utilities. Financial: loans.
ENEL group	Trade and other: leases, land leases, level crossings and special accesses. Financial: interest on guarantee deposits.	Trade and other: utilities (water, energy, gas), lighting and driving force and electrical energy for train traction. Financial: default interest.
ENI group	Trade and other: level crossings and special accesses; land and operating area leases; fees for work on connecting tracks.	Trade and other: gas utilities and fuel, use of vehicles and service trucks.
Leonardo group	Trade and other: leases and level crossings and special accesses, use of GSM-R.	Trade and other: professional training courses.
GSE group	Trade: provision of services	Trade and other: electrical energy for train traction, lighting and driving force and energy utilities.
Invitalia group	Trade and other: level crossings and special accesses and services for processing for third parties.	-
IstPolZeccaStato group	-	Trade and other: purchases of spaces for legal notices, press advertising and events.
Poste Italiane group	Trade and other: operating and non-operating building leases and land leases.	Trade and other: postal charges and sundry services.

Financial: current accounts.		
RAI group	Trade and other: leases, level crossings and special accesses.	Trade and other: leases.
SOGIN group	Trade and other: level crossings and special accesses.	-
Sitaf group	Trade and other: level crossings and special accesses.	-
EUROFER/PREVINDAI pension funds	-	Trade and other: withholdings and social security contributions.
Other pension funds	-	Trade and other: insurance policies, social security charges and legal fees.
CONSAP S.p.A.	-	Trade and other: issue of Bunker Oil certificates.
Fondazione FS	Trade and other: leases, land leases, health and other services.	Trade and other: donations, charges related to events and exhibitions.
Ferrovie Nord Milano's subsidiaries	Trade and other: health services, level crossings and special accesses, professional courses.	Trade and other: use of third party assets.
Scarl, associations, EEIG, partnerships	Trade and other: recharging of services.	Trade and other: membership fees
(a) Company carrying out management and coordination activities (direct parent)		
(b) Company managed and coordinated by (a)		

### Related party transactions

The table below summarises the statement of financial position and income statement balances as at and for the year ended 31 December 2020 generated by related party transactions.

Financial transactions between the parent and its related parties are shown separately, i.e., without offsetting positive against negative components, although these components refer to similar transactions (e.g., repayments). Consequently, the figures presented do not necessarily coincide with those set out in the corresponding tables of the notes to the financial statements.

### Trade and other transactions

	(€'000)				
	31 December 2020			2020	
	Assets	Liabilities	Guarantees	Costs	Revenue
<b>Subsidiaries</b>	<b>9,661</b>	<b>17,718</b>	<b>-</b>	<b>85,709</b>	<b>9,148</b>
Bluferries S.r.l.	204	124	-	(156)	217
Blu Jet S.r.l.	95	1,014	-	12,013	120
Terminali Italia S.r.l.	2,834	3,985	-	2,329	1,419
Grandi Stazioni Rail S.p.A.	6,107	9,644	-	72,634	7,317
Tunnel Ferr. del Brennero S.p.A.	-	-	-	-	-
Infrarail Firenze S.r.l.	421	2,953	-	(1,109)	76
<b>Associates</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>
Quadrante Europa S.p.A.	25	-	-	-	25
<b>Parents</b>	<b>21,123</b>	<b>138,324</b>	<b>1,812,890</b>	<b>28,792</b>	<b>5,920</b>
Ferrovie dello Stato S.p.A.	21,123	138,324	1,812,890	28,792	5,920
<b>Other related companies</b>	<b>313,259</b>	<b>456,407</b>	<b>-</b>	<b>207,389</b>	<b>788,603</b>
Sita S.p.A. in liquidation	67	2	-	-	-
Ferservizi S.p.A.	1,759	21,934	-	67,035	984
Italcertifer ScpA	534	952	-	183	459
Mercitalia Logistics S.p.A.	2,612	2,595	-	407	(10)
Mercitalia Intermodal (formerly CEMAT)	1,210	317	-	264	17
Mercitalia Rail S.r.l.	30,942	23,607	-	15,110	45,751
Mercitalia Shunting & Terminal (formerly Serfer)	1,876	9,104	-	9,012	681
Fercredit S.p.A.	22	223,789	-	112	27
Italferr S.p.A.	3,040	99,884	-	3,385	439
Metropark S.p.A.	2,215	692	-	522	1,303
Grandi Stazioni Immobiliare S.p.A.	-	325	-	552	-

