Nuovo Trasporto Viaggiatori

Annual Report

31 December 2016

NUOVO TRASPORTO VIAGGIATORI SPA

Registered office	**Viale del Policlinico 149/B - 00161 Rome**
Share capital	**€57,207,884 fully paid-in**
Rome Companies Register	**09247981005**
R.E.A. Rome no.	**1150652**
Tax code	**09247981005**
VAT number	**09247981005**
Corporate website	**www.ntvspa.it**
Commercial website	**www.italotreno.it**

Contents

CORPORATE BODIES

BOARD OF DIRECTORS – Elected by the General Meeting of shareholders held on 9 December 2015. In office until approval of the financial statements for the year ended 31 December 2017.

Chairman	Andrea Faragalli Zenobi
Directors	
	Flavio Cattaneo
	Luca Cordero di Montezemolo
	Fabio Corsico[1]
	Diego Della Valle
	Francesco Di Giovanni
	Romina Guglielmetti
	Maurizio Petta
	Lucio Punzo[2]
	Luigi Piergiuseppe Ferdin Roth
	Raffaello Ruggieri

BOARD OF STATUTORY AUDITORS – Elected by the General Meeting of shareholders held on 15 July 2014. In office until approval of the financial statements for the year ended 31 December 2016.

Chairwoman	Rosalba Casiraghi
Standing auditors	
	Stefano Ciccioriccio
	Vincenzo Miceli
Alternate auditors	
	Fabrizio Bonacci
	Franco Piero Pozzi

INDEPENDENT AUDITORS - Appointed by the General Meeting of shareholders held on 15 July 2014, for a period ending with approval of the financial statements for the year ended 31 December 2016.

Independent auditors	Deloitte & Touche SpA

[1] Co-opted by the Board of Directors' meeting of 27 October 2016 and in office until the next General Meeting.
[2] Elected by the General Meeting of 13 June 2016.

STRATEGIC COMMITTEE – Appointed by the Board of Directors' meeting of 14 April 2016.

Chairman	Andrea Faragalli Zenobi
Standing members	
	Flavio Cattaneo
	Luca Cordero di Montezemolo

SUPERVISORY BOARD – Appointed by the Board of Directors' meeting of 12 July 2016. In office until approval of the financial statements for the year ended 31 December 2018.

Chairwoman	Filomena Passeggio
External member	Stefano Ciccioriccio
Internal member	Gianluca Acquas

AUDIT COMMITTEE – Appointed by the Board of Directors' meeting of 21 December 2016.

Chairman	Andrea Faragalli Zenobi
Standing members	
	Gianbattista La Rocca (General Manager)
	Roberto Vitto (Chief Financial Officer)

KEY AND GLOSSARY

This section provides a description of the criteria forming the basis for the performance indicators used in this report, which differ from those resulting directly from the financial statements. These indicators are considered useful in assessing the Company's performance and its operating results and financial position.

EBITDA: an indicator of earnings from operating activities alone. It is computed as the difference between revenue and net operating costs, after adjusting for any extraordinary components and certain components reclassified as financial. The resulting EBITDA is used by the Company to assess its operating performance.

Gross operating margin: this represents the gross profit/(loss) from ordinary activities before interest, tax, depreciation and amortisation. It is equal to the net value of production shown in the financial statements before amortisation and depreciation of fixed assets.

Operating profit/(loss): this represents the operating profit/(loss) from ordinary activities, corresponding with the net value of production shown in the financial statements. It is obtained by deducting amortisation and depreciation of fixed assets from gross operating profit/(loss).

The following terms and abbreviations are those most regularly used in this document.

ANSF: *Agenzia Nazionale per la Sicurezza Ferroviaria*, Italy's Rail Safety Regulator.

ART: *Autorità di Regolazione dei Trasporti*, the Transport Regulator

HS/HC: High Speed -High Capacity.

WCs (White Certificates): see EEC.

GSE: *Gestore per i Servizi Energetici*, the state-owned company responsible for promoting the use of renewable energy.

Load Factor: an indicator typically used in the air and rail transport sectors. It measures the utilisation of capacity on trains, based on the ratio of the number of passengers transported to the number of available seats (pass-km/seat-km). It enables the rate of capacity utilisation on aircraft and trains to be assessed.

MEF: Ministry of the Economy and Finance.

MED: Ministry for Economic Development.

EEC (Energy Efficiency Certificates): also named White Certificates (WC), these were introduced by decree issued by the Minister for Productive Activities, in agreement with the Minister for the Environment and Land Protection, on 20 July 2004 (Ministerial Decree of 20 July 2004 for electricity and Ministerial Decree of 20 July 2004 for gas), as amended by the Ministerial Decrees of 21 July 2007 and 28 28 December 2012, which determined target increases in energy efficiency in Italy for the four-year period 2013-2016.

TOE (Tonne of Oil Equivalent): this represents the quantity or energy released by burning a tonne of crude oil and is normally equivalent to approximately 42 GJ (Gigajoules).

Train-km or **train kilometres**: an indicator used in rail transport, representing total kilometres travelled by trains in a certain period of time, used to measure the capacity offered by the operator.

Pass-km or **passenger kilometres**: an indicator used in rail transport, representing total kilometres travelled by the total number of passengers transported in a certain period of time.

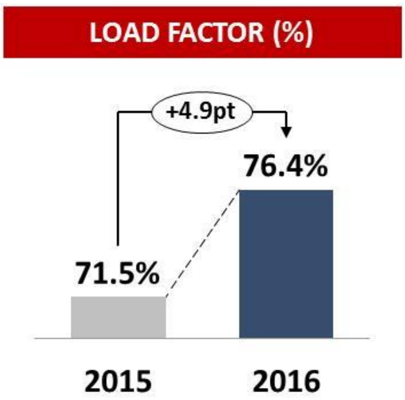
Seat-km or **seat kilometres**: an indicator used in rail transport, representing total kilometres travelled by the total number of seats offered in a certain period of time.

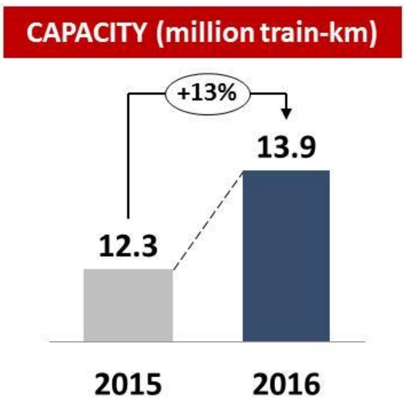
Report on Operations

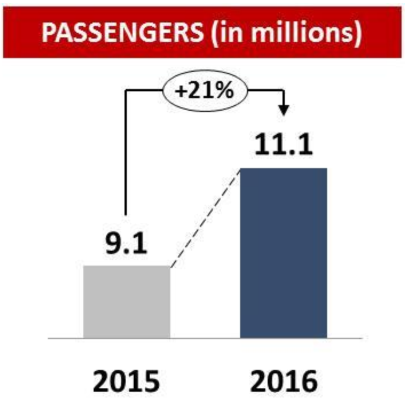
FINANCIAL HIGHLIGHTS 2016

Key indicators of financial performance, reclassified to reflect operating activities, and operational performance for 2016 and 2015 are shown below (the financial performance is shown before the impact of the application of new Italian accounting standards on the income statement for 2015, as described in more detail in the notes to the financial statements).

FINANCIAL PERFORMANCE (€m)	2016	2015	*Change*	*% change*
Operating revenue	354.9	307.8	*47.1*	*+15.3%*
Operating costs	(272.5)	(254.0)	*(18.5)*	*+7.3%*
EBITDA (excluding WCs)	**82.4**	**53.8**	*28.6*	*+53.2%*
White Certificates (net)	13.8	7.7	*6.1*	*+79.2%*
EBITDA	**96.2**	**61.5**	*34.7*	*+56.4%*
Amortisation and depreciation	(38.4)	(40.3)	*1.9*	*-4.7%*
EBIT	**57.8**	**21.2**	*36.6*	*+172.6%*
Financial and extraordinary items	(16.4)	(19.2)	*2.8*	*-14.6%*
EBT	**41.4**	**2.0**	*39.4*	*+1,970.0%*
Income tax expense	(13.2)	(1.2)	*(12.0)*	*+1,000.0%*
EAT	**28.2**	**0.8**	*27.4*	*+3,425.0%*
Adjustment for 2016 Stability Law	-	(13.4)	*13.4*	*-100.0%*
Profit/(Loss) for the year	**28.2**	**(12.6)**	*40.8*	*n/a*







OPERATING REVIEW FOR 2016

The positive trend registered at the end of the previous year was confirmed in 2016, thus providing a positive outlook for the Company, which has planned and implemented a crucial turnaround with great commitment and determination.

For the first time, at the end of 2016 the Company was able to report a profit of €28.2 million and EBITDA of €96.2 million, up 56.4% on the previous year.

Operating revenue grew 15.3% compared with the previous year, while capacity in terms of train-km rose 13%.

Demand for transport registered a higher increase in proportion to the growth in capacity, as demonstrated by the number of passengers transported, which rose by 2 million (up 21%) compared with the previous year to stand at 11.1 million.

The load factor also confirmed the positive trend, rising from an average of 71.5% in 2015 to an average of 76.4% in 2016 (up 4.9 percentage points).

The Company continues to pay great attention to the quality of service provided by its suppliers, while maintaining a sharp focus on the level of operating costs, which although marking an increase on 2015 (up 7.3%), have risen proportionally less than both revenue and capacity growth, thus demonstrating the effectiveness of the actions taken.

In financial terms, operating cash flow has enabled the Company to cover the cost of debt servicing and fund investment, thus demonstrating the Company's capacity to generate sufficient liquidity to maintain growth in the medium to long term.
At the end of 2016, cash and cash equivalents stood at €127.4 million.

On the operating front, negotiations were conducted with Alstom, which concluded in September with the signing of an agreement regarding the acquisition of 4 EVO Pendolino tilting trains which, together with the 8 already acquired in October 2015, will bring the number of trains in the new fleet to 12, with the first deliveries scheduled from the last quarter of 2017.
In parallel, investment plans were presented to lenders to obtain authorisation to fund the acquisition using operating cash flow. An amendment to the loan agreement (a so-called waiver) was requested for this purpose. This process was successfully completed in July 2016.

During 2016, lounges were inaugurated at Rome Termini, Rome Tiburtina, Milan Central, Naples Central, Turin Porta Susa and Florence, marking completion of the revisitation of the Casa Italo concept. At all network stations served, direct sales management was also strengthened, with automated ticket vending machines, sales points and mobile sales desks.

The rail network was further expanded. During the summer, the Adriatic service was launched with daily connections between Milan and Rimini, aimed at meeting demand for transport to certain tourist resorts. Subsequently, frequencies on some existing routes were stepped up (Milan/Turin and Rome/Naples), and new connections were introduced (Ferrara and Brescia).

The Italobus service, launched in December 2015, turned out to be a key factor in the road-rail integration strategy.
In northern Italy, the network was expanded with the addition of a connection to Bergamo from Milan Rogoredo station, with stops at Capriate and Orio al Serio airport.
In southern Italy, the route connecting Salerno to Picerno, Potenza, Ferrandina, Matera and Taranto began operating.

During the summer, a connection was also established with Cilento, thanks to the “Cilento Blu” initiative promoted by the Tourism Development and Promotion Office for the Campania Region.

Improvements were made to the AGV fleet, and initiatives relating to organisational processes were implemented that enabled enhancement of the quality of the product offering.

In December 2016, four months ahead of the agreed timeframe, the current solidarity contract was cancelled, entailing full termination of the related effects from January 2017.

A summary of the Company's results for 2016, its operational performance, activities carried out during the year and the outlook is provided below.

OVERVIEW OF THE WORLD ECONOMY [3]

The state of the global economy improved slightly during the year. According to International Monetary Fund (IMF) assessments, published in January 2017, global GDP grew 3.1% in 2016. Compared with October 2016, the estimates were revised slightly upwards for almost all the major advanced economies (except for Italy), and marginally revised down for emerging economies, which are however expected to see growth pick up over the next two years. The upward revisions for advanced economies reflect the positive surprises registered in the third quarter and the expected benefits of the expansionary budget policies announced in the United States and Japan. Growth in emerging economies was affected by less favourable financial conditions.

Growth in the euro area continued at a moderate pace, albeit with a gradual consolidation of the trend. Deflation risks were reduced. Inflation rose again in 2016, but underlying inflation is still very low.

The Italian economy continued to register moderate growth. According to available indicators, the economic recovery proceeded during the autumn, albeit at a measured pace. Taking into account the upturns in industrial production, electricity consumption and freight transport, and the high levels of business confidence, in the fourth quarter of 2016 GDP may have risen by around 0.2% compared with the previous period, with an annual average of 0.9% (based on data adjusted for the number of working days), and may also grow by around 0.9% in 2017 and 1.1% in both 2018 and 2019. Economic activity is still expected to be driven by domestic demand and, as of 2017, by a gradual strengthening of overseas demand.

THE HIGH-SPEED TRAIN MARKET

The high-speed train market has been constantly growing in terms of volumes (passenger kilometres or pass-km) since 2009, the year a high-speed line was launched on the Turin – Milan – Bologna route.

According to a survey carried out by the Company, the number of pass-km travelled on high-speed lines doubled in the period 2009 – 2016, rising from around 7 billion in 2009 to over 14 billion in 2016.

During the four-year period 2013 – 2016, which coincides with the presence of the second operator, it is estimated that the high-speed market grew by an average annual rate of 8%.

Infrastructure development works are planned in the coming years aimed at modernising and speeding up some major railway lines: Bologna – Ancona – Bari in 2019, Naples – Bari (partial) in 2020 and Milan – Genoa in 2021.

[3] Source: Bank of Italy (Economic Bulletin no. 1/2017)

Infrastructure development will most likely generate increased demand, and therefore new growth opportunities in these markets.

KEY EVENTS DURING THE YEAR

Operating activities

Activities were carried out during the year aimed at maintaining the internal and external trim of AGV fleet trains. A series of measures was also implemented to improve cleanliness on board trains.

In May, production of the EVO fleet was launched at the Alstom plant in Savigliano.

Recruitment and training for positions that will be created when the new EVO fleet enters service (drivers, equipment operators, train managers, train attendants).

In June 2016, the tender to award the supply contract for the new uniforms for operating personnel was completed.

On 1 July 2016, the Transport Regulator published Resolution 75/2016 regarding the "Tariff system 2016 – 2021 relating to the Minimum Track Access Package for national railway infrastructure. Compliance with the regulatory model approved with determination 96/2015, as amended".

On 7 September 2016, the Chairman of the Company, Andrea Faragalli Zenobi, and Michele Viale, CEO of Alstom Ferroviaria, signed an agreement regarding the acquisition of 4 additional EVO Pendolino trains and related maintenance.

On 15 December 2016, the Company and Alstom presented the new Italo EVO train to the press.

On 16 December 2016, extension of the Safety Certificate for the geographical area of interest was requested from the Rail Safety Regulator (ANSF) in order to expand the commercial network by introducing new connections and stations.

In December 2016, two important agreements were signed with Rete Ferroviaria Italiana (the Italian rail network operator).
The first relates to amendment and supplementation of the Framework Agreement regarding the use of infrastructure, which extends the duration of the existing Framework Agreement until 2027 (initially until 2020) and makes more railway infrastructure available to the Company, in line with the new requirements arising, in particular, from expansion of the fleet.
The second regards provision of a third maintenance facility near Venice Santa Lucia station, in addition to the ones already operating in Nola and Milan. This facility will enable greater operating efficiency, partly in light of the agreement signed with Alstom, which will allow maintenance to be carried out on both AGV and EVO trains at all three facilities (following the standardisation of facilities).

Also in December, the tenders to award the cleaning contract for the new EVO fleet, to extend cleaning services for the AGV fleet, and to renovate AGV seating via provision of new leather covers and seats were finally completed.

Financial matters

In May 2016, the Company submitted a waiver request to the Agent Bank with a view to amending the current loan agreement, which would enable the acquisition of 4 additional trains. The request was accepted on 28 July 2016.

In June 2016, a hedging arrangement was signed with Intesa Sanpaolo SpA.

Corporate matters

At a meeting on 14 April 2016, given that on 12 April Flavio Cattaneo resigned from his position as Chief Executive Officer of the Company to take up another post, the Board of Directors transferred these powers to the Chairman, Andrea Faragalli Zenobi.
Furthermore, at the same meeting, a Strategic Committee was established to provide advice and recommendations to the Chairman, comprising, in addition to the Chairman, Flavio Cattaneo and Luca Cordero di Montezemolo.

Following the resignation of Gianni Punzo as a Director of the Company on 18 March 2016, a meeting of the Board of Directors on 20 May 2016 approved the co-optation of Lucio Punzo. The General Meeting of shareholders on 13 June 2016 confirmed Lucio Punzo as a Director of the Company.

At a meeting on 27 October 2016, the Board of Directors approved the co-optation of Fabio Corsico, having been notified on 5 October 2016 of Chiara Della Penna's wish to resign her directorship.

At the same meeting on 27 October 2016, the Board of Directors appointed Gianbattista La Rocca as General Manager of the Company.

On 21 December 2016, the Board of Directors approved the establishment of an Audit Committee to be responsible for supporting management in carrying out their duties in respect of risk management and the internal control system, thereby guaranteeing ongoing and effective management of the Enterprise Risk Management process and the fitness for purpose and smooth running of the Company's Internal Control System.
This Committee comprises the Chairman of the Board of Directors (with the role of Chairman of the Committee), the General Manager, the Chief Financial Officer and the Head of Internal Audit (with the role of Secretary).

Other events

In February 2016, the Company submitted a request to GSE to postpone the launch of the reporting period for energy saving from 1 January 2015 and reporting for the period January – December 2015. GSE notified the Company that its request complied with the provisions of letter a), article 2, paragraph 3 of the Ministerial Decree issued by the Ministry for Economic Development and the Ministry of the Environment on 1 December 2014, and also recognised the EECs corresponding to the reports submitted by the Company.
The Company also submitted the reports for the period January - June 2016 to GSE. The total savings made during the first half of the year enabled the EECs issued on 14 April 2015 to be used up as an advance, subject to adjustment, on the first report. The reports for the third and fourth quarters were subsequently submitted.