	31 December 2020			2020		(€'000)
	Assets	Liabilities	Guarantees	Costs	Revenue	
Trenitalia S.p.A.	179,125	46,102	-	29,821	599,008	
Trenitalia Tper Scarl	16,641	503	-	(526)	44,888	
TX Logistik AG	793	201	-	1	1,698	
TX Logistik GmbH	1	-	-	-	1	
TX Austria GmbH	427	23	-	-	604	
Thello	4	-	-	-	1	
FS Sistemi Urbani S.r.l.	3,778	3,804	-	4,862	1,312	
Trenord S.r.l.	35,067	1,341	-	(210)	85,041	
Busitalia Sita Nord S.r.l.	1,037	64	-	43	982	
Busitalia Campania S.p.A.	14	-	-	-	89	
Busitalia Rail Service	(6)	4	-	5	25	
Busitalia Veneto S.p.A.	36	-	-	-	155	
Cremonesi Workshop	2	-	-	-	2	
SITAF S.p.A.	-	66	-	-	25	
ATAF Gestioni S.r.l.	55	-	-	-	303	
Sitalfa S.p.A.	-	-	-	-	-	
Ferport S.r.l. in liquidation	27	-	-	-	-	
FSE S.r.l.	21,331	1,529	-	(1,453)	2,731	
FSE Trasporto Gomma	21	-	-	(112)	-	
ANAS Group	10,588	462	-	2	2,029	
FS Technology S.p.A.	43	19,109	-	78,376	59	
<b>Associates of subsidiaries</b>	<b>3,660</b>	<b>52</b>	<b>-</b>	<b>(939)</b>	<b>3,678</b>	
BBT S.p.A.	3,660	52	-	(939)	3,677	
Terminal Tremestieri S.r.l.	-	-	-	-	1	
<b>Group associates</b>	<b>13</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>48</b>	
Eurogateway S.r.l.	-	-	-	-	1	
Metro 5	10	-	-	-	27	
La Spezia Shunting Railways S.p.A.	-	4	-	-	-	
FNM S.p.A. (formerly Ferrovie Nord Milano S.p.A.)	-	-	-	-	-	
F.N.M. Autoservizi S.p.A.	1	-	-	-	-	
LI-NEA S.p.A.	2	-	-	-	21	
<b>Other related parties</b>	<b>16,793</b>	<b>87,402</b>	<b>1,424</b>	<b>374,332</b>	<b>9,597</b>	
ENEL group	10,762	23,456	800	68,348	1,387	
ENI group	868	2,194	133	2,065	444	
Leonardo group	112	5,464	-	39	9	
Initalia Group	(71)	1,012	-	-	68	
CDDPP group	8,958	114,840	491	58,548	4,921	
CONSAP S.p.A.	-	-	-	1	-	
ENAV group	14	4	-	-	-	
GSE group	1	8,706	-	228,086	10	
IstPolZeccaStato group	1	84	-	436	-	
Poste Italiane group	469	10	-	5	487	
RAI group	9	5	-	-	10	
SOGIN group	1	-	-	-	-	
EUROFER/PREVINDAI pension funds	-	6,148	-	8,039	-	
Other pension funds	(6,789)	(74,770)	-	3,425	-	
Scarl, associations, EEIG, partnerships	170	165	-	1,157	248	
Ferrovie Nord Milano's subsidiaries	83	69	-	6	175	
Fondazione FS	2,206	13	-	4,178	1,840	
SGA group	-	-	-	-	-	
SITAF group	1	1	-	-	-	
<b>TOTAL</b>	<b>364,535</b>	<b>699,907</b>	<b>1,814,314</b>	<b>695,284</b>	<b>817,020</b>	

1) Individual investees of the MEF, as per the list above, shall be considered within their own group and added to other related parties pertaining to the same group. For example, any transactions with TERNA shall be added to other transactions with companies of the same group under the caption: Cassa Depositi e Prestiti S.p.A. Group (CDDPP)

2) Any negative amounts, where present, reflect balances that are not offset.