In May 2016, the Company launched a process to update its Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (the so-called “231 Model”).
At a meeting on 12 July 2016, the Board of Directors approved the update of the 231 Model in the light of the introduction of new crimes covered by Legislative Decree 231/2001, the changes made in the Company’s organisational structure, and internal corporate risk mapping activities (risk assessment).
Also at the meeting on 12 July 2016, given that with the approval of the financial statements for 2015 the terms of office of the members of the Supervisory Board had expired, the Board of Directors appointed members of the Supervisory Board for the three-year period until approval of the financial statements for

the year ended 31 December 2018.

FINANCIAL REVIEW

The following financial review analyses the performance for the reporting period, compared with that of the previous year.

As described in more detail in the notes to the financial statements, the amendments to Italian accounting standards introduced by Legislative Decree 139/2015 has resulted in the restatement, solely for comparative purposes, of amounts in the financial statements for the previous year to reflect the new standards (i.e. 2015).
The result for 2015 shown in the comparative column differs, therefore, from the amount submitted to the Annual General Meeting of shareholders for approval.
Fuller disclosure of the impact of the amendments to accounting standards is provided in the notes to the financial statements.

Operating results

Description (€m)	2016	2015	Increase/ (Decrease)
Value of production	380.3	323.0	57.3
Production costs	(284.9)	(266.0)	(18.9)
Gross operating margin	**95.4**	**57.0**	**38.4**
Amortisation and depreciation	(38.4)	(40.0)	1.6
Operating profit/(loss)	**57.0**	**17.0**	**40.0**
Financial income/(expenses)	(15.6)	(15.0)	(0.6)
Profit(Loss) before tax	**41.4**	**2.0**	**39.4**
Adjustments for Legislative Decree 139/2015	0.0	(3.7)	3.7
Adjusted profit/(loss) before tax	**41.4**	**(1.7)**	**43.1**
Income tax expense	(13.2)	(1.2)	(12.0)
Adjustment for 2016 Stability Law	0.0	(13.4)	13.4
Tax effect of adjustments for Legislative Decree 139/2015	0.0	1.1	(1.1)
Profit/(Loss) for the year	**28.2**	**(15.2)**	**43.4**

2016 marked the Company first ever after-tax profit, amounting to €28.2 million.

The **value of production** amounts to €380.3 million, marking an increase of €57.3 million compared with 2015. This was driven by increased capacity (up 13%) and growth in demand (up 21%).

Production costs of €284.9 million are up €18.9 million, lower in proportionate terms than the increase in revenue. The greatest increases were in track access charges and traction energy, the direct cost of sales and personnel expenses.

The **gross operating margin** of €95.4 million is up €38.4 million compared with 2015.

Operating profit amounts to €57.0 million, after amortisation and depreciation of €38.4 million.

Net financial expenses of €15.6 million are substantially in line with the previous year.

Profit before tax amounts to €41.4 million, whilst **profit for the year** amounts to €28.2 million after income tax expense of €13.2 million.

Financial position

Description (€m)	31 December 2016	31 December 2015	Increase/ (Decrease)
Net intangible fixed assets	12.0	17.7	(5.7)
Net tangible fixed assets	642.6	601.7	40.9
Investments and other financial assets	0.1	0.1	0.0
Fixed assets (A)	**654.7**	**619.5**	**35.2**
Inventories	2.1	2.1	0.0
Receivables due from customers	4.6	5.0	(0.4)
Tax assets	34.7	27.1	7.6
Deferred tax assets	13.9	7.2	6.7
Other receivables	16.9	4.6	12.3
Accrued income and prepayments	1.7	1.8	(0.1)
Short-term assets (B)	**73.9**	**47.8**	**26.1**
Payables due to suppliers	(86.7)	(77.6)	(9.1)
Tax liabilities and social security payables	(5.9)	(3.9)	(2.0)
Other payables	(18.0)	(29.0)	11.0
Accrued liabilities and deferred income	(23.2)	(25.7)	2.5
Short-term liabilities (C)	**(133.8)**	**(136.2)**	**2.4**
Net working capital (D) = (B+C)	**(59.9)**	**(88.4)**	**28.5**
Tax assets	0.0	5.1	(5.1)
Deferred tax assets	73.6	93.5	(19.9)
Other receivables	13.5	10.9	2.6
Post-employment benefits (*TFR*)	(7.2)	(6.2)	(1.0)
Payables due to suppliers	(4.0)	(5.3)	1.3
Medium/long-term assets and liabilities (E)	**75.9**	**97.9**	**(22.0)**
Invested capital (A+D+E)	**670.7**	**629.0**	**41.7**
Shareholders' equity	124.3	88.2	**36.1**
Net debt	546.4	540.8	**5.6**
Shareholders' equity and net debt	**670.7**	**629.0**	**41.7**

Fixed assets, amounting to €654.7 million, are up €35.2 million, due primarily to increased investment during the period, offset by amortisation and depreciation charged in full.

Short- and medium/long-term **assets and liabilities** register a net positive change of €6.5 million compared with the previous year.
The most significant changes regard the following items.
Tax assets are up €2.5 million. The increase is primarily due to the payment on account of IRAP (€1.2 million), paid for the first time by the Company in 2016, and an increase of €1.1 million in refundable VAT, reflecting the balance of refundable VAT accruing during the year and VAT collected as a result of rebates (€14.1 million).
Deferred tax assets are down €13.1 million following the reversal of temporary differences recognised in previous years.
Other receivables are up €14.9 million, essentially due to the expected proceeds from the sale of EECs in the third and fourth quarter of 2016.
Other liabilities reflects a reduction of €10.9 million in fair value losses on derivative financial instruments

in portfolio, whilst, in keeping with the greater costs incurred during the year with respect to 2015, amounts payable to suppliers are up €7.8 million.

Invested capital of €670.7 million is funded by shareholders' equity of €124.3 million and net debt of €546.4 million, having registered an increase of €41.7 million compared with the previous year. The change reflects an increase of €35.2 million in net fixed assets, essentially due to new purchases of rolling stock, and a net positive change of €6.5 million in assets and liabilities.

Shareholders' equity at 31 December 2016 is up €36.1 million on the end of the previous year, essentially reflecting profit for the period.

Analysis of net debt

Description (€m)	2016	2015	Increase/ (Decrease)
Bank deposits	125.0	143.1	(18.1)
Cash on hand	2.4	2.5	(0.1)
Cash and cash equivalents and treasury shares	**127.4**	**145.6**	**(18.2)**
Bank borrowings (within 12 months)	0.0	0.0	0.0
Other borrowings (within 12 months)	(9.5)	(18.2)	8.7
Short-term borrowings	**(9.5)**	**(18.2)**	**8.7**
Net short-term funds	**117.9**	**127.4**	**(9.5)**
Bank borrowings (after 12 months)	(247.9)	(241.5)	(6.4)
Other borrowings (after 12 months)	(416.4)	(426.7)	10.3
Medium/long-term borrowings	**(664.3)**	**(668.2)**	**3.9**
Net debt	**(546.4)**	**(540.8)**	**(5.6)**

Net debt of €546.4 million is up €5.6 million on the previous year.

There was a reduction in financial debt and bank borrowings during the year, reflecting the balance of: on the one hand, a reduction in financial debt (€18.9 million), in keeping with the amortisation schedule for lease liabilities and, on the other, an increase in bank borrowings (€6.4 million), due to negative differentials on derivatives, which added to the credit facility obtained for this purpose.

At the same time, cash and cash equivalents are down €18.2 million at the end of the year, reflecting the cash used to service debt and to fund investment.

INVESTMENT

In 2016, in line with the development plan launched last year, the Company carried out further investment needed to pursue its expansion strategy.

Investment in intangible fixed assets totalling €6.4 million was carried out during the year. The most significant items regard investment in the development of technological infrastructure, which the Company deems to be a critical success factor, and in improvements to stations and facilities.
Investment in tangible fixed assets during the period amounts to €69.4 million, essentially regarding the new EVO trains.

A breakdown of investment in intangible and tangible fixed assets is provided below (for additional information, reference should be made to the notes to the financial statements).

Investment in intangible fixed assets

Description (€m)	Investment
Incorporation and expansion costs	0.6
Industrial patents and intellectual property rights	3.3
Fixed assets in progress and advances	1.0
Other	1,5
Total	**6.4**

Investment in tangible fixed assets

Description (€m)	Investment
Plant and machinery	1.7
Industrial and commercial equipment	0.1
Other assets	1.1
Fixed assets in progress and advances	66.5
Total	**69.4**

RISK FACTORS

The first paragraph of art. 2428 of the Italian Civil Code requires a description of the principal risks and uncertainties the Company is exposed to, which might have an impact on the Company's situation in the foreseeable future.

The overall factors deemed to give rise to corporate risks, together with the activities carried out to monitor and mitigate them, are described below.

Business risk

Such risks relate to market competition and ensuing pricing policies that may not permit the Company to cover its costs.
An additional risk relates to the greater capacity offered by the main competitor in terms of frequencies and services, compared with the Company's offering.
In order to have appropriate business solutions at its disposal to withstand competitive pressures, the Company has drawn up a strategy to expand intermodal services - both rail and road – involving the launch of new services, the upgrade of existing services, improvements to operating efficiency and expansion of the fleet.
Moreover, in the belief that the quality of service offered - which the Company deems to be a distinctive feature of its brand - is the right path for building a solid competitive edge and creating value, the Company has equipped itself with a dedicated corporate structure for continuous quality monitoring, on board trains and in stations.

Finally, regulatory risk relating to track access charges and traction energy costs and, more generally, the process of deregulating the sector, continues.
In order to deal with this risk, the Company undertakes all necessary actions to protect its competitiveness.

Operational risk

Operational risk relates to the capacity to maintain a high level of fleet performance in terms of reliability, in line with the operating schedule for trains and their availability.
In order to mitigate this risk and guarantee that scheduled services are delivered with available and adequately maintained rolling stock, the Company, together with the manufacturer and the maintenance provider, who are heavily involved in the operating process, has activated new maintenance agreements for the fleet in commercial service.

Fare evasion risk

Fare evasion risk may put profitability at risk. This phenomenon, which is constantly monitored, does not currently represent a substantial risk.
To combat fare evasion, the Company has stepped up on-board checks, aimed at identifying and regularising the situation of passengers who do not have a valid ticket. A new process has also been structured and implemented for the collection of amounts due from customers fined on board trains.

Fraud risk

In recent years, it has been necessary to deal with a rapid increase in various types of fraud attack perpetrated via physical and virtual purchase channels. In order to reduce fraud, via a team of dedicated staff, the Company implements a series of protection and prevention activities aimed at reducing the number of frauds and minimising their impact on the Company's costs.

Loan agreement default events

This risk relates to the possibility that a loan agreement may contain provisions that, on the occurrence of specific events, allow the lenders to immediately call in the loans, thereby generating a liquidity risk.

Regarding the provisions of current loan agreements, at 31 December 2016, the main default events are listed below:
- failure to pay any sum provided for in a loan agreement, if not remedied within the contractually requested deadline;
- non-compliance with Financial Covenants;
- failure to comply with reporting obligations provided for in a loan agreement, if not remedied within the contractually requested deadline;
- occurrence of circumstances whereby the Company is in the situation provided for under art. 2447 of the Italian Civil Code;
- failure to comply with the provisions of the Hedging Policy Letter;
- failure to comply with the provisions of the Equity Contribution Agreement (ECA).

No default events occurred during 2016.

Litigation risk

The Company is or may be involved in court and/or out-of-court legal proceedings brought by various categories of interested or entitled parties (for example, customers, suppliers).
For complete and exhaustive information regarding the litigation risk to which the Company is exposed, reference should be made to the notes to the financial statements.

Provisions for risks and charges

The Company, with the assistance of the respective legal advisors, has allocated provisions for risks and charges, in order to cover potential losses it might incur in the event of unsettled legal disputes.

Provisions have been allocated in cases where potential losses have been deemed to be likely. Provisions have not been allocated for risks and charges deemed to be remote or only possible, regarding which full details are provided in the notes.

FINANCIAL RISK

Pursuant to art. 2428, paragraph 2, point 6-*bis*, of the Italian Civil Code, an accurate assessment of the Company's exposure to financial risk is provided below.

Liquidity risk

At 31 December 2016, the Company's available funds amount to €127.4 million.
The Company expects to be able to generate adequate operating cash flow to meet its requirements and pursue its planned objectives.
Currently, the Company deems that it is not exposed to a significant level of liquidity risk.

Interest rate risk

As the Company has floating rate liabilities, it is exposed to interest rate fluctuations. In this regard, relating to the existing hedging policy, hedging contracts have been entered into.

At 31 December 2016, the notional value of the portfolio is €330 million with a negative fair value of €1.77 million.
For accounting purposes, these transactions qualify as cash flow hedges, in line with the risk mitigation strategy adopted by the Company.

Foreign exchange risk

The Company is not exposed to foreign exchange risk.

Credit risk

The type of business the Company is engaged in and the payment methods it uses ensure that its exposure to credit risk is limited. Specifically,

- payment for the services offered to customers is usually made before the service is used, as tickets are always purchased before journeys are made;
- the sales channels and related payment methods offered to customers (electronic money, bank transfer, cash) guarantee the certainty of collection at the time of sale, except in the event fraud.

EVENTS AFTER 31 DECEMBER 2016

On 17 January 2017, the new Italobus connection with Val di Fassa was launched. The service, which will operate until 2 April, connects Verona Porta Nuova station with the ski resort of Canazei, with intermediate stops in Rovereto, Trento, Cavalese, Predazzo, Moena, Vigo di Fassa and Pozzo di Fassa.

On 20 January 2017, the Company signed an agreement with the national rail workers' unions regarding determination of the criteria for awarding performance bonuses for 2016 and 2017 and distribution mechanisms for the performance bonuses for 2014.

In February, the Company collected the proceeds from the sale of EECs for the third quarter of 2016.

On 16 February 2017, the Naples Regional Tax Tribunal filed the sentence regarding the appeal lodged by the tax authorities against the ruling of the Naples Provincial Tribunal relating to the notice of payment of stamp duty for 2012. With this sentence, the Naples Regional Tax Tribunal rejected the tax authorities' appeal and ordered it to pay costs.

OUTLOOK

In 2017, the Company will be engaged in implementing the business plan, which is substantially geared towards remaining in line with the objectives for 2016.
Specifically, the underlying criteria of the business plan provide for: further expansion of the network, new initiatives to improve the quality of the AGV fleet, consolidation of the quality monitoring system, development of the new EVO fleet, changes to the sales model, and organisational changes entailing staff development policies.
The Company's objectives are also focused on achieving operational efficiency, thus ensuring top quality and increasingly effective and sound management of the services offered.

OTHER INFORMATION

Industrial relations

In accordance with industrial relations legislation, the labour unions were constantly informed about the Company's performance and the policies adopted regarding the current collective labour contract.

On 21 January 2016, two memoranda of agreement were signed.
The first is aimed at identifying means for increasing flexibility and productivity for on board and station personnel. The agreement also provides for a reduction in the percentage of solidarity contracts in use.
The second agreement is aimed at identifying training initiatives for onboard and station personnel.

On 20 December 2016, four months ahead of the agreed timeframe, an agreement was signed to annul the current solidarity contract, entailing full termination of its effects from 1 January 2017.

Research and development

There was no expenditure on research and development during the year.

Related party transactions

The Company has adopted regulations aimed at establishing basic principles and defining criteria for the identification of related party transactions in order to provide procedural regulations designed to ensure that such transactions are conducted in compliance with fairness and procedural criteria, and on an arm's length basis.

Relations with unconsolidated subsidiaries, associated companies, parent companies and affiliates

Pursuant to art. 2428, paragraph 3, of the Italian Civil Code, the Company hereby declares that it has no equity interests in other companies, nor may any company solely exercise control or management and coordination of the Company.

Treasury shares and shares/equity interests in parent companies

Pursuant to art. 2428, paragraph 3, of the Italian Civil Code, the Company hereby declares that is does not directly or indirectly own treasury shares or shares in parent companies.

Internal Control and Organisational Model as per Legislative Decree 231/2001

The Organisational, Management and Control Model, comprising all the Company's organisational rules and procedures, is the tool established by Legislative Decree 231/2001 to prevent and combat the commission of specified categories of crime by companies.
NTV SpA's Organisational, Management and Control Model (the "231 Model") was prepared by recording and mapping the risks the Company is exposed to in carrying out its activities, taking into account the monitoring initiatives deployed to minimise such risks.
The 231 Model, which NTV SpA adopted in 2011, is updated to incorporate organisational and regulatory requirements as they arise.
The Supervisory Board is responsible for overseeing application of and compliance with the Model's content and provisions.
The Board, which was established by resolution of the Board of Directors, is a collegiate body with three members.

Code of Ethics

Aware of the importance of the social impact of its business, the Company aims to be competitive in the marketplace via fair and functional use of its resources, while fully respecting the quality of the environment and the social system, partly with a view to growing its capacity to create value and wellbeing for the community.
Consequently, in its Code of Ethics, NTV SpA has deemed it necessary to define the set of ethical principles and values that should inspire the conduct and behaviour of all the people who operate, internally and externally, within the Company's sphere of action.
The Code of Ethics, which NTV SpA adopted in 2011, is updated to incorporate organisational and regulatory requirements as they arise.

Workplace health and safety

Normal training, risk assessment, auditing and health monitoring activities were carried out during the year. The risk assessment documents and the Single Document on Interference Risk Assessment (DUVRI) were updated in accordance with requirements identified, changes in operating processes, and the opening of new facilities.
During the period under consideration no workplace deaths or serious accidents were reported. The Company incurred no charges for confirmed occupational diseases affecting employees or former employees of the Company, and no potential liabilities were reported for the Company regarding confirmed occupational diseases affecting employees or former employees of the Company deriving from harassment and related legal proceedings.