## Financial transactions

(€'000)

	31 December 2020			2020	
	Assets	Liabilities	Guarantees	Expense	Income
<b>Associates</b>	<b>265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Quadrante Europa S.p.A.	265	-	-	-	-
<b>Parents</b>	<b>62,317</b>	<b>2,149,723</b>	<b>120,566</b>	<b>27,467</b>	<b>18</b>
Ferrovie dello Stato Italiane S.p.A.	62,317	2,149,723	120,566	27,467	18
<b>Other related companies</b>	<b>-</b>	<b>8,093</b>	<b>-</b>	<b>209</b>	<b>-</b>
FS Sistemi Urbani	-	4,011	-	92	-
Trenitalia S.p.A.	-	3,389	-	75	-
Mercitalia Logistics	-	693	-	20	-
Mercitalia Shunting & Terminal (formerly Serfer)	-	-	-	-	-
Fercredit S.p.A.	-	-	-	22	-
<b>Other related parties</b>	<b>2,410</b>	<b>56,036</b>	<b>-</b>	<b>18</b>	<b>-</b>
Poste Italiane group	2,410	-	-	-	-
CDDPP group	-	56,036	-	-	-
ENEL group	-	-	-	18	-
ENI group	-	-	-	-	-
<b>TOTAL</b>	<b>64,993</b>	<b>2,213,852</b>	<b>120,566</b>	<b>27,695</b>	<b>18</b>

1) Individual investees of the MEF, as per the list above, shall be considered within their own group and added to other related parties pertaining to the same group. For example, any transactions with TERNA shall be added to other transactions with companies of the same group under the caption: Cassa Depositi e Prestiti S.p.A. Group (CDDPP)

## 42. GUARANTEES

(€'000)

Guarantees	31 December 2020	31 December 2019
<b>1. RISKS</b>		
1.1 Sureties	230,313	207,146
<b>Total 1</b>	<b>230,313</b>	<b>207,146</b>
<b>2. OTHER</b>		
2.1 Sureties issued by third parties in favour of the company	4,712,151	4,687,208
<b>Total 2</b>	<b>4,712,151</b>	<b>4,687,208</b>

Risks mainly refer to the sureties that RFI issued to the public administrations (the Ministry of the Environment, regions and provinces) affected by the laying of HS/HC lines.

Sureties issued in favour of the company mainly refer to guarantees issued by Ferrovie dello Stato Italiane on behalf of RFI in favour of third parties (the tax authorities for VAT credit, GSE for energy, etc.) and guarantees given in favour of the company by the general contractor, contracting bodies and suppliers.

### 43. THIRD-PARTY FINANCIAL COMMITMENTS

Developments at 31 December 2020 in the captions related to commitments undertaken by bodies including the government and the EU in favour of the company following the issue of loans, in the form of share capital increases or sundry contributions, are shown below:

*Investments financed by the government and the EU between 1993 and 2020:*

	Available resources	Disbursements	Recognised assets	Recognised	Amounts to be received from the Government and the EU for investments to be made	Residual amounts for loans and borrowings received and not yet used
At 31 December 2019	130,689,243	80,775,465	7,125,770	80,261,439	42,788,008	514,026
At 31 December 2020	139,549,838	86,522,867	4,803,235	84,167,789	48,223,736	2,355,078
Delta	8,860,595	5,747,402	(2,322,535)	3,906,350	5,435,728	1,841,052

Specifically, total available resources considered at 31 December 2020 amount to approximately €139 billion. This amount includes loans and borrowings “on an accruals basis” pursuant to several Budget Act and those pursuant to ad hoc legislative measures as well as the resources from the European Union. Available resources rose by €8,860,595 thousand on 31 December 2019 due to the new loans granted to the company in 2020, including those pertaining to the 2021 Budget Act. At 31 December 2020, the disbursements received in respect of the above granted amounts amount to €86,522,867 thousand and include total disbursements from public sources provided by the different Budget Act and long-term financing laws, as well as EU funds.

At 31 December 2020, disbursements of €84,167,789 thousand were recognised, up €3,906,530 thousand on the previous year, due to the amounts recognised during the year in respect of the above disbursements.

Assets recognised in respect of the above disbursements were included under Available resources and amount to €4,803,235 thousand. They include assets recognised following the amendment to the criterion used to disburse government resources for investments, previously accounted for as share capital increases and now as grants related to assets pursuant to article 1.86 of the 2006 Finance Act, due from the MEF and the MIT for disbursements arising from Budget Acts and long-term financing laws, not yet disbursed.