Operational and rail traffic safety

At the end of June the Rail Safety Regulator (ANSF) issued the new Safety Certificate Part B which, like Safety Certificate Part A, is valid until 31 July 2017.
During the period under consideration, no changes deemed relevant pursuant to EU Regulation 402/2013 were introduced.
Finally, it should be noted that on 15 May 2016, on the Naples – Cassino line, an AGV575 train in transit without passengers travelling to the Nola facility hit two people who were wrongfully crossing the railway line at a level crossing, causing the death of one of them and injury to the other.

The environment

Regular activities were carried out during 2016 to monitor initiatives aimed at preventing, eliminating or in any event reducing potential negative repercussions on the environment deriving from operations, and additional activities were also carried out in line with the Company's environmental policy.
During the period under consideration, no cases of compensation for damage caused to the environment were reported.

APPROPRIATION OF PROFIT

Dear shareholders,

Your Company’s Board of Directors has called the Annual General Meeting at which the financial statements for the year ended 31 December 2016 will be submitted for your approval. The financial statements report a profit for the year of €28,239,419, which propose to appropriate as follows:

- €1,411,971 to the legal reserve in accordance with art. 2430, paragraph 1 of the Italian Civil Code;
- €7,819,672 to cover accumulated losses;
- €19,007,776 to retained earnings.

We also propose to use a further amount of €7,672,766 to cover accumulated losses, by releasing this amount from “other reserves”, which, as a result, will be reduced to zero.

* * * * *

Dear shareholders,

Approval of the financial statements for the year ended 31 December 2016 coincides with expiry of the term of office of the Board of Statutory Auditors and the appointment of the independent auditors. We therefore invite you to elect a new Board of Statutory Auditors and appoint new independent auditors.

The Board of Directors

The Chairman

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS	31 DECEMBER 2016	31 DECEMBER 2015	Increase/ (Decrease)
A) Unpaid subscribed capital			
(called-up)	-	-	-
B) Fixed assets			
I. Intangible fixed assets			
1) Incorporation and expansion costs	4,422,614	10,776,221	(6,353,607)
2) Development costs	91,563	459,893	(368,330)
3) Industrial patents and intellectual property rights	3,527,953	3,270,044	257,909
4) Concessions, licences, trademarks and similar rights	264,291	325,592	(61,301)
5) Goodwill	-		-
6) Fixed assets in progress and advances	1,405,346	443,480	961,866
7) Other	2,341,777	2,425,413	(83,636)
Total intangible fixed assets	**12,053,544**	**17,700,643**	**(5,647,099)**
II. Tangible fixed assets			
1) Land and buildings	78,296	103,052	(24,756)
2) Plant and machinery	544,076,643	564,732,652	(20,656,009)
3) Industrial and commercial equipment	125,697	82,851	42,846
4) Other assets	6,575,338	11,078,297	(4,502,959)
5) Fixed assets in progress and advances	91,696,300	25,682,348	66,013,952
Total tangible fixed assets	**642,552,274**	**601,679,200**	**40,873,074**
III. Financial assets			
2) Receivables due from			
d-bis) others			
- within 12 months	-	-	-
- after 12 months	66,887	66,887	-
	66,887	66,887	-
3) Other securities	-		
4) Derivative assets	-	-	
Total financial assets	**66,887**	**66,887**	**-**
Total fixed assets	**654,672,706**	**619,446,730**	**35,225,976**
C) Current assets			
I. Inventories			
1) Raw materials and consumables	2,108,785	2,123,171	(14,386)
Total inventories	2,108,785	2,123,171	(14,386)
II. Receivables due from			
1) Customers			
- within 12 months	4,591,979	5,038,256	(446,277)
- after 12 months	-	-	-
	4,591,979	5,038,256	(446,277)
5-bis) Tax assets			
- within 12 months	34,743,807	27,114,600	7,629,207
- after 12 months	-	5,084,597	(5,084,597)
	34,743,807	32,199,197	2,544,610
5-ter) Deferred tax assets			
- within 12 months	13,893,862	7,164,657	6,729,205
- after 12 months	73,614,008	93,462,451	(19,848,443)
	87,507,870	100,627,108	(13,119,238)
5-quater) Others			
- within 12 months	16,895,209	4,603,581	12,291,628
- after 12 months	13,483,847	10,855,892	2,627,955

	30,379,056	15,459,473	14,919,583
Total receivables	**157,222,712**	**153,324,034**	**3,898,678**
IV. Cash and cash equivalents			
1) Bank and post office deposits	125,032,335	143,057,866	(18,025,531)
2) Cheques	-	-	-
3) Cash on hand	2,398,307	2,549,313	(151,006)
Total cash and cash equivalents	**127,430,642**	**145,607,179**	**(18,176,537)**
Total current assets	**286,762,139**	**301,054,384**	**(14,292,245)**
D) Accrued income and prepayments	**1,658,401**	**1,809,549**	**(151,148)**
Total assets	**943,093,245**	**922,310,663**	**20,782,582**

BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES	**31 DECEMBER 2016**	**31 DECEMBER 2015**	**Increase/ (Decrease)**
A) Shareholders' equity			
I. Share capital	57,207,884	57,207,884	-
II. Share premium reserve	48,000,000	48,000,000	-
III. Revaluation reserve	-	-	-
IV. Legal reserve	-	-	-
V. Statutory reserves	-	-	-
VI. Other reserves, shown separately	7,672,766	7,672,766	-
VII. Cash flow hedge reserve	(1,341,956)	(9,190,276)	7,848,320
VIII. Retained earnings /(accumulated losses)	(15,492,438)	(261,014)	(15,231,424)
IX. Profit/(Loss) for the year	28,239,419	(15,231,424)	43,470,843
		-	
Total shareholders' equity	**124,285,675**	**88,197,936**	**36,087,739**
B) Provisions for risks and charges			
1) Pensions and similar obligations	-	-	-
2) Taxes, including deferred tax liabilities	-	-	-
3) Derivative liabilities	1,765,731	12,676,243	(10,910,512)
4) Other	8,598,857	11,116,643	(2,517,786)
Total provisions for risks and charges	**10,364,588**	**23,792,886**	**(13,428,298)**
C) Post-employment benefits (*TFR*)	**7,209,680**	**6,189,392**	**1,020,288**
D) Payables			
4) Bank borrowings			
- within 12 months	8,522	-	8,522
- after 12 months	247,876,614	241,512,613	6,364,001
	247,885,136	241,512,613	6,372,523
5) Other borrowings			
- within 12 months	9,504,663	18,209,810	(8,705,147)
- after 12 months	416,445,070	426,666,632	(10,221,562)
	425,949,733	444,876,442	(18,926,709)
6) Advances			
- within 12 months	23,715	44,047	(20,332)
- after 12 months	-	-	-
	23,715	44,047	(20,332)
7) Suppliers			
- within 12 months	86,742,848	77,597,771	9,145,077
- after 12 months	3,997,998	5,330,664	(1,332,666)
	90,740,846	82,928,435	7,812,411

12) Tax liabilities			
- within 12 months	3,913,044	1,924,684	1,988,360
- after 12 months	-	-	-
	3,913,044	1,924,684	1,988,360
13) Social security payables			
- within 12 months	1,878,023	1,855,297	22,726
- after 12 months	-	-	-
	1,878,023	1,855,297	22,726
14) Other payables			
- within 12 months	7,605,829	5,247,891	2,357,938
- after 12 months	-	-	-
	7,605,829	5,247,891	2,357,938
Total payables	**777,996,326**	**778,389,409**	**(393,083)**
E) Accrued liabilities and deferred income	**23,236,976**	**25,741,040**	**(2,504,064)**
Total shareholders' equity and liabilities	**943,093,245**	**922,310,663**	**20,782,582**

INCOME STATEMENT	**2016**	**2015**	**Increase/ (Decrease)**
A) Value of production			
1) Revenue from sales and services	350,459,601	303,850,348	46,609,253
2) Change in inventories of work in progress, semi-finished and finished goods	-	-	-
3) Change in contract work in progress	-	-	-
4) Increases in fixed assets for internal work	568,613	1,625,045	(1,056,432)
5) Other income:			-
- other	29,005,216	17,187,181	11,818,035
- revenue grants	42,239	51,649	(9,410)
- capital grants (accrued portion)	253,671	253,671	-
Total value of production	**380,329,340**	**322,967,894**	**57,361,447**
B) Production costs			
6) Raw materials, consumables and goods	421,418	848,441	(427,023)
7) Services	218,127,698	202,299,816	15,827,882
8) Lease expense	9,105,987	8,699,090	406,897
9) Personnel:			-
a) Wages and salaries	31,164,086	28,796,781	2,367,305
b) Social security contributions	8,990,012	8,475,769	514,243
c) Post-employment benefits (*TFR*)	1,973,530	1,920,866	52,664
d) Pensions and similar obligations	-	-	-
e) Other costs	1,249,416	2,844,072	(1,594,656)
	43,377,044	42,037,488	1,339,556
10) Amortisation, depreciation and impairments			
a) Amortisation of intangible fixed assets	11,827,002	13,018,325	(1,191,323)
b) Depreciation of tangible fixed assets	26,586,130	26,523,460	62,670
c) Other impairments of fixed assets	-	-	-
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	2,291,032	252,786	2,038,246
	40,704,165	39,794,571	909,594
11) Change in inventories of raw materials, consumables and goods	90,937	466,882	(375,945)
12) Provisions for risks	1,197,699	991,314	206,385
13) Other provisions	2,207,380	10,139,229	(7,931,849)
14) Other operating costs	8,067,198	4,316,548	3,750,650

Total production costs	**323,299,525**	**309,593,378**	**13,706,147**
Difference between value of production and production costs (A-B)	**57,029,815**	**13,374,515**	**43,655,300**
C) Financial income and expenses			
16) Other financial income:			
d) other income:			
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- from parent companies	-	-	-
- from other	1,841,258	2,633,997	(792,739)
	1,841,258	2,633,997	(792,739)
17) Interest and other financial expenses:			
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- from parent companies	-	-	-
- from other	17,460,281	17,639,882	(179,601)
	17,460,281	17,639,882	(179,601)
17-bis) Foreign exchange gains and losses	-	(591)	-
Total financial income/(expenses)	**(15,619,023)**	**(15,006,477)**	**(612,546)**
D) Adjustments to value of financial assets	-	-	-
Profit/(Loss) before tax (A-B±C±D)	**41,410,791**	**(1,631,961)**	**43,042,752**
20) Current and deferred tax income and expense for the year	(13,171,372)	(13,599,463)	428,091
21) Profit/(Loss) for the year	**28,239,419**	**(15,231,424)**	**43,470,843**

The Board of Directors

The Chairman

STATEMENT OF CASH FLOWS

Statement of cash flows	2016	2015	Increase/ (Decrease)
Profit/(Loss) for the year	**28,239,419**	**(15,231,424)**	**43,470,843**
Income tax expense	13,171,372	13,599,463	**(428,091)**
Interest expense/(interest income)	15,619,023	15,006,477	**612,546**
(Gains)/Losses on disposals of assets	2,055,336	330,675	**1,724,662**
1. Profit/(Loss) for the period before taxation, interest, dividends and gains/losses on disposals	**59,085,150**	**13,705,191**	**45,379,959**
Adjustments for non-cash items that have not had a matching effect on net working capital			
Provisions	5,378,609	13,051,409	(7,672,800)
Amortisation and depreciation of fixed assets	38,413,132	39,541,785	(1,128,653)
Provisions for doubtful accounts	2,291,032	252,786	2,038,246
2. Cash flow before changes in net working capital	**105,167,923**	**66,551,171**	**38,616,753**
Changes in net working capital			
Decrease/(increase) in inventories	90,938	466,881	(375,943)
Decrease/(increase) in receivables due from customers	(1,844,755)	(536,253)	(1,308,502)
Increase/(decrease) in payables due to suppliers	7,812,411	(6,488)	7,818,899
Decrease/(increase) in accrued income and prepayments	151,148	61,788	89,360
Increase/(decrease) in accrued expenses and deferred income	(2,504,064)	(3,260,607)	756,543
Other changes in current assets	(17,013,341)	11,355,358	(28,368,699)
Other changes in current liabilities	983,727	2,720,315	(1,736,588)
3. Cash flow after changes in net working capital	**92,843,986**	**77,352,164**	**15,491,822**
Other adjustments			
Interest collected/(paid)	(10,141,859)	(7,505,544)	(2,636,315)
Use of provisions	(6,876,107)	(3,632,183)	(3,243,924)
4. Cash flow after other adjustments	**75,826,020**	**66,214,437**	**9,611,583**
Cash flow from/(for) operating activities (A)	**75,826,020**	**66,214,437**	**9,611,583**
Tangible fixed assets			
(Purchases)	(69,380,788)	(27,454,075)	(41,926,713)
Proceeds from disposals	6,500	80,000	(73,500)
Intangible fixed assets			
(Purchases)	(6,396,708)	(5,395,907)	(1,000,801)
Proceeds from disposals	-	-	-
Cash flow from/(for) investing activities (B)	**(75,770,996)**	**(32,769,982)**	**(43,001,014)**
Third party financing			
Lease repayments (principal)	(18,000,000)	-	(18,000,000)
Increase/(decrease) in borrowings	(231,561)	13,011,771	(13,243,332)
Equity financing			
Increase/(decrease) in capital contributions	-	12,000,000	(12,000,000)
Increase/(decrease) in reserves	-	48,000,000	(48,000,000)
Cash flow from/(for) financing activities (C)	**(18,231,561)**	**73,011,771**	**(91,243,332)**
Increase (decrease) in cash and cash equivalents (a ± b ± c)	**(18,176,537)**	**106,456,226**	**(124,632,762)**
Cash and cash equivalents at beginning of period	145,607,179	39,150,953	106,456,226
Cash and cash equivalents at end of period	127,430,642	145,607,179	(18,176,537)
Increase (decrease) in cash and cash equivalents	**(18,176,537)**	**106,456,226**	**(124,632,763)**

The Board of Directors

The Chairman

Notes to the Financial Statements

BASIS OF PREPARATION

The financial statements for the year ended 31 December 2016 have been prepared in accordance with the provisions of the Italian Civil Code, as interpreted and supplemented with the accounting standards issued by the Italian Accounting Standard Setter (the OIC) as well as – in the absence of guidance and provided that they are not contrary to Italian GAAP – the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, continuing to recognise assets at book value and without recognising further impairments or provisions for costs that would be incurred if the going concern assumption should no longer apply.

Continuous application of the accounting policies over time is an essential condition for ensuring the comparability of the Company's financial statements from one year to another.

The financial statements consist of balance sheet, income statement, statement of cash flows (prepared in accordance with the formats under articles 2424 and 2424 *bis* of the Italian Civil Code, articles 2425 and 2425 *bis* of the Italian Civil Code and article 2425 *ter* of the Italian Civil Code) and these notes.

The notes are designed to illustrate, analyse and, in some cases, provide additional information on the financial statements. They also contain the information required by articles 2427 and 2427 *bis* of the Italian Civil Code, by other provisions of the Italian Civil Code and other previous laws. In addition, they provide all additional information considered necessary to give the most transparent companies and complete view, even though it might not be required by any specific law.

There were no events after the end of the reporting period worthy of note.

All amounts are in euros, unless otherwise indicated.

ACCOUNTING POLICIES

Our accounting policies, as described below, were adapted on the basis of the amendments, supplements and changes introduced into the Italian civil code by Legislative Decree 139/2015, which transposed accounting Directive 34/2013/EU. In particular, Italian GAAP was revised by the OIC in the version released on 22 December 2016.

At the end of the notes, a specific section describes the effects of the application of new Italian GAAP on equity at 1 January 2016 and on the balance sheet, income statement and statement of cash flows for 2015, shown for comparative purposes.

The most significant accounting policies adopted to prepare the financial statements for the year ended 31 December 2016, in compliance with art. 2426 of the Italian Civil Code, are described below.

Intangible fixed assets

These assets are recognised at cost or production cost, inclusive of ancillary charges and costs directly attributable to the asset, including financial expenses (where applicable). They are amortised on a straight-line basis over their remaining useful lives. Intangible assets are recognised with the consent of the Board of Statutory Auditors, in the cases provided for by law.

Incorporation and expansion costs are amortised on a straight-line basis over a period of five years. They

are recognised if incurred on a non-recurring basis by the Company at precise and specific times in the life of the Company, such as prior to the start-up of operations (incorporation costs) or in order to expand operating capacity (expansion costs). Expansion of the Company must involve not just the simple process of a quantitative and qualitative increase in the Company, but as an actual expansion into new areas of business, or quantitative growth, but of such an extent as to be of an extraordinary nature. For the incorporation and expansion costs recognised in the financial statements, it is possible to demonstrate the cause and effect between the cost being incurred and the future benefit the Company expects to obtain.
Development costs are amortised over their useful lives (equal to five years). In exceptional cases in which it is not possible to reliably estimate the useful life, they are amortised over a period of no more than five years.
Until they have been fully amortised, dividends may be paid only if there are sufficient available reserves to cover the unamortised costs.

In compliance with the provisions of Legislative Decree 139/2015, there is no reference to research and advertising costs, which may no longer be capitalised.

The costs incurred in order to train and retrain personnel are accounted for in intangible fixed assets if they are non-recurring costs incurred in order to equip personnel with particular expertise and professional skills, in relation to extraordinary events involving the restructuring or reorganisation of the Company and only if future revenue that they will help to generate will enable them to be recovered.

Leasehold improvements are capitalised and recognised among “Other intangible assets”, if they cannot be separated from the relevant asset (otherwise they are recognised as “Tangible assets” in relation to the relevant item). They are amortised on a straight-line basis over the shorter of the remaining useful life and the remaining term of the lease, taking due consideration of any lease extension depending on the Company.

Additional costs for patents, trademarks and licences of a recurring nature are expensed as incurred.