**44. DISCLOSURE PURSUANT TO LAW NO. 124/2017**

The disclosure required by article 1.125 and 126 of Law no. 124/2017 is provided below and in other sections of this document.

The financial figures refer to cash inflows and outflows for 2020.

The following table provides the disclosure required by article 1 of Law no. 124/2017 about 2020:

<b>Provider</b>		<b>2020</b>
MEF	Grants related to assets	4,732,879,397.28
MIT	Grants related to assets	724,446,300.15
Prime Minister	Grants related to assets	80,922,521.77
EU	Grants related to assets	122,702,711.03
Local bodies	Grants related to assets	192,349,432.67
Other	Grants related to income	16,378,698.03
MIT	Grants related to assets	277,100,000.00
MEF	Grants related to income	1,015,556,791.00
MIT chap 1274 - Incentive scheme for railway freight transport / Chap. 7302	Grants related to income	101,002,809.02
CSEA	Pass-through grants*	168,848,214.29
Fondimpresa	Financing for training (article 31)	1,041,331.93

(\*) railway companies are the ultimate beneficiaries of these grants (MIT chap. 1274 – CSEA).

The following table provides the disclosure required by article 1.126 of Law no. 124/2017 about 2020:

<b>Beneficiary</b>		<b>2020</b>
Fondazione Fs Italiane	Grant	5,424,000
Associazione Nazionale DLF	Grant	1,319,422
Municipalities	Agreements	310,000
ART, Fondazione Politecnico, I.G.I. and Ass.per la Protezione dalle Corrosioni Elettr.	Membership fees	988,822

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## 45. EVENTS AFTER THE REPORTING DATE

### February

#### **Update of the organisational model no. 231/2001 and appointment of the manager in charge of financial reporting**

On 2 February 2021, the board of directors approved the updating of the company's 231 organisational model carried out in 2020.

The revision affected the general part of the model and redefined the methodology used to update the document following the redefinition of responsibilities resulting from the establishment of the Compliance Department and the special part of said document to reflect the new predicate crimes introduced by the legislators.

The board of directors also appointed Andrea Pascucci, Head of the Administration, Finance and Control Department, as manager in charge of financial reporting pursuant to Law no. 262/2005.

#### **Approval of guidelines on mobility centres**

On 11 February 2021, the mayor of Bologna approved the document outlining the design and construction criteria for mobility centres, i.e., the new "gates" to the area envisaged by the urban plan for sustainable mobility (PUMS) at the stations of the metropolitan railway service, of which 22 are owned by RFI.

#### **Council of State's ruling no. 1262 on ART decision no. 70/2014**

On 12 February 2021, the Council of State published its ruling rejecting the appeals for revocation filed by Italo - Nuovo Trasporto Viaggiatori S.p.A., the ART and Trenitalia S.p.A.. This judgment confirms the Council of State's ruling no. 6108/2019, whereby the unit value of the fee to access the infrastructure recognised as per ART decision no. 70/14 does not fully include remuneration on invested capital in its risk capital component. Accordingly, the ART is required to commence regulatory proceedings to determine the amounts to be recovered in favour of RFI. For additional information, reference should be made to the section on Contingent assets and liabilities.

#### **FS Italiane group signs important new agreements with the trade unions**

On 18 February 2021, Agens and the FS Italiane group signed a number of important agreements with the trade unions, including, in particular, the agreement for national collective bargaining agreement for Mobility workers/Railway operations, dated 16 December 2016 and which also introduced some measures covering remote work and welfare schemes. The parties also signed a protocol for the quality of work in railway service contracts, with which the group reaffirmed the principles underpinning a healthy economy supported by the principles of quality of work, such as lawfulness, transparency, sustainability and occupational health and safety.

**ALLOCATION OF PROFIT FOR THE YEAR**

The financial statements as at and for the year ended 31 December 2020 show a profit for the year of €38,291,246.19.

The board of directors proposes allocating 5% of the profit for 2020, amounting to €1,914,562.31, to the legal reserve and the residual €36,376,683.88 to retained earnings.

*Rome, 8 March 2021*

The board of directors

The Chairwoman