Charges for amortisation in the income statement are calculated on the basis of the expected use, purpose and economic/technical life of the asset, based on its remaining useful life and, where possible, in accordance with the provisions of art. 102 of Presidential Decree 917/1986 and the Ministerial Decree of 31 December 1988. Any difference between charges for book amortisation and tax amortisation is reversed when computing tax expense.
If, at the end of the asset’s useful life, the estimated residual value is equal to or above the carrying amount, amortisation is ceased. Amortisation is also calculated on assets temporarily not in use.

In accordance with OIC 9, in case of impairment, regardless of accumulated amortisation, the asset is written down for the relevant amount. If in the following years, the reasons for the impairment no longer apply, the original value of the asset is reinstated. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of “Goodwill” and “Capitalised expenses” under number 5 of article 2426 of the Italian Civil Code.

The useful lives of intangible fixed assets used as the basis for calculating amortisation are as follows:

INTANGIBLE FIXED ASSETS	Useful life	Basis of amortisation in year of entry into service
Incorporation and expansion costs	5 years	Straight-line
Development costs	5 years	Straight-line
Industrial patents and intellectual property rights	3-5 years	Straight-line
Concessions, licences, trademarks and similar rights	5-10 years	Straight-line
Other intangible fixed assets	5-12 years	100%

Tangible fixed assets

These assets are recognised at cost. Cost includes costs directly attributable to the asset, ancillary charges and the direct and indirect costs reasonably attributable to the asset incurred in the period when it is produced and until the asset can be utilised. They are shown less any accumulated depreciation and may only be revalued only when required or permitted by special laws.

Charges for depreciation in the income statement are calculated on the basis of the expected use, purpose and economic/technical life of the asset, based on its remaining useful life and, where possible, in accordance with the provisions of art. 102 of Presidential Decree 917/1986 and the Ministerial Decree of 31 December 1988. Any difference between charges for book depreciation and tax depreciation is reversed when computing tax expense.
If, at the end of the asset's useful life, the estimated residual value is equal to or above the carrying amount, depreciation is ceased. Depreciation is also calculated on assets temporarily not in use.

In accordance with OIC 9, in case of impairment, regardless of accumulated depreciation, the asset is written down for the relevant amount. If, in the following years, the reasons for the impairment no longer apply, the original value of the asset is reinstated. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Routine maintenance costs are expensed as incurred.

The economic-technical lives of tangible fixed assets used as the basis for calculating depreciation are as follows:

TANGIBLE FIXED ASSETS	Useful life	Basis of amortisation in year of entry into service
Buildings	10-30 years	50%
Rolling stock	30 years	Straight-line
Seat upholstery	6 years	Straight-line
Telecommunications systems on board trains	5 years	Straight-line
Industrial equipment	10 years	50%
Sundry and minor equipment	8 years	50%
Other tangible assets	8 years	Straight-line
Furniture and fittings	8 years	50%
Other plant	4-8 years	Straight-line
Food and drink vending machines	5-8 years	50%

Telephone equipment	5 years	50%
Specific plant	5 years	50%
Vehicles	5 years	Straight-line
Computers	4-5 years	50%
Ticket vending machines	5 years	Straight-line

Financial assets

These assets are recognised at cost, less any accumulated impairments, which are reversed if the reasons for the impairment no longer apply.
This item includes financial receivables not held for trading, other than those resulting from trading or operations.

Finance leases

In exemption from accounting standard OIC 12, which requires the application of operating lease accounting, the Company accounts for finance leased rolling stock using finance lease accounting, as this is deemed more appropriate to a correct presentation of the Company's operating results and financial position. This approach is in line with international accounting standards, under which it is the only permitted treatment (IAS 17).

In addition, given that these are leases of assets under construction, amounts in the financial statements have been discounted to present value using the rate implicit in the lease agreement, determined at the commencement date of the lease.

Recognition of rolling stock and the matching financial liability takes place progressively as each train is delivered.

In determining the useful life of the train, the component analysis method is used to allocate the cost of the train across the various components, each of which, having a different lifecycle, is depreciated in the financial statements on a different basis.

The train is thus divided into three main components, each with a different lifecycle:
- rolling stock;
- train interiors (seat upholstery);
- telecommunications systems on board the train.

The decision to use finance lease accounting is a direct consequence of an analysis of the nature of the lease agreement entered into and the leased asset. The lease entered into falls within the finance lease category, where the risks and rewards of ownership are substantially transferred to the lessee. Moreover, in addition to including an option to buy, the agreement regards operating assets that play a key role in NTV's core business and, therefore, finance lease accounting provides a better view of the substance of the lease agreement.

The above nature of the lease has led the Company to opt for an accounting treatment that gives precedence to the substance of the transaction over its legal form.

Impairment

Recoverability of the carrying amount of tangible and intangible fixed assets is tested for impairment in accordance with accounting standard OIC 9. At the end of each reporting period, the Company conducts an analysis to assess whether there is any indication that tangible and intangible fixed assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss to be recognised. The recoverable amount is estimated with reference to the asset or cash generating unit /CGU) to which it belongs, defined as “the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets or groups of assets”.

The recoverable amount is the higher of fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the asset (the WACC).
If the recoverable amount of an asset (or CGU) is lower than its carrying amount, the latter must be reduced to reflect its recoverable amount. An impairment loss is thus recognised in the income statement at the end of the reporting period. If, in the following years, the reasons for the impairment no longer apply, the original value of the asset is reinstated. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised.
Impairment losses are not reversed in the case of “Goodwill” and “Capitalised expenses” under number 5 of article 2426 of the Italian Civil Code.

As there were no indications of any impairment of fixed assets at 31 December 2016, the Company has not proceeded to compute the related recoverable values.

Inventories

Inventories are recognised at the lower of purchase or production cost, including any ancillary charges, and realisable value, based on market value at the measurement date. Inventories are written down when their market value is lower than their carrying amount. Obsolete or slow-moving inventories are written down in keeping with their possible use or realisable value.

Receivables

Receivables are recognised at their amortised cost, taking into account their expected collection date and their realisable value. Amortised cost is not applied when the effects are irrelevant or when transaction costs, the commissions paid between the parties and any other difference between their initial amount and their collectible amount are immaterial or if the receivables are short-term (falling due within 12 months).

Receivables, determined as per above, are offset, where necessary, by provisions for doubtful accounts, so as to reflect their expected realisable value. The amount of the provisions is equal to the difference between the carrying amount and the value of estimated future cash flows, less any amounts the Company does not expect to collect. Provisions for doubtful accounts are reported in the income statement.

No long-term receivables which, in accordance with Legislative Decree 139/2015, the Company must recognise at amortised cost, were recognised in 2016. In addition, the Company has elected not to account for receivables recognised prior to 1 January 2016 at amortised cost or to discount them to present value.

Financial assets not recognised in fixed assets

These assets are recognised at cost, less any accumulated impairments, which are reversed if the reasons for the impairment no longer apply.

This item includes financial assets consisting of securities and investments not held for the long term, but held for trading.

Cash and cash equivalents

These items refer to bank and post office deposits, cheques and cash on hand at the end of the reporting period. Cash and cash equivalents at period-end are recognised at their nominal value.

Accruals and deferrals

Accrued income and accrued liabilities reflect revenue and cost items attributable to the reporting period, but for which the associated cash outlays or collections will take place in future periods.

Prepayments and deferred income are portions of cost and revenue items for which the associated cash outlays or collections took place during the reporting period or in previous periods, but which are attributable to one or more future periods.

These items thus only include cost and revenue items, attributable to two or more periods, the entity of which varies depending on the timing of the related event or cash flow.

At the end of each reporting period, the Company assesses the circumstances that resulted in initial recognition and, if necessary, makes any value adjustments. In addition to the passage of time, the estimated realisable value of accrued income is taken into account, whilst, in the case of prepayments, the Company assesses existence of the future economic benefit linked to the payments made.

Sales of tickets where the conditions of sale allow purchasers to make changes to the service purchased are recognised in deferred income and taken to the income statement once the service has been rendered.

Provisions for risks and charges

Provisions for risks and charges are made to cover losses or pay debts of a specific nature, which are certain or probable, but whose amount or disbursement date cannot be determined. Provisions reflect the best possible estimate on the basis of the available information. Risks that only entail the possibility for a liability to arise are indicated in the notes to provisions, without making any provisions for such liability. Provisions for risks and charges are recognised in the relevant sections of the income statement. When there is no association between the nature of the provision and one of the items in one of those sections, provisions for risk and charges are recognised in line items B12 and B13 of the income statement.

Specific provisions are made with regard to the contractual obligation to grant discounts or rewards to passengers. Such provisions are sufficient to cover all the costs that the Company believes it will incur in satisfying customers' claims.
Provisions for loyalty programmes are assessed in each reporting period on the basis of the promotions run.
If, in a reporting period, the provisions are higher than the estimated cost to be incurred, the adjustment to the provisions is recognised in income from ordinary activities (item A5 in the income statement, "Other income"). In contrast, if the cost has been underestimated, the difference with respect to the provisions is recognised in losses from ordinary activities (in item B14 in the income statement, "Other operating costs").

Post-employment benefits (*TFR*)

Post-employment benefits (*TFR*) reflect the amount that employees would be entitled to collect in case of termination, in accordance with art. 2120 of the Italian Civil Code and taking into account the amendments introduced by Law 296 of 27 December 2006. This amount represents the total benefits accrued, considering all forms of remuneration of a continuous nature, less advances paid and part payments made under collective or individual contracts or company agreements, for which repayment is not required. The liability represented by the benefits corresponds to the amount that the Company would have to pay to employees if their employment was terminated at the end of the reporting period, less any advances paid in accordance with the law, and any amounts payable and paid to pension funds.

Payables

Payables are recognised at their amortised cost, taking into account their due date. The amortised cost method is not applied if its effects on payables are irrelevant. Its effects are considered irrelevant for short-term payables (due within 12 months). For more information on the amortised cost method, reference is made to the section on receivables.

Payables for employee holidays and deferred compensation, including the sums due to social security institutions, are set aside on the basis of the amount that should be paid assuming termination of employment at the end of the reporting period.

During 2016, no payables falling due "after 12 months" were recognised in relation to new contracts or transactions entered into during the period. In addition, the Company has elected not to account for payables recognised prior to 1 January 2016 at amortised cost or to discount them to present value.

Derivative financial instruments

Derivative financial instruments are financial assets and liabilities recognised at fair value.

The Company uses derivative financial instruments purely for hedging purposes. These are only classified as hedges when, at inception of the hedge, there is a clearly designated and documented relationship between the hedged item and the hedging instrument, this hedging relationship is formally documented and the hedge is highly effective, as periodically assessed.

In the case of cash flow hedges, the effective portion of gains and losses on the derivative financial instrument is recognised in equity. Gains and losses on the ineffective portion of a hedge are recognised in profit or loss. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss (as an adjustment or an addition to items in the income statement impacted by the hedged cash flows). The Company has elected to apply hedge accounting to the cash flow hedges used to hedge the exposure of financial assets and liabilities to movements in interest rates linked to existing borrowings.
As a result, changes in the fair value of hedging derivatives are recognised in a specific equity reserve (item AVII "Cash flow hedge reserve") if the cash flow hedge is effective in offsetting the impact of the hedged cash flows (the ineffective component is classified in items D18 and D19).

The fair value of the derivative financial instrument is recognised in provisions for risks and charges if it is negative and in financial assets recognised in fixed assets or financial assets not recognised in fixed assets if positive.

Revenue and cost recognition

Revenue, income, costs and charges are recognised net of returns, discounts, allowances and rebates and any tax directly related to the sale of products and the provision of services.

Revenue from the rendering of transport services is recognised as follows:

- revenue from the rendering of transport services is recognised in the income statement when the revenue is effectively realised, which coincides with expiry of the related ticket, normally when the service is rendered;
- fines imposed on customers in accordance with the Company's terms and conditions of carriage are recognised when realised;
- season ticket sales are recognised in the income statement on an accruals basis, in relation to the duration of the ticket.

Financial expenses are recognised on an accrual basis and include differentials on interest rate hedges.

Increases in fixed assets for internal work

"Increases in fixed assets for internal work" include are recognised, using the indirect method, as an increase in the value of the relevant fixed assets, as required by accounting standard OIC 12.

Government grants

Government grants are recognised when there is the reasonable certainty that the conditions to receive the grant have been met and that the grant will effectively be disbursed. Government grants obtained to finance intangible assets are accounted for as deferred income and recognised in the income statement in "Other income" on a systematic, reasonable basis that allocates the grant over the useful life of the intangible asset to which it refers.

Income taxes

Income tax expense is recognised on an accruals basis, taking into account the related tax regulations.
Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax bases of assets and liabilities.
Deferred tax assets are recognised for all deductible timing differences, in keeping with the prudence principle, if there is reasonable certainty that taxable income in the year in which they will reverse is at least equal to the amount of the differences to be offset.

EXEMPTIONS FROM ITALIAN GAAP

In exemption from accounting standard OIC 12, the lease agreement entered into with Mediocredito Italiano SpA, regarding the purchase of rolling stock, is accounted for in the financial statements using finance lease accounting.

As a result of adoption of this method:
- the value of trains in the fleet is accounted for in fixed assets in the balance sheet in the item "Plant and machinery";
- the residual financial liability to the leasing company is accounted for in payables in the balance sheet in the item "Other borrowings";
- charges for the depreciation of trains are accounted for in the income statement in "Depreciation of tangible fixed assets";
- the financial expenses relating to lease payments are recognised in the income statement in "Interest and other financial expenses".

WORKFORCE

The Company's workforce is as follows at 31 December 2016:

Workforce	31 December 2015	Increases	Decreases	31 December 2016
Managers	12	8	(4)	16
Supervisors	60	6	(11)	55
Operating staff	799	29	(58)	770
External consultants	2	-	(1)	1
Interns	2	10	(8)	4
Agency staff	-	59	(12)	47
Total	**875**	**112**	**(94)**	**893**

The Company applies the following national labour contracts:

- the"NTV collective labour contract";
- the "national collective labour contract for the management of Commercial Companies".

In accordance with art. 2427 of the Italian Civil Code, the following table shows the average workforce, broken down by category, at 31 December 2016.

Average workforce by category	31 December 2016
Managers	15
Supervisors	58
Operating staff	775
External consultants	1
Interns	9
Agency staff	16
Total	**873**

ASSETS

Intangible fixed assets

Movements in intangible fixed assets

Description	Value at 31 Dec 2015	Purchases	Disposals	Reclass.	Amort.	Adjustments to amort.	Value at 31 Dec 2016
Incorporation and expansion costs	10,776,221	568,613	-	-	(6,922,220)	-	4,422,614
Development costs	459,893	-	-	-	(368,330)	-	91,563
Industrial patents and intellectual property rights	3,270,044	3,349,775	-	-	(3,091,865)	-	3,527,953
Concessions, licences, trademarks and similar rights	325,592	1,890	-	-	(63,191)	-	264,291
Goodwill	-	-	-	-	-	-	-
Fixed assets in progress and advances	443,480	981,346	-	(19,480)	-	-	1,405,346
Other	2,425,413	1,495,084	(2,691,385)	478,635	(1,381,395)	2,015,425	2,341,777
Total	**17,700,643**	**6,396,708**	**(2,691,385)**	**459,155**	**(11,827,002)**	**2,015,425**	**12,053,544**

At 31 December 2016, this item amounts to €12,053,544, marking a reduction of €5,647,099 compared with 31 December 2015. This reflects: purchases of €6,396,708, reclassifications resulting in an increase of €459,155, amortisation of €11,827,002 and disposals of €675,960 (after accumulated amortisation).
The reclassification of €478,635 regards the item, "Other fixed assets in progress and advances", in tangible fixed assets and primarily relates to improvements made to "Casa Italo" and ticket offices entering service. The amount of €19,480 was reclassified to "Other tangible fixed assets". Both reclassifications were carried out before the entry into service of the assets and prior to the start of amortisation or depreciation. As a result, there was no adjustment to accumulated amortisation or depreciation.

The historical cost of intangible fixed assets and the related accumulated amortisation is shown below.

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Incorporation and expansion costs	34,483,117	568,612	35,051,728
Accumulated amortisation	(23,706,895)	(6,922,219)	(30,629,114)
Carrying amount	**10,776,221**	**(6,353,607)**	**4,422,614**
Development costs	1,841,654	-	1,841,654
Accumulated amortisation	(1,381,759)	(368,330)	(1,750,091)
Carrying amount	**459,893**	**(368,330)**	**91,563**
Industrial patents and intellectual property rights	32,345,471	3,349,774	35,695,245
Accumulated amortisation	(29,075,427)	(3,091,866)	(32,167,292)
Carrying amount	**3,270,044**	**257,908**	**3,527,953**
Concessions, licences, trademarks and similar rights	568,750	1,890	570,640
Accumulated amortisation	(243,158)	(63,191)	(306,349)
Carrying amount	**325,592**	**(61,301)**	**264,291**
Fixed assets in progress and advances	443,480	961,866	1,405,346
Accumulated amortisation	-	-	-
Carrying amount	**443,480**	**961,866**	**1,405,346**
Other	9,596,708	(717,666)	8,879,043
Accumulated amortisation	(7,171,295)	634,030	(6,537,265)
Carrying amount	**2,425,413**	**(83,636)**	**2,341,777**
TOTAL	**17,700,643**	**(5,647,099)**	**12,053,544**

Composition of "Incorporation and expansion costs"

The following table shows the composition of "Incorporation and expansion costs", recognised among assets in the financial statements with the consent of the Board of Statutory Auditors.

Description	Value al 31 Dec 2015	Purchases	Reclass.	Amort.	Value at 31 Dec 2016
Establishment costs	1,500	-	-	(1,200)	300
Consultants' fees	1,767,732	-	-	(1,166,997)	600,734
Cost of borrowing	1,395,429	-	-	(1,116,343)	279,086
Capitalised personnel expenses	374,883	-	-	(299,906)	74,977
Selection and training of personnel	6,579,752	568,613	-	(4,178,209)	2,970,156
Other costs	7,497	-	-	(5,997)	1,500
Corporate expenses	649,428	-	-	(153,568)	495,860
Total	**10,776,221**	**568,613**	**-**	**(6,922,220)**	**4,422,614**

"Incorporation and expansion costs" include:
- the cost of establishing the Company;
- fees paid to consultants who worked on the start-up and expansion of operations;
- costs connected with borrowings (arrangement fees, due diligence, consultancy, other ancillary expenses);
- the cost of personnel involved in the start-up of operations;
- the cost of selecting and training personnel;
- other incorporation costs;
- corporate expenses linked to capital increases.

Increases during the year, totalling €568,613, reflect purchases by the Company less charges for amortisation.

Composition of "Development costs"

This item, recognised among assets in the financial statements with the consent of the Board of Statutory Auditors, consists of:

Description	Value at 31 Dec 2015	Purchases	Reclass.	Amort.	Value at 31 Dec 2016
Development costs	459,893	-	-	(368,330)	91,563
Total	**459,893**	**-**	**-**	**(368,330)**	**91,563**

This item includes the cost of the feasibility study for "Telecommunications systems on board trains", which aimed to equip trains with innovative broadband communications systems, and the cost of rail transport market surveys, conducted in previous years in relation to the start-up of operations.

Composition of "Industrial patents and intellectual property rights"

The composition of "Industrial patents and intellectual property rights" is shown below:

Description	Value at 31 Dec 2015	Purchases	Reclass.	Amort.	Value at 31 Dec 2016
Website	430,223	-	-	(201,975)	228,248
Software licences	153,439	187,637	-	(103,117)	237,959
Software implementation	2,686,382	3,162,137	-	(2,786,773)	3,061,746
Total	**3,270,044**	**3,349,775**	**-**	**(3,091,865)**	**3,527,953**

The item, "Website", includes the cost of designing, developing, editing and restyling NTV's website.

There were no increases during the period.

“Software licences”, which has increased by €187,637, regard the cost of purchasing licences for the principal software used. The increase during the period primarily regards the purchase of licences for the Company’s intranet.

“Software implementation”, which has increased €3,162,137, regards the cost of implementing the software used in operations. The increase primarily regards new software for the data centre; the Customer Relationship Management system (CRM); software used in managing the operations room and operating staff; the ERP system, used for accounting and management controls; the system used for the Company’s intranet.

Composition of “Concessions, licences, trademarks and similar rights”

The composition of “Concessions, licences, trademarks and similar rights” is shown below:

Description	Value at 31 Dec 2015	Purchases	Reclass.	Amort.	Value at 31 Dec 2016
Rail licence	65,877	-	-	(21,508)	44,369
NTV trademarks	192,498	-	-	(30,763)	161,734
Other concessions, licences, trademarks and other similar rights	67,217	1,890	-	(10,919)	58,188
Total	**325,592**	**1,890**	**-**	**(63,191)**	**264,291**

The increase during the year refers to the purchase of signage.

Composition of “Fixed assets in progress and advances”

The composition of “Fixed assets in progress and advances” is shown below:

Description	Value at 31 Dec 2015	Purchases	Reclass.	Amort.	Value at 31 Dec 2016
Other fixed assets in progress and advances	443,480	981,346	(19,480)	-	1,405,346
Total	**443,480**	**981,346**	**(19,480)**	**-**	**1,405,346**

“Other fixed assets in progress and advances” of €1,405,346 primarily consist of IT development projects that are still in progress, with further investment during the year of €457,436, and the cost of improving the EVO trains, amounting to €390,612.

Reductions reflect the entry into service of assets and are reflected in matching increases in completed assets.

Reclassifications are carried out before the entry into service of the assets and prior to the start of amortisation. As a result, there are no adjustments to accumulated amortisation.

Composition of “Other intangible fixed assets”

Description	Value at 31 Dec 2015	Purchases	Disposals	Reclass.	Amort.	Adjustments to amort.	Value at 31 Dec 2016
Leasehold improvements – Head Office	69,142	11,370	-	-	(26,818)	-	53,694
Leasehold improvements – Stations	2,356,271	1,483,714	(2,691,385)	478,635	(1,354,576)	2,015,425	2,288,084
Total	**2,425,413**	**1,495,084**	**(2,691,385)**	**478,635**	**(1,381,394)**	**2,015,425**	**2,341,777**

"Leasehold improvements – Head Office" reflect the cost of work on renovation and non-routine maintenance of the head office premises in Viale del Policlinico, Rome.
The increase of €11,370 regards non-routine work during the year.

"Leasehold improvements – Stations" primarily regards the cost of designing and installing the "Casa Italo" offices, lounges and ticket offices. The increase of €1,483,714 regards further investment during the period. Net disposals of €675,960 regard improvements carried out in the past on space leased to third parties under contracts that were terminated during the period.

Reclassifications from "Fixed assets in progress and advances" reflect the entry into service of assets.

Revaluations of intangible fixed assets

In accordance with art. 10 of Law 72/1983, there have been no revaluations of the intangible fixed assets accounted for in the financial statements.

Tangible fixed assets

Movements in tangible fixed assets

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Land and buildings	103,052	-	-	-	(24,756)	-	78,296
Plant and machinery	564,732,652	1,725,088	-	(532,921)	(21,924,302)	76,126	544,076,643
Industrial and commercial equipment	82,851	62,085	-	-	(19,239)	-	125,697
Other tangible assets	11,078,297	1,097,315	23,193	(4,476,379)	(4,617,833)	3,470,745	6,575,338
Fixed assets in progress and advances	25,682,348	66,496,300	(482,348)	-	-	-	91,696,300
Total	**601,679,200**	**69,380,788**	**(459,155)**	**(5,009,300)**	**(26,586,130)**	**3,546,871**	**642,552,274**

This item amounts to €642,552,274 and is up €40,873,074 on 31 December 2015. This reflects: purchases of €69,380,788, reclassifications resulting in reductions of €459,155, depreciation of €26,586,130 and net disposals of €1,462,429.
Reclassifications during the period reflect the entry into service of assets, in particular: €478,635 relating to transfers from fixed assets in progress to "Leasehold improvements – Stations" (accounted for in intangible fixed assets) and €3,713 accounted for in "Other tangible assets". In addition, other tangible assets include a further reclassification, totalling €19,480, from intangible fixed assets in progress.

The historical cost of tangible fixed assets and the related accumulated depreciation is shown below.

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Land and buildings	132,465	-	132,465
(Accumulated depreciation)	(29,413)	(24,756)	(54,169)
Carrying amount	**103,052**	**(24,756)**	**78,296**
Plant and machinery	639,611,494	1,192,167	640,803,662
(Accumulated depreciation)	(74,878,842)	(21,848,176)	(96,727,018)
Carrying amount	**564,732,652**	**(20,656,009)**	**544,076,643**
Industrial and commercial equipment	104,287	62,085	166,372
(Accumulated depreciation)	(21,436)	(19,239)	(40,676)
Carrying amount	**82,851**	**42,846**	**125,697**
Other	26,051,946	(3,355,871)	22,696,075
(Accumulated depreciation)	(14,973,649)	(1,147,088)	(16,120,737)
Carrying amount	**11,078,297**	**(4,502,959)**	**6,575,338**
Fixed assets in progress and advances	25,682,348	66,013,952	91,696,300
(Accumulated depreciation)	-	-	-
Carrying amount	**25,682,348**	**66,013,952**	**91,696,300**
Total	**601,679,200**	**40,873,074**	**642,552,274**

Composition of "Land and buildings"

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Light constructions	103,052	-	-	-	(24,756)	-	78,296
Total	**103,052**	**-**	**-**	**-**	**(24,756)**	**-**	**78,296**

This item regards prefabricated buildings and light constructions located at rolling stock maintenance workshops and used in maintenance and related activities.

Composition of "Plant and machinery"

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Telephone equipment	24,000	954	-	-	(9,791)	-	15,163
Specific plant	286,790	-	-	-	(114,200)	-	172,590
Other plant	1,120,210	669,534	-	-	(600,884)	-	1,188,860
Leased rolling stock	563,301,652	1,054,600	-	(532,921)	(21,199,427)	76,126	542,700,030
Total	**564,732,652**	**1,725,088**	**-**	**(532,921)**	**(21,924,302)**	**76,126**	**544,076,643**

"Plant and machinery" includes the following assets:

- telephone and LAN equipment with a carrying amount of €15,163;
- specific equipment: train simulators and machinery used for moving and maintenance of trains with a carrying amount of €172,590;
- general equipment: security systems and access control and time and attendance systems for personnel, with a carrying amount of €1,188,860;
- finance leased rolling stock: 25 AGVs with a carrying amount of €542,700,030 (relating to the "rolling stock" component alone). Rolling stock is recognised at cost, including the related ancillary costs.

Purchases of €1,725,088 were made during the period, primarily regarding: €1,054,600 for work on AGV trains (so-called variants); €490,025 on the purchase and installation of instruments for monitoring energy consumption by the AGVs; €130,778 for the installation of security and access control systems, and €49,685 for the purchase of other general equipment.

Disposals during the period, totalling a net amount of €456,795, regard work on the AGV trains.

Composition of "Industrial and commercial equipment"

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Sundry and minor equipment	82,851	32,095	-	-	(16,240)	-	98,706
Other industrial and commercial equipment	-	29,990	-	-	(2,999)	-	26,991
Total	**82,851**	**62,085**	**-**	**-**	**(19,239)**	**-**	**125,697**

This item consists of sundry and minor equipment used in the maintenance of trains and other activities on board trains. The increase primarily regards the purchase of new equipment for train wash systems.

Composition of "Other tangible assets"

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Computers	378,160	47,982	-	-	(166,918)	-	259,224
Other	1,024,271	82,589	-	-	(200,348)	-	906,512
Furniture and fittings	1,885,358	70,742	-	-	(429,323)	-	1,526,777

Food vending machines	282,950	-	-	-	(180,934)	-	102,017
Ticket vending machines	1,719,688	-	23,193	(4,466,207)	(744,368)	3,467,694	-
Onboard telecommunications	4,336,035	896,003	-	-	(2,377,826)	-	2,854,212
Seat upholstery	1,187,833	-	-	-	(453,134)	-	734,699
Other vehicles	264,001	-	-	(10,172)	(64,983)	3,051	191,898
Total	**11,078,297**	**1,097,316**	**23,193**	**(4,476,379)**	**(4,617,833)**	**3,470,745**	**6,575,338**

This item includes:
- computers and monitors with a carrying amount of €259,224;
- other tangible assets with a carrying amount of €906,512;
- furniture and fittings with a carrying amount of €1,526,777;
- snack and drink vending machines (FVMs) with a carrying amount of €102,017;
- onboard telecommunications systems with a carrying amount of €2,854,212;
- train seat upholstery with a carrying amount of €734,699;
- vehicles with a carrying amount of €191,898.

Purchases reflect investment during the period, primarily with the aim of boosting telecommunications on board trains. Other purchases during the period regarded: the purchase of computers and info panels, totalling €47,982; the purchase of furniture and fittings, totalling €70,742; and purchases of other assets, totalling €82,589 (defibrillators and trolleys).

In addition a number of self-service ticket machines owned by the Company, with a carrying amount of €998,513, were disposed of during the period, as were a number of motor vehicles, having a carrying amount of €7,121.

Reclassifications of €23,193 were from "Fixed assets in progress and advances", following the entry into service of assets.

<u>Composition of "Fixed assets in progress and advances"</u>

Description	Value at 31 Dec 2015	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2016
Other fixed assets in progress	25,378,298	66,469,100	(178,298)	-	-	-	91,669,100
Advances	304,050	27,200	(304,050)	-	-	-	27,200
Total	**25,682,348**	**66,496,300**	**(482,348)**	**-**	**-**	**-**	**91,696,300**

Purchases during the year primarily regard the purchase of new EVO trains (€64,551,026) and leasehold improvements, primarily to the "Casa Italo" and ticket offices (€1,495,274).

Reclassifications regard transfers to completed assets, as described in the relevant notes above. Reclassifications are carried out before the entry into service of the assets and prior to the start of depreciation. As a result, there are no adjustments to accumulated depreciation.

<u>Revaluations of tangible fixed assets</u>

In accordance with art. 10 of Law 72/1983, there have been no revaluations of any tangible fixed assets accounted for in the financial statements or exemptions from the application of Italian GAAP.

Financial assets

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Receivables	66,887	-	66,887
Total	**66,887**	**-**	**66,887**

This item includes receivables other than trade and operating receivables. The amount recognised in this item regards a sum held in an escrow account with BNL-BNP Paribas, maturing on 14 May 2018.

Inventories

Movements in inventories

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Raw materials and consumables	2,123,171	(14,386)	2,108,785
Total	**2,123,171**	**(14,386)**	**2,108,785**

Inventories of raw materials and consumables include spare parts for use in maintenance of rolling stock. The value represents inventories at 31 December 2016.

The item has not changed significantly with respect to 31 December 2015.

Receivables

Movements in receivables

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Due from customers	5,038,256	(446,277)	4,591,979
Tax assets	32,199,197	2,544,610	34,743,807
Deferred tax assets	100,627,108	(13,119,238)	87,507,870
Due from others	15,459,473	14,919,583	30,379,056
Total	**153,324,034**	**3,898,678**	**157,222,712**

Movements in provisions for doubtful accounts

Description	Value at 31 Dec 2015	Increases	Decreases	Value at 31 Dec 2016
Provisions for doubtful accounts	1,301,370	2,291,032	(236,319)	3,356,083
Total	**1,301,370**	**2,291,032**	**(236,319)**	**3,356,083**

Provisions for doubtful accounts increased by €2,291,032 during the period to reflect amounts that will not be collected from customers. The reduction of €236,319 regards realised losses on receivables previously written down.

The aging schedule for receivables is as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Due from customers	4,591,979	-	-	4,591,979
Tax assets	34,743,807	-	-	34,743,807
Deferred tax assets	13,893,862	64,466,118	9,147,890	87,507,870
Due from others	16,895,209	3,116,897	10,366,950	30,379,056
Total	**70,124,857**	**67,583,015**	**19,514,840**	**157,222,712**

"Receivables due from customers", totalling €4,591,979, include trade receivables resulting from invoices both issued and to be issued. They are due from travel agencies in relation to ticket sales, from customers for ancillary services (primarily royalties) and from customers travelling without a valid ticket.

"Tax assets", the change in which primarily reflects movements in refundable VAT and IRAP tax assets for the period, include:
- refundable VAT of €32,459,056;
- IRES tax assets in the form of withholding tax paid, totalling €1,083,790;
- IRAP tax assets in the form of payments on account, totalling €1,200,961.

"Deferred tax assets", amounting to €87,507,870, regard deferred IRES and IRAP tax assets, as described below.
- Deferred IRES tax assets, totalling €87,166,934, primarily regard the tax benefit obtainable in future years as a result of the potential use of accumulated tax losses for the purposes of IRES, and the tax benefit obtainable in future years as a result of the carryforward of non-deductible interest expense for the purposes of IRES. The remaining amount regards deferred tax assets on temporary differences generated by: provisions not deducted, the difference between charges for book amortisation and depreciation and tax amortisation and depreciation, the tax benefit linked to the *ACE* (*Aiuto alla Crescita Economica*) tax relief, and other temporary differences.
  This item also include deferred IRES tax assets of €423,775, relating to the tax benefit obtainable in future years on the any ineffective portions of derivatives.
- Deferred IRAP tax assets, totalling €340,936, regard temporary differences resulting from provisions not deducted and the temporary differences resulting from the difference between charges for book amortisation and depreciation and tax amortisation and depreciation.

The following table shows movements in deferred tax assets by type.

Deferred tax assets	31 Dec 2015	Increases	Reversals	31 Dec 2016
IRES				
Tax losses	56,472,892	-	(7,441,144)	49,031,748
Interest expense	34,340,238	-	(2,545,851)	31,794,387
Cash flow hedges	3,485,967	423,775	(3,485,967)	423,775
Adjustments Law Decree 139/2015	968,452	-	(233,582)	734,870
Provisions	2,863,461	849,723	(2,031,961)	1,681,224
Amortisation and depreciation	100,006	14,157	-	114,162
ACE tax relief	1,641,070	1,094,927	-	2,735,997
Impairment of receivables	53,446	540,770	(53,446)	540,770
Other temporary differences	110,000	-	-	110,000
Total IRES	**100,035,533**	**2,923,353**	**(15,791,951)**	**87,166,934**
IRAP				
Provisions	394,613	164,125	(368,513)	190,225
Adjustments Law Decree 139/2015	194,497	-	(46,911)	147,586
Amortisation and depreciation	2,465	659	-	3,124
Total IRAP	**591,576**	**164,784**	**(415,424)**	**340,936**
Total deferred tax assets	**100,627,108**	**3,088,136**	**(16,207,374)**	**87,507,870**

"Receivables due from others", totalling €30,379,056, include:
- €12,733,635 in prepayments to suppliers for the maintenance of the AGV and EVO trains and the purchase of materials to repair damage caused by vandalism;
- €9,875,793 in amounts due on White Certificates for the second half of 2016;
- €2,069,665 in amounts to be collected in return for transport services rendered, in relation to tickets purchased using e-money solutions and for which the related amounts have yet to be collected from card payment providers;
- €1,327,452 in penalties due under supply contracts;
- €1,043,841 in prepayments to suppliers and consultants;

- €690,218 in guarantee deposits;
- a remaining amount in other receivables, primarily due from personnel as salary advances and advances on expense claims, and from INPS and INAIL.

No long-term receivables which, in accordance with Legislative Decree 139/2015, the Company must recognise at amortised cost, were recognised in 2016.

The above receivables are due from Italian and overseas entities, as shown below.

Description	Within 12 months	After 12 months	After 5 years	Total
Italy	69,306,021	67,583,015	19,514,841	156,403,877
European countries - euro area	74,160	-	-	74,160
European countries – outside euro area	342,645	-	-	342,645
Other countries	402,030	-	-	402,030
Total	**70,124,857**	**67,583,015**	**19,514,841**	**157,222,712**

Cash and cash equivalents

Movements in cash and cash equivalents

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Bank and post office deposits	143,057,866	(18,025,531)	125,032,335
Cash on hand	2,549,313	(151,006)	2,398,307
Total	**145,607,179**	**(18,176,537)**	**127,430,642**

Bank deposits regard amounts held in bank current accounts and have decreased by €18,176,537 compared with 31 December 2015.
The reduction primarily reflects the Company's operations. In particular, cash generated during the period was used to fund operations, to make down payments on the purchase of new EVO Pendolinos and to repay principal due to the leasing company (€18,000,000).
Further information on movements in cash and cash equivalents is provided in the statement of cash flows.

The cash balance at 31 December 2016 consists of cash held by onboard personnel, in ticket vending machines and at station ticket offices.

Accrued income and prepayments

Movements in accrued income and prepayments

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Sundry	1,809,549	(151,148)	1,658,401
Total	**1,809,549**	**(151,148)**	**1,658,401**

Accrued income and prepayments measure income and costs that are recognised in a reporting period other than that in which the associated cash flows or documentation occurs. They are recognised regardless of the date of payment or collection of the related costs or income, are attributable to two or more reporting periods and are accounted for on an accruals basis.

These items break down as follows:

Description	Value at 31 Dec 2016
Prepayments	1,658,401
Total	**1,658,401**

"Prepayments" primarily regard fees payable on sureties, insurance policies and other payments paid in advance for future periods. No prepayments have a term to maturity in excess of 5 years.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity

Movements in shareholders' equity

Description	Value at 31 Dec 2015	Increases	Decreases	Value at 31 Dec 2016
Share capital	57,207,884	-	-	57,207,884
Share premium reserve	48,000,000	-	-	48,000,000
Other reserves	7,672,766	-	-	7,672,766
Cash flow hedge reserve	(9,190,276)	9,190,276	(1,341,956)	(1,341,956)
Retained earnings /(accumulated losses)	(261,014)	-	(15,231,424)	(15,492,438)
Profit/(Loss) for the year	(15,231,424)	28,239,419	15,231,424	28,239,419
Total	**88,197,936**	**37,429,695**	**(1,341,956)**	**124,285,675**

In compliance with Legislative Decree 139/2015 and Italian GAAP, changes have been made to the financial statements with retroactive effect (where provided for by OIC 29). Further disclosure is provided in the reconciliation of equity and the related notes at the end of this document.

Share capital at 31 December 2016 amounts to €57,207,884 and consists of 645,207,884 no-par ordinary shares.

The "share premium reserve" reflects the share premium paid by shareholders at the time of the rights issue subscribed for in 2015.

"Other reserves" consist of amounts paid in accordance with article 2446 of the Italian Civil Code, as approved by the General Meeting of shareholders held on 17 July 2015.

The "cash flow hedge reserve" has decreased as a result of the recognition of changes in the value of cash flow hedges. Movements during the period consist of a net increase of €7,848,320. Further details of hedging transactions are provided below.

A breakdown of shareholders' equity according to origin, potential use, distributable nature and past use in the last three years (article 2427, paragraph 1.7-*bis* of the Italian Civil Code) is shown below:

Nature / Description	Amount	Potential use (*)	Distributable portion	Uses in the last 3 years to cover losses	Uses in the last 3 years for other reasons
Share capital	57,207,884	B	57,207,884	-	-
Share premium reserve (**)	48,000,000	A,B,C	48,000,000	-	-
Other reserves	7,672,766	A,B,C	7,672,766	-	-
Cash flow hedge reserve	(1,341,956)	-	-	-	-
Retained earnings /(accumulated losses)	(15,492,438)	-	-	-	-
Total	**96,046,256**	-	-	-	-
Undistributable portion	96,046,256	-	-	-	-
Remaining distributable portion	-	-	-	-	-

Key:

(*) Potential use
A: to increase capital
B: to cover losses
C: for distributions to shareholders

(**) The share premium reserve may only be distributed if the legal reserve has reached one-fifth of the share capital.

Provisions for risks and charges

Movements in provisions for risks and charges

Description	Value at 31 Dec 2015	Increases	Decreases	Value at 31 Dec 2016
Derivative liabilities	12,676,243	1,765,731	(12,676,243)	1,765,731
Other	11,116,643	5,176,001	(7,693,787)	8,598,857
Total provisions for risks and charges	**23,792,886**	**6,941,732**	**(20,370,030)**	**10,364,588**

Provisions reflect the best estimate of liabilities based on the commitments assumed and the information available.

At 31 December 2016, provisions amount to €10,364,588 and relate to provisions for liabilities resulting from events deemed likely to occur. They break down as follows:
- €1,197,700 in provisions for probable losses on credit card transactions;
- €6,633 in provisions for risks linked to compensation payable to customers for delays in the provision of transport services;
- €1,279,477 in provisions for awards linked to loyalty programmes;
- €6,115,047 in provisions to cover potential losses that the Company may incur in specific disputes yet to be resolved;
- €1,765,731 in provisions for outstanding hedging derivatives measured at fair value.

Movements are shown below.

Description	Value at 31 Dec 2015	Increases	Decreases	Value at 31 Dec 2016
Provisions for chargebacks	991,314	1,197,699	(991,313)	1,197,700
Provisions for passenger compensation	36,072	6,633	(36,072)	6,633
Provisions for loyalty programmes	572,516	1,274,904	(567,943)	1,279,477
Other provisions	9,516,741	2,696,766	(6,098,460)	6,115,047
Derivative liabilities	12,676,243	1,765,731	(12,676,243)	1,765,731
Total provisions for risks and charges	**23,792,886**	**6,941,732**	**(20,370,030)**	**10,364,588**

Provisions have not been allocated for risks and charges deemed to be remote and/or only possible.

Post-employment benefits (*TFR*)

Movements in post-employment benefits (TFR)

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Post-employment benefits (*TFR*)	6,189,392	1,020,288	7,209,680
	6,189,392	**1,020,288**	**7,209,680**

The provisions represent the Company's effective liability at 31 December 2016 to personnel in service at that date, less advances paid.

Provisions made and uses during the period are shown below.

Movements	Value
Opening balance	6,189,392
Provisions	1,973,530
Uses	(953,242)
Closing balance	**7,209,680**

Payables

Movements in payables

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Bank borrowings	241,512,613	6,372,523	247,885,136
Other borrowings	444,876,442	(18,926,709)	425,949,733
Advances	44,047	(20,332)	23,715
Due to suppliers	82,928,435	7,812,411	90,740,846
Tax liabilities	1,924,684	1,988,360	3,913,044
Social security payables	1,855,297	22,726	1,878,023
Other payables	5,247,891	2,357,938	7,605,829
Total	**778,389,409**	**(393,083)**	**777,996,326**

Payables are recognised at nominal value and the related aging schedule is as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Bank borrowings	8,522	-	247,876,614	247,885,136
Other borrowings	9,504,663	93,608,417	322,836,653	425,949,733
Advances	23,715	-	-	23,715
Due to suppliers	86,742,848	3,997,998	-	90,740,846
Tax liabilities	3,913,044	-	-	3,913,044
Social security payables	1,878,023	-	-	1,878,023
Other payables	7,605,829	-	-	7,605,829
Total	**109,676,644**	**97,606,415**	**570,713,267**	**777,996,326**

"Bank borrowings" represent lines of credit granted to the Company and accrued interest and commission expense yet to be paid at the end of the reporting period.

Additional financing was not obtained during the period under review. The increase reflects accrued financial expenses and negative differentials on derivatives not paid to banks, but recognised as an increase in the related borrowing.

Bank borrowings are secured by collateral provided under the following provisions.

- "Creation of Share Pledge" – an agreement under which 100% of the Company's shares have been pledged as collateral.
- "Pledge of Claims and Project Accounts" entered into on 24 June 2008, "Second Pledge of Claims" entered into on 25 June 2009 and "Second Pledge of Claims and Project Accounts" agreed following request for the waiver of 12 June 2012. Under these agreements: i) the Company's current and future receivables have been pledged as collateral to its banks, and ii) the cash collateral represented from time to time by NTV's current accounts is periodically renewed, in accordance with the timing set out in the agreement, in favour of the "Guaranteed Creditors".
- "Framework Agreement for the Pledge of Refundable VAT" entered into on 19 December 2008 (which has extinguished and replaced the agreement named "Framework Agreement for the Transfer of Refundable VAT" entered into on 25 June 2008). Under this agreement, the Company has committed to pledge any refundable VAT from time to time outstanding in favour of the "Guaranteed Creditors".
- "Pledge of Receivables due from Rete Ferroviaria Italiana SpA as Collateral". Under this agreement, current and future receivables that may derive from the Framework Agreement and individual contracts entered into from time to time to implement this Agreement have been pledged as collateral to the banks.
- "Novation Agreement relating to the Alstom Direct Agreement", under which the agent bank has a right to replace the Company as counterparty in the contracts for the supply of trains entered into with Alstom Ferroviaria SpA, should the Company not be in a condition to meet its contractual obligations under the above agreement with Alstom Ferroviaria SpA or should it default on its loan and lease agreements.

In line with the use of finance lease accounting to account for finance leases, "Other borrowings" include the liability to the leasing company in relation to the purchase of rolling stock and the financial expenses, again due to the leasing company, at the end of the reporting period, but not yet paid. The change during the period primarily reflects partial repayment of principal of €18,000,000, in accordance with the agreed repayment schedule.

"Advances" of €23,715 regard advances from customers for transport services, in accordance with the terms of commercial offerings requiring payment in advance.

"Payables due to suppliers" are recognised after commercial discounts. The nominal value of these payables has been adjusted, in the event of returns or rebates (adjustments to invoices), by the amount agreed with the counterparty.

"Tax liabilities" only refer to tax liabilities certain to be incurred and of a determinate amount. This item includes current tax liabilities recognised in the income statement.

"Social security payables" of €1,878,023 are substantially unchanged with respect to the previous year.

"Other payables", amounting to €7,605,829, primarily regard amounts due to personnel for accrued compensation (€5,151,171). The remaining amount regards the liability to customers who use the Company's transport services (€2,248,064) and other smaller items. The increase in "Other payables" during the period is primarily due to accrued holiday pay due to employees (€1,821,492) and amounts due to customers (€448,451).

During 2016, no payables falling due "after 12 months" were recognised in relation to new contracts or transactions entered into during the period.

In accordance with accounting standard OIC 6, it should be noted that the debt restructuring agreement is fully effective and is reflected in the Company's ability to fully meet its day-to-day funding requirements, service its debt and finance investment.

The following geographical breakdown of the above payables shows amounts due to entities resident in Italy and those resident overseas:

Description	Within 12 months	After 12 months	After 5 years	Total
Italy	107,568,789	97,606,415	570,713,267	775,888,471
European countries - euro area	1,448,293	-	-	1,448,293
European countries – outside euro area	168,592	-	-	168,592
Other countries	490,970	-	-	490,970
Total	**109,676,644**	**97,606,415**	**570,713,267**	**777,996,326**

Accrued liabilities and deferred income

Movements in accrued liabilities and deferred income

Description	Value at 31 Dec 2015	Change	Value at 31 Dec 2016
Sundry	25,741,040	(2,504,064)	23,236,976
Total	**25,741,040**	**(2,504,064)**	**23,236,976**

Accrued liabilities and deferred income measure costs and income that are recognised in a reporting period other than that in which the associated cash flows or documentation occurs. They are recognised regardless of the date of payment or collection of the related costs or income, are attributable to two or more reporting periods and are accounted for on an accruals basis.

These items break down as follows:

Description	Value at 31 Dec 2016
Accrued liabilities	1,067,317
Deferred income	22,169,659
Total	**23,236,976**

The change in accrued liabilities is due to an increase in fourteenth month salaries payable to employees (€109,535).

"Deferred income" primarily regards the value of transport services to be rendered in relation to tickets sold at the end of the reporting period (€16,249,745), and income generated as a result of the debt restructuring agreement, which will be recognised in the income statement over the remaining duration of the new agreement, in accordance with accounting standard OIC 6 (€5,809,752).

The movement during the period primarily reflects the following:
- recycling through the income statement for the period of income from White Certificates collected in the previous year but accruing in early 2016 (€4,546,191);
- an increase in the component linked to the sale of tickets (€3,668,770);
- a reduction in deferred income resulting from the debt restructuring agreement, following definition of the method of invoicing the new debt renegotiated with Mediocredito Spa in the first half of 2016 (€1,062,821);
- recycling through the income statement of income resulting from the debt restructuring agreement attributable to the reporting period, in accordance with accounting standard OIC 6 (€464,782);

No accrued liabilities have a term to maturity in excess of 5 years. With respect to deferred income, this item includes income from the debt restructuring agreement that will be recycled through the income statement after 5 years, based on the term of the lease agreement.

LITIGATION

The principal concluded, pending and potential legal actions are described below.

Concluded legal actions

Lawsuits brought before Justices of the Peace and lawsuits brought before the Labour Court: the amount deriving from lawsuits in which the court found against the Company during 2016 is reflected in the financial statements, either via the use of provisions allocated in previous years or, if not covered by provisions, in the income statement.

Pending legal actions

Pending legal actions in which the Company is involved are briefly described below.

Actions in which the Company is defendant – risk deemed likely

Lawsuits brought before the Civil Court of Rome – On 28 February 2013, a supplier lodged a claim pursuant to art. 702-*bis* of the Code of Civil Procedure, requesting that NTV SpA be ordered to pay the sum of €226,200 for failure to pay an invoice. In a ruling issued on 14 May 2014, this lawsuit was combined with a case brought by the same supplier (claim pursuant to art. 702-*bis* of the Code of Civil Procedure, lodged on 17 October 2014), requesting that NTV SpA be ordered to pay the sum of €145,384 plus interest and legal costs for alleged modifications made to a contract awarded to the supplier and compensation for damages incurred. The proceedings (converted to ordinary proceedings) were adjourned until 13 September 2017 for examination of the report prepared by the court-appointed expert witness regarding the causes for the delay in completing the works and the fairness of the amounts charged by the supplier. The related amounts have been recognised in the financial statements for the year ended 31 December 2016.

Lawsuits brought before the Civil Court of Rome - On 29 July 2014, a supplier notified NTV SpA of a court order to pay an amount of €166,104 plus interest and legal costs, which the Company has challenged before the court. At the first hearing, the court rejected the claimant's request for provisional enforcement of the above court order.
The same supplier also notified the Company of the following:
- on 9 April 2015, another provisionally enforceable court order to pay an amount of €197,640 plus interest and legal costs and a corresponding writ of execution, which the Company has challenged;
- on 28 January 2016, another court order to pay an amount of €244,000 plus interest and legal costs, also challenged by the Company.

All the above challenges of the court orders have been combined with a previous lawsuit brought by NTV SpA against this supplier - regarding termination for breach of the procurement contract awarded to the latter and consequent compensation for damages – and adjourned until a hearing on 31 May 2017 for admission of preliminary evidence as requested by the parties. The related amounts have been recognised in the financial statements for the year ended 31 December 2016.

Lawsuits brought before the Labour Court – NTV SpA is the defendant in actions regarding the following matters: request for payment of fees alleged to be due and compensation for damages, appeal against dismissal and demotion. Where quantifiable and if the risk of losing the case is deemed to be likely, specific provisions have been allocated for risks and charges.

Lawsuits brought before Justices of the Peace – NTV SpA is the defendant in lawsuits brought by certain passengers complaining about alleged damage, to property and otherwise, caused by delays to the train in which they were travelling or by accidents affecting them on board trains. Where quantifiable and if the risk of losing the case is deemed to be likely, specific provisions have been allocated for risks and charges.

Actions in which the Company is defendant – risk deemed possible or remote

Lawsuit brought before Lazio Regional Administrative Court – On 11 February 2014, a consumers' association notified NTV SpA of an appeal requesting annulment of (i) measures to authorise the installation of “Train Repeater” systems and “Wi-Fi access points” on board Italo trains, and (ii) any other related, concomitant or consequential action.

Lawsuit brought before Piedmont Regional Administrative Court – On 4 March 2015, Rete Ferroviaria Italiana SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of (i) determination 70/2014 of 31 October 2014 and the related annex, (ii) determination 76/2014 of 27 November 2014 and the related annex, (iii) Presidential order 2015/2 of 6 February 2015, (iv) determination 16/2014 of 6 March 2014, (v) determination 24/2014 of 17 April 2014 and (vi) the Regulations, dated 16 January 2014, issued by the Transport Regulator and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Rete Ferroviaria Italiana SpA transferred its appeal to a different jurisdiction, namely Lazio Regional Administrative Court. NTV SpA appeared before the court. On 10 March 2016, Lazio Regional Administrative Court issued ruling 3084, disclaiming its territorial jurisdiction over the case and indicating that the appropriate jurisdiction was Piedmont Regional Administrative Court, before which Rete Ferroviaria Italiana SpA has resumed its appeal.

Lawsuit brought before Piedmont Regional Administrative Court – On 6 March 2015, Centostazioni SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of (i) determination 70/2014 of 31 October 2014 and the related annex, (ii) determination 76 of 27 November 2014 and the related annex, (iii) determination 86 of 18 December 2014 and the related annex, issued by the Transport Regulator and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Centostazioni SpA transferred its appeal to a different jurisdiction, namely Lazio Regional Administrative Court. NTV SpA appeared before the court. On 10 March 2016, Lazio Regional Administrative Court issued ruling 3084, disclaiming its territorial jurisdiction over the case and indicating that the appropriate jurisdiction was Piedmont Regional Administrative Court.

Lawsuit brought before Piedmont Regional Administrative Court – On 9 March 2015, Grandi Stazioni SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of (i) determination 70/2014 of 31 October 2014 and the related annex, (ii) determination 76 of 27 November 2014 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Grandi Stazioni SpA transferred its appeal to a different jurisdiction, namely Lazio Regional Administrative Court. NTV SpA appeared before the court. On 10 March 2016, Lazio Regional Administrative Court issued ruling 3084, disclaiming its territorial jurisdiction over the case and indicating that the appropriate jurisdiction was Piedmont Regional Administrative Court, before which Grandi Stazioni SpA resumed its appeal.

Lawsuit brought before Lazio Regional Administrative Court – On 28 May 2015, a labour union notified NTV SpA of a legal challenge aimed at obtaining annulment of (i) the Guarantee Authority’s notification of 1 April 2015 regarding implementation of the law on strikes relating to essential public services, and (ii) any other preparatory, related, consequential and connected action.

Lawsuit brought before Piedmont Regional Administrative Court – On 18 March 2016, Rete Ferroviaria Italiana SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA, Trenitalia SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Rete Ferroviaria Italiana SpA transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court.

Lawsuit brought before Piedmont Regional Administrative Court – On 17 March 2016, Trenitalia SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Trenitalia SpA transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court.

Lawsuit brought before Piedmont Regional Administrative Court – On 21 March 2016, Grandi Stazioni SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Trenitalia SpA transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court.

Lawsuit brought before Piedmont Regional Administrative Court – On 15 July 2016, a consumers' association notified NTV SpA of an appeal aimed at obtaining annulment of (i) art. 3, paragraphs 1, 2, 4 and 5 of the Transport Regulator's determination 54/2016 of 11 May 2016, regarding "*Measures relating to the minimum content of the specific rights that passengers with 'season tickets' may claim from high-speed rail service operators"* and (ii) any other related, concomitant or consequential action.

Potential court actions

The Company may be involved in lawsuits brought by members of staff who have opposed transfer to another workplace, and from suppliers who have raised objections regarding execution of contractual obligations. Currently, such risk is deemed to be likely, albeit moderate and insignificant. However, any claim deemed to be quantifiable has been recognised in the financial statements for the year ended 31 December 2016.

SURETIES AND GUARANTEES

Sureties and guarantees provided by third parties on behalf of the Company

Guarantees provided by third parties for amounts payable by the Company are shown below to enable assessment of the Company's financial position.

Sureties in favour of the tax authorities

Guarantor	Beneficiary	Underlying obligation	Expiry	Commitment
Assicurazioni Generali SpA	Tax authorities	VAT refund 2012	31 Dec 2017	11,557,995

Assicurazioni Generali SpA	Tax authorities	VAT refund 2nd quarter 2014	31 Dec 2018	3,377,950
Assicurazioni Generali SpA	Tax authorities	VAT refund 2011	31 Dec 2016	8,542,904
Assicurazioni Generali SpA	Tax authorities	VAT refund 2nd quarter 2012	8 July 2017	2,500,409
Assicurazioni Generali SpA	Tax authorities	VAT refund 3rd quarter 2012	8 July 2017	3,623,619
Assicurazioni Generali SpA	Tax authorities	VAT refund 1st quarter 2013	28 Oct 2017	6,333,900
Assicurazioni Generali SpA	Tax authorities	VAT refund 2nd quarter 2013	24 Dec 2017	5,080,930
Assicurazioni Generali SpA	Tax authorities	VAT refund 3rd quarter 2013	24 Dec 2017	4,423,265
Assicurazioni Generali SpA	Tax authorities	VAT refund 1st quarter 2014	24 Dec 2017	4,960,762
Assicurazioni Generali SpA	Tax authorities	VAT refund 2014	31 Dec 2019	4,190,037
Assicurazioni Generali SpA	Tax authorities	VAT refund 2013	31 Dec 2018	5,961,230
Assicurazioni Generali SpA	Tax authorities	VAT refund 3rd quarter 2014	31 Dec 2019	5,377,330
Assicurazioni Generali SpA	Tax authorities	VAT refund 1st quarter 2016	18 Jan 2021	2,016,062
			Total	**67,946,392**

Sureties in favour of RFI SpA

Guarantor	Beneficiary	Underlying obligation	Expiry	Commitment
Intesa Sanpaolo SpA	RFI SpA	Contract for use of network infrastructure 2015-2016	8 June 2017	10,300,800
Intesa Sanpaolo SpA	RFI SpA	Framework Agreement for HS/HC infrastructure	12 Dec 2020	9,699,200
			Total	**20,000,000**

Other sureties

Guarantor	Beneficiary	Underlying obligation	Expiry	Commitment
Intesa Sanpaolo SpA	SALERNO PROVINCIAL TOURIST BOARD	Intermodal Rail /Road service CILENTO Area	18 Mar 2017	50,000
Intesa Sanpaolo SpA	Centostazioni SpA	SSTM lease Rimini	8 June 2017	3,448
Intesa Sanpaolo SpA	Centostazioni SpA	SSTM lease Ancona	8 June 2017	3,448
Intesa Sanpaolo SpA	Centostazioni SpA	SSTM lease Pesaro	8 June 2017	3,448
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Casa Italo - FI_SMN station	20 June 2017	97,589
Intesa Sanpaolo SpA	RFI SpA	Lease of premises and space Milan Porta Garibaldi (train shed)	2 Oct 2017	21,028
Intesa Sanpaolo SpA	RFI SpA	Lease of premises and space Roma Ostiense (train shed)	30 Oct 2017	50,220
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of space at Naples Central station	20 Nov 2017	51,216
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of SSTM space FERRARA	29 Nov 2017	3,469

Intesa Sanpaolo SpA	RFI SpA	Lease of premises and space Turin Lingotto (train shed)	28 Dec 2017	15,167
Intesa Sanpaolo SpA	Grandi Stazioni SpA	"ITALO RICARICABILE" loyalty programme	15 Jan 2018	6,000
Intesa Sanpaolo SpA	Ministry for Economic Development	"ITALO PREMI" loyalty programme (Travel agency reps)	13 Feb 2018	4,653
Intesa Sanpaolo SpA	Ministry for Economic Development	"ITALO PIU' loyalty programme	28 Feb 2018	40,000
BNL Gruppo BNP Paribas	Grandi Stazioni SpA	Venice SantaLucia station	28 Feb 2018	43,664
Intesa Sanpaolo SpA	RFI SpA	Lease of premises and space Venice Marghera (train shed)	9 Mar 2018	28,000
BNL Gruppo BNP Paribas	Grandi Stazioni SpA	Casa Italo - Bologna Central	14 May 2018	66,887
Intesa Sanpaolo SpA	Centostazioni SpA	TVM space - MI_Porta Garibaldi	22 May 2018	32,728
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of TVM space Salerno from 1 Aug 2012	24 Apr 2019	6,755
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space at Milan Porta Rogoredo station	15 July 2020	12,166
Intesa Sanpaolo SpA	Grandi Stazioni Rail SpA	Lease of space for SSTMs BOLOGNA	12 Dec 2020	3,734
Intesa Sanpaolo SpA	Caprim SRL	Lease of Head Office Viale del Policlinico	24 Apr 2021	237,500
Intesa Sanpaolo SpA	Grandi Stazioni Rail SpA	Lease of space for SSTMs VERONA PN	12 June 2021	5,280
Intesa Sanpaolo SpA	Grifone di Cipullo Vincenzo & C, SAS	Lease Via Vitruvio,43	27 Dec 2021	6,360
Intesa Sanpaolo SpA	Centostazioni SpA	TVM lease PADUA	23 May 2022	13,877
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of TVM space TO PN	9 June 2022	20,225
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of TVM space ROMA TERMINI	10 June 2022	69,560
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of Ticket Office space Milan Central	11 June 2022	76,404
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of desk space Verona	11 June 2022	7,468
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of desk space Santa Lucia	15 June 2022	13,069
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of reception space Milan Central	18 June 2022	52,821
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of space for Casa Italo Termini	23 June 2022	50,491
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of desk space NAPLES CENTRAL	23 June 2022	14,936
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of space for Casa Italo TIBURTINA	1 July 2022	118,965
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of desk space Tiburtina	1 July 2022	7,712
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of Ticket Office space Florence	4 July 2022	6,270
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of Ticket Office space Rimini	27 July 2022	3,469

Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of Ticket Office space BOLOGNA CENTRAL	4 Aug 2022	16,830
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space at Brescia (Engineering Workshop)	23 Aug 2022	6,938
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space at Milan Porta Garibaldi (Engineering Workshop)	23 Aug 2022	2,175
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space at Padua (Engineering Workshop)	15 Sept 2022	654
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of TVM space Venice MESTRE	15 Sept 2022	3,734
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of desk space BOLOGNA CENTRAL	19 Sept 2022	24,272
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of space at FLORENCE - TVM + DESK	14 Oct 2022	16,804
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space Salerno ticket office	15 Oct 2022	21,249
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space for SSTMs Parma	13 Nov 2022	3,469
Intesa Sanpaolo SpA	Grandi Stazioni SpA	Lease of space Naples Central station	10 Dec 2022	82,503
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of space for SSTMs BRESCIA	14 Jan 2023	3,469
Intesa Sanpaolo SpA	Centostazioni SpA	Lease of TVM space SALERNO	10 Feb 2023	19,000
			Total	**1,449,128**

Unsecured Leasing & Guarantee Facility

The unsecured "Leasing and Guarantee Facilities Agreement" currently provided by Banca IMI SpA: this is an unsecured line of credit designed to guarantee, on the Company's behalf, its obligations to Mediocredito Italiano SpA under the lease agreement for the supply of 25 AGV trains manufactured by Alstom Ferroviaria SpA.
The total amount provided to NTV for this type of guarantee amounts to €478,000,000. At 31 December 2016, the amount effectively guaranteed is €423,973,951.

INCOME STATEMENT

In compliance with the provisions of Legislative Decree 139/2015 and as applied in Italian GAAP, amendments have been made to the structure of the income statement and to comparatives. Further details are provided in the section, "Effects of the application of new Italian GAAP" at the end of these notes.

Value of production

The value of production includes the following items:

Description	Value in 2015	Changes	Value in 2016
Revenue from sales and services	303,850,348	46,609,253	350,459,601
Increase in fixed assets for internal work	1,625,045	(1,056,432)	568,613
Other income	17,492,501	11,808,625	29,301,126

Total	**322,967,894**	**57,361,446**	**380,329,340**

"Revenue from sales and services" regards revenue from transport services rendered, including ancillary services, after returns, discounts and rebates. This revenue rose €46,609,253 in 2016 compared with the previous year.

The "Increase in fixed assets for internal work" includes the costs incurred in order to train personnel, capitalised in intangible fixed assets using the indirect method, as required by accounting standard OIC 12.

"Other income" primarily consists of:
- €15,512,007 in income from EECs accruing during the period;
- €6,475,896 in contingent assets relating to the reversal of expenses recognised in previous years;
- €2,651,108 in penalties received;
- €1,266,000 in income from the chargeback to other railway companies of costs relating to the shared use of locomotives;
- €1,008,624 in revenue from royalties and the sale of advertising space;
- €1,026,410 in revenue generated by sales channels;
- €295,910 in capital and revenue grants from public entities;
- €245.900 in compensation received from insurance companies for damage incurred;
- €211,538 in revenue from co-marketing, the sale of vouchers and loyalty points.

Production costs

Production costs are up €13,706,147 compared with the €323,299,525 of the previous year.

The most significant increases regard the following items:
- track access charges and traction energy, reflecting increased capacity;
- the direct cost of sales, in keeping with the increase in turnover;
- personnel expenses, due to a reduction in the use of solidarity contracts and an increase in personnel on regular contracts;
- provisions for potential losses on receivables and on e-money transactions.

In contrast, these was a reduction in provisions for risks and charges and a reduction in charges for amortisation and depreciation.

The following table shows a breakdown of production costs:

Description	Value in 2015	Changes	Value in 2016
Raw materials, consumables and goods	848,441	(427,023)	421,418
Services	202,299,816	15,827,882	218,127,698
Lease expense	8,699,090	406,897	9,105,987
Personnel expenses	42,037,488	1,339,556	43,377,044
Amortisation, depreciation and impairments	39,541,785	(1,128,653)	38,413,132
Provisions for doubtful accounts included in current assets and cash and cash equivalents	252,786	2,038,246	2,291,032
Change in inventories of raw materials, consumables and goods	466,882	(375,945)	90,937
Provisions for risks	991,314	206,385	1,197,699
Other provisions	10,139,229	(7,931,849)	2,207,380
Other operating costs	4,316,548	3,750,650	8,067,198
Total	**309,593,378**	**13,706,147**	**323,299,525**

Cost of raw materials, consumables and goods

The most important item is represented by the purchase of uniforms for operating personnel (€282,238), whilst there was a reduction in the cost of goods used in the previous provision of onboard refreshments, which has been replaced with a new onboard customer service model in order to improve the quality offered to customers. This has involved a new full service agreement with the supplier, with the related costs thus recognised in "Service costs").
This item also includes the cost of purchasing consumable materials, printers and advertising materials.

Cost of services

The main items included in the "Cost of services" are as follows:
- €107,346,765 for track access charges and traction energy paid to the network operator;
- €46,083,067 for maintenance, primarily of trains;
- €13,318,225 in sales commissions;
- €8,982,610 for technical consultants;
- €7,791,334 for cleaning, essentially of trains, plant and stations;
- €6,910,319 for outsourced services, mainly regarding customer services and cash management for self-service ticket machines (SSTMs);
- €6,441,958 in promotional costs, magazine and newspaper inserts and advertising posters;
- €4,547,893 in commissions and fees charged by banks and payment providers;
- €4,473,171 in insurance expenses;
- €3,704,209 for utilities and onboard connectivity;
- €2,699,859 for external providers of transport;
- €1,991,691 in travel expenses for personnel;
- €1,044,679 in fees paid to consultants, freelance personnel and Directors;
- €1,016,457 for staff catering;
- €964,868 for security and surveillance.

Lease expense

"Lease expense" primarily regards the lease of properties, essentially space within stations and operating equipment (€5,125,666), the cost of hiring IT equipment and of software licences (€990,852) and the cost of leasing rolling stock used in operations and for the movement of trains (€1,922,700).

This item also includes hire charges for computer equipment and company vehicles.

Personnel expenses

This item includes the cost of employees, including merit salary increases, promotions, cost-of-living increases, the cost of unused holiday entitlement and provisions required by law and collective labour contracts.
Personnel expenses are up €1,339,556 compared with the previous year, reflecting a reduction in the use of solidarity contracts and an increase in personnel on regular contracts.

Amortisation and depreciation

Charges for amortisation and depreciation are calculated on the basis of the useful life of the asset and its use in operations and, in any event, in accordance with the rules set out in art. 102 of Presidential Decree 917/1986, as described above. This item is down on the previous year (€1,128,653) due to the fact that certain intangible fixed assets are fully amortised.

Provisions for doubtful accounts included in current assets and cash and cash equivalents

This item reflects the impact of the impairment of doubtful accounts receivable from customers.

Change in inventories of raw materials, consumables and goods

This item regards the change in stocks of materials used to repair damage caused by vandalism and other onboard equipment.

Provisions for risks

This item regards provisions for probable losses on e-money transactions as assessed at the end of the reporting period.

Other provisions

This item primarily regards provisions for loyalty programmes (€1,272,956). This item has also increased with respect to the previous year due to the great volume of sales.

Other operating costs

“Other operating costs” consist of expenses of a different nature from those described above. They primarily regard ascertained losses on e-money transactions (€3,006,589), losses on the disposal of assets described in the notes to fixed assets (€2,055,336), contingent liabilities (€1,509,179), non-deductible VAT on invoices issued (€477,459). Non-deductible VAT on invoices paid is recognised as an increase in the purchase cost, as required by the relevant accounting standard.

Financial income and expenses

Financial income and expenses consist of the following:

Description	Value in 2015	Changes	Value in 2016
Other income	2,633,997	(792,739)	1,841,258
(Interest and other financial expenses)	(17,639,882)	179,601	(17,460,281)
Foreign exchange gains/(losses)	(591)	591	-
Total	**(15,006,477)**	**(612,546)**	**(15,619,023)**

The change with respect to the previous year, totalling €612,546, essentially reflects a reduction in financial income, partially offset by a decrease in interest expense linked to interest rate trends.

Other income

Description	Parent companies	Unconsolidated subsidiaries	Associated companies	Other	Total
Interest on bank and post office deposits	-	-	-	927,022	927,022
Other interest income	-	-	-	449,454	449,454
Income from debt restructuring agreement	-	-	-	464,782	464,782
Total	**-**	**-**	**-**	**1,841,258**	**1,841,258**

“Other interest income” consists of interest on refundable VAT.

Interest and other financial expenses

Description	Parent companies	Unconsolidated subsidiaries	Associated companies	Other	Total
Interest on borrowings	-	-	-	(1,991,066)	(1,991,066)
Interest on leases	-	-	-	(2,402,326)	(2,402,326)
Other interest expense	-	-	-	(13,066,889)	(13,066,889)
Total	**-**	**-**	**-**	**(17,460,281)**	**(17,460,281)**

"Other interest expense" includes negative differentials on hedging derivatives.

INCOME TAX EXPENSE

Income tax expense for the period is shown below:

Description	2015	Changes	2016
Current tax expense:			
IRES	-	-	-
IRAP	1,215,294	1,899,032	3,114,326
Withholding tax	-	-	-
Total current tax expense	**1,215,294**	**1,899,032**	**3,114,326**
Deferred tax expense/(income):			
IRES	(5,166,201)	2,666,624	(2,499,577)
IRAP	(568,856)	404,072	(164,784)
Reversals of taxation for previous years			
IRES	18,011,648	(5,705,664)	12,305,984
IRAP	107,578	307,845	415,424
Total deferred tax expense/(income)	**12,384,169**	**(2,327,123)**	**10,057,046**
Total income tax expense	**13,599,463**	**(428,091)**	**13,171,372**

Reconciliation of effective tax expense and tax expense computed at statutory rate (IRES)

IRES	Taxable income	Taxation
Profit before tax	**41,410,792**	
Tax charge applying statutory rate		**11,387,968**
Differences that will not reverse in future periods:		
Increases (non-deductible charges and expenses)	3,065,569	
Reductions (tax-exempt components of profit or loss)	(329,907)	
Total	**2,735,662**	
Temporary differences deductible in future periods:		
Undeducted provisions	3,540,512	
Differences between book and tax amortisation and depreciation	58,986	
Impairments of receivables	2,253,209	
Total	**5,852,708**	
Reversal of temporary differences from previous periods		
Interest expense not deductible in the period	(10,607,712)	
Law Decree 139/2015 adjustments	(973,257)	
Undeducted provisions	(7,475,106)	
Impairments of receivables	(222,693)	
Total	**(19,278,768)**	
Taxable income	**30,720,394**	
Effective tax charge		**8,448,108**
Use of accumulated tax losses	(30,720,394)	
Net taxable income	**-**	

Current IRES expense	-

Reconciliation of effective tax expense and tax expense computed at statutory rate (IRAP)

IRAP	Taxable income	Taxation
Difference between value of production and production costs	**57,029,815**	
Costs not recognised for purposes of IRAP	49,073,155	
Total	**106,102,970**	**4,855,823**
Tax charge applying statutory rate		
Differences that will not reverse in future periods:		
Increases (non-deductible charges and expenses)	1,854,918	
Reductions (tax-exempt components of profit or loss)	(8,618,746)	
Deduction of personnel expenses for purposes of IRAP	(30,975,853)	
Total	**(37,739,681)**	
Taxable income	**68,363,289**	
Current IRAP expense		**3,128,659**
Adjustment for previous periods		(14,333)
IRAP		**3,114,326**

"Current and deferred tax income and expense for the year" in the income statement include tax payable on taxable income for the period or for previous periods, as required by accounting standard OIC 12.

Deferred tax liabilities and assets

Deferred tax assets are recognised if there is reasonable certainty that taxable income in the year in which they will reverse is at least equal to the amount of the differences to be offset.

Deferred tax assets have been recognised as a result of ACE (*Aiuto alla Crescita Economica*) tax relief, on undeducted provisions during the period, on the difference between book and tax amortisation and depreciation and on impairments of receivables.

The principal temporary differences resulting in the recognition of deferred tax assets are shown in the following table, together with the related effect on taxation.

Deferred tax liabilities/(assets)	31 Dec 2016	
	Temporary differences	Taxation
Deferred IRES tax assets		
Undeducted provisions	(3,540,512)	(849,723)
Differences between book and tax amortisation and depreciation	(58,986)	(14,157)
ACE - *Aiuto alla Crescita Economica* tax relief	(4,562,197)	(1,094,927)
Impairments of receivables	(2,253,209)	(540,770)
Total deferred IRES tax assets	**(10,414,905)**	**(2,499,577)**
Deferred IRAP tax assets		
Undeducted provisions	(3,405,079)	(164,125)
Undeducted amortisation and depreciation	(13,673)	(659)
Total deferred IRAP tax assets	**(3,418,752)**	**(164,784)**
Reversal of temporary differences from previous periods for purposes of IRES		
Tax losses	30,720,394	7,441,144
Non-deductible financial expenses	10,607,712	2,545,851
Cash flow hedges	12,676,243	3,485,967
Law Decree 139/2015 adjustments	973,257	233,582
Undeducted provisions	8,905,520	2,031,961
Impairments of receivables	222,693	53,446
Total reversals of IRES	**64,105,818**	**15,791,951**
Reversal of temporary differences from previous periods for purposes of IRAP		

Undeducted provisions	7,645,489	368,513
Derecognition of advertising costs (Law Decree 139/2015)	973,257	46,911
Total reversals of IRAP	**8,618,746**	**415,424**
Deferred tax liabilities/(assets)		**13,543,013**

In general, adjustments result from the reversal of temporary differences resulting in the recognition of deferred tax assets in previous periods.

The following tax rates were used to calculate deferred tax assets:
- IRES 24.00%;
- IRAP 4.82%.

The following tax losses were offset against taxable income during the period.

Disclosure on use of tax losses	Taxable income	Taxation
Tax losses used		
for period under review	-	-
for previous years	30,720,394	7,441,144
Total use	**30,720,394**	**7,441,144**

FINANCE LEASES

The disclosures required by article 2427 of the Italian Civil Code, with the aim of describing the situation that would result from the application of finance lease accounting instead of operating lease accounting, are not necessary as the financial statements already reflect this situation.

To help in understanding the financial statements, readers should note that the Company is a party to a finance lease agreement with Mediocredito Italiano SpA covering the purchase of rolling stock. As previously described in the notes, this agreement is recognised in the financial statements as a finance lease, as this is deemed to provide a more accurate view of the Company's operating results and financial position.

The impact of use of finance lease accounting on the financial statements is as follows:
- The value of trains is recognised in the financial statements: the value of the leased trains is accounted for in tangible fixed assets, with a matching entry in financial liabilities.
- The upfront payment to Mediocredito Italiano: reclassification of the upfront payment to Mediocredito Italiano SpA as an increase in the value of the trains.
- Depreciation of the trains: depreciation on the various train components is charged to the income statement over their useful lives (the main component, the rolling stock, has a useful life of 30 years, the other two identified components, being the onboard telecommunications systems and seat upholstery have useful lives of 5 and 6 years).
- Financial liability: the financial liability recognised is equal to the discounted value of the trains.
- Financial expenses: finance lease payments are apportioned between the financial charge and the outstanding liability. Financial expenses are allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period (a fixed rate amortisation schedule equal to the rate implicit in the lease).

OTHER INFORMATION

As required by law, the annual compensation paid to Directors and members of the Board of Statutory Auditors are shown below, in accordance with article 2427, paragraph 1.16 of the Italian Civil Code:

Category	Annual compensation
Directors	720,000
Board of Statutory Auditors	101,000

The total fee paid to the Independent Auditors for auditing the financial statements for the year ended 31 December 2016 and for other services amounts to €85,000 (after expenses and VAT).

The following table provides the disclosure required by article 2427 of the Italian Civil Code, showing the total fees paid to the Independent Auditors for the statutory audit of the annual accounts, the total fees paid for other audit procedures, the total amount paid for attestations and the total amount paid for services other than auditing.

	Statutory audit of the annual accounts	Other audit services	Attestations	Total fees
Fees	70,000	10,000	5,000	85,000
Total	**70,000**	**10,000**	**5,000**	**85,000**

RELATED PARTY TRANSACTIONS

The Company engages in transactions with associated companies, Directors and key management personnel. The following table shows the nature of transactions.

Related party	Nature of transaction
Assicurazioni Generali group	Insurance for trains, equipment and stations
Intesa Sanpaolo Spa group	Loan agreement
Intesa Sanpaolo Spa group	Derivatives – IRSs
Intesa Sanpaolo Spa group	Lease agreement
Intesa Sanpaolo Spa group	Commissions on payment services
SNCF group	Commercial services
Telecom Italia group	RIAT project and telephone services

As required by art. 2427.22 *bis* of the Italian Civil Code, the disclosure regarding the most significant transactions[4] entered into with related parties is provided below.

Impact of related party transactions	31 December 2016			
	Costs	Revenue	Investment	Liabilities
Assicurazioni Generali group	2,961,487	-	-	317,381
Intesa Sanpaolo Spa group	14,949,630	-	510,409,053	568,379,425
SNCF group	9,088,730	-	967,318	764,421
Telecom Italia group	1,200,867	1,026,410	481,479	1,161,907
Total	**28,480,714**	**1,026,410**	**511,857,850**	**570,623,134**

[4] Significant transactions are considered to be those in excess of €500,000.

Trading with the above related parties is conducted on an arm's length basis, in accordance with the principles set out in the regulations adopted by the Company.

DETERMINATION OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following tables show the disclosures required by art. 2427-*bis* of the Italian Civil Code. The tables regard derivatives entered into for hedging purposes.

	31 December 2016			31 December 2015		
	Notional value	**FV gains**	**FV losses**	**Notional value**	**FV gains**	**FV losses**
Cash flow hedges						
Interest rate risk						
Interest rate swaps	330,000,000	-	(1,765,731)	-	-	-
Zero Cost Collars	-	-	-	317,440,000	-	(12,676,243)
Total derivative financial instruments	**330,000,000**	**-**	**(1,765,731)**	**317,440,000**	**-**	**(12,676,243)**

Fair value losses on derivatives are recognised in the financial statements in provisions for risks and charges. Changes are accounted for in a specific equity reserve (the "cash flow hedge reserve"), after taking into account the related taxation recognised in deferred tax assets.
The fair value of derivatives is calculated using the forward rate curve for 6-month Euribor at 31 December 2016.

Interest rate swaps regard a contract entered into on 30 June 2016 with effect from 1 January 2017 and expiring on 31 December 2022. The contract has a notional value of €330,000,000, decreasing in accordance with an amortisation schedule matching the underlying hedged liabilities. This instrument provides for the exchange of cash flows every six months (outflows at a fixed market rate and inflows at a floating rate based on 6-month Euribor), with a notional amount hedging a portion of the underlying liability.
The zero cost collar effective from 31 December 2015 regards a contract entered into in 2008 and expiring on 31 December 2016. At the end of the reporting period, the fair value of this instrument is thus equal to zero.

Movements in the fair value of derivative financial instruments with separate indication of changes recognised directly in profit or loss, and those recognised in equity

	Gains on fair value hedges	Gains on cash flow hedges	Losses on fair value hedges	Losses on cash flow hedges
Value at beginning of period	-	-	-	**(12,676,243)**
Changes during period	-	-	-	**10,910,512**
Increase due to change in fair value recognised in equity	-	-	-	*9,190,276*
Decrease due to change in fair value recognised in equity	-	-	-	*(1,341,956)*

Increase due to change in fair value recognised in profit or loss	-	-	-	*0*
Decrease due to change in fair value recognised in profit or loss	-	-	-	*0*
Ineffective portion recognised in profit or loss	-	-	-	*0*
Change in time value recognised in profit or loss	-	-	-	*0*
Other increases/decreases	-	-	-	*3,062,191*
Value at end of period	-	-	-	**(1,765,731)**

"Other increases/decreases" regards the change in taxation during the period, recognised in deferred tax assets.
There are no positive or negative components, or ineffective portions of the derivative financial instrument to recognise in the income statement, as provided for in accounting standard OIC 32.

EFFECTS OF THE APPLICATION OF THE NEW ITALIAN GAAP

The impact of adjustments to assets and liabilities at 1 January 2016 to reflect the introduction of new accounting standards has been recognised in shareholders' equity in "Retained earnings/(accumulated losses)" after the related taxation from time to time recognised in deferred tax assets.
In compliance with the new accounting standard OIC 29, the Company has, in accordance with the new Italian GAAP and for comparative purposes alone, restated the balance sheet and income statement for the year ended 31 December 2015.

In order to describe the effects of transition to the new Italian GAAP on the Company's financial statements, the following have been prepared:
- the reconciliation of shareholders' equity at 31 December 2015 under previous Italian GAAP and shareholders' equity at 1 January 2016 under the new Italian GAAP;
- solely for comparative purposes, the reconciliation of profit or loss and the balance sheet included in the financial statements prepared under previous Italian GAAP (for 2015) and those for the same period prepared under the new Italian GAAP;
- notes to the reconciliations.

First-time adoption

In general, the new Italian GAAP grant the option of prospective recognition in the financial statements of any effects resulting from changes with respect to the previous Italian GAAP. As a result, components of items associated with transactions that continue to have an impact on the financial statements may continue to be accounted for in accordance with the previous standard, unless otherwise indicated in the requirements for first-time adoption of the new Italian GAAP.

The Company has, in contrast, applied the following standards retrospectively, based on the related requirement for first-time adoption:

- OIC 24: the balance of previously capitalised advertising costs recognised in the balance sheet at 31 December 2015 has been recognised as a reduction in equity at 1 January 2016;
- OIC 32: the requirements for first-time adoption of the new standard for derivative financial instruments have been complied with.

Optional provisions for first-time adoption used by the Company

The Company has elected not to measure assets and liabilities at amortised cost and not to discount receivables and liabilities to present value in the balance sheet at 31 December 2015.

Reconciliation of shareholders' equity at 31 December 2015 under previous Italian GAAP and shareholders' equity at 1 January 2016 under the new Italian GAAP and the restated loss for 2015

	Restated amounts for 2015					
	1 Jan 2015	**Profit/(Loss) for 2015**	**Retained earnings/ (accumulated losses)**	**Cash flow hedge reserve**	**Other movements in shareholders' equity**	**31 Dec 2015 restated / 1 Jan 2016 under new Italian GAAP**
Shareholders' equity under previous Italian GAAP	**52,880,650**	**(12,620,170)**	-	-	**60,000,000**	**100,260,480**
Derecognition of advertising costs	(366,695)	(3,668,522)	-	-	-	**(4,035,217)**
Taxation	*105,682*	*1,057,268*	-	-	-	***1,162,950***
Fair value of derivatives	(19,840,863)	-	-	7,164,620	-	**(12,676,243)**
Taxation	*5,456,237*	-	-	*(1,970,270)*	-	***3,485,967***
Shareholders' equity under new Italian GAAP	**38,235,011**	**(15,231,424)**	-	**5,194,349**	**60,000,000**	**88,197,936**

Restated items and amounts in the above reconciliation are described below.

As required by the new accounting standard OIC 24, the carrying amount of advertising costs, totalling €4,035,217 at 1 January 2016, has been derecognised. The adjustment has resulted in an after-tax reduction in shareholders' equity at 1 January 2016, with €2,872,268 deducted from "Retained earnings/(accumulated losses)", as required by OIC 29. The negative impact on the income statement for 2015 is €2,611,254, after taxation.

In compliance with the new accounting standard OIC 32 and the amendments to art. 2426 of the Italian Civil Code (paragraph 11-bis), hedging derivatives have been recognised in the financial statements at fair value. This has resulted in a reduction in shareholders' equity at 1 January 2016, with €9,190,276 deducted from the "Cash flow hedge reserve", corresponding with the after-tax fair value of the derivative at 31 December 2015.

EFFECTS ON THE RESTATED BALANCE SHEET AND INCOME STATEMENT FOR 2015

In addition to the reconciliations of shareholders' equity at 1 January 2016 and restatement of the loss for 2015, accompanied by notes on the adjustments made to amounts accounted for under previous Italian GAAP, the restated balance sheet and income statement at and for the year ended 31 December 2015 are also provided. These show the following for each item in separate columns:

- the amount in the approved financial statements for the year ended 31 December 2015;

- the amount reclassified as a result of the different presentation requirements in the new Italian GAAP;
- the adjustment carried out following application of the new Italian GAAP;
- the final amount adjusted under the new Italian GAAP.

BALANCE SHEET - ASSETS	31 December 2015 approved	Reclass. Legislative Decree 139/2015	Adjustments Legislative Decree 139/2015	31 December 2015 adjusted
A) Unpaid subscribed capital				
B) Fixed assets				
1) Incorporation and expansion costs	10,776,221	-	-	10,776,221
2) ~~Research,~~ development ~~and advertising~~ costs	4,495,110	-	(4,035,217)	459,893
3) Industrial patents and intellectual property rights	3,270,044	-	-	3,270,044
4) Concessions, licences, trademarks and similar rights	325,592	-	-	325,592
5) Goodwill	-	-	-	-
6) Fixed assets in progress and advances	443,480	-	-	443,480
7) Other	2,425,413	-	-	2,425,413
Total intangible fixed assets	**21,735,860**	**-**	**(4,035,217)**	**17,700,643**
II. Tangible fixed assets				
1) Land and buildings	103,052	-	-	103,052
2) Plant and machinery	564,732,652	-	-	564,732,652
3) Industrial and commercial equipment	82,851	-	-	82,851
4) Other assets	11,078,297	-	-	11,078,297
5) Fixed assets in progress and advances	25,682,348	-	-	25,682,348
Total tangible fixed assets	**601,679,200**	**-**	**-**	**601,679,200**
III. Financial assets				
2) Receivables due from				
d) others				
- within 12 months	-			
- after 12 months	66,887	**-**	**-**	**66,887**
3) Other securities	-			
4) Derivative assets	-			
Total financial assets	**66,887**	**-**	**-**	**66,887**
Total fixed assets	**623,481,947**	**-**	**(4,035,217)**	**619,446,730**
C) Current assets				
I. Inventories				
1) Raw materials and consumables				
Total inventories	2,123,171	-	-	2,123,171
C) Current assets	**2,123,171**	-	-	**2,123,171**
II Receivables due from				
1) Customers	5,038,256	-	-	5,038,256
	5,038,256	-	-	5,038,256
2) Unconsolidated subsidiaries				
	-	-	-	-
3) Associated companies				
	-	-	-	-
4) Parent companies				
	-	-	-	-
5) Companies controlled by parent companies				
	-	-	-	-
~~4-bis)~~ 5-bis) Tax assets				
- within 12 months	27,114,600	-	-	27,114,600
- after 12 months	5,084,597	-	-	5,084,597
	32,199,197	-	-	32,199,197
~~4-ter)~~ 5-ter) Deferred tax assets				
- within 12 months	2,515,741	-	4,648,916	7,164,657
- after 12 months	93,462,451	-	-	93,462,451
	95,978,192	-	4,648,916	100,627,108
~~5)~~ 5-quater) Others				
- within 12 months	21,157,762	-	-	21,157,762
- after 12 months	10,855,892	-	-	10,855,892

	32,013,654	-	-	32,013,654
Total receivables	**165,229,299**	**-**	**4,648,916**	**169,878,215**
Financial assets not recognised in fixed assets	**-**	**-**	**-**	**-**
IV. Cash and cash equivalents				
1) Bank and post office deposits	143,057,866	-	-	143,057,866
3) Cash on hand	2,549,313	-	-	2,549,313
Total cash and cash equivalents	**145,607,179**	**-**	**-**	**145,607,179**
Total current assets	**312,959,649**	**-**	**4,648,916**	**317,608,565**
D) Accrued income and prepayments	**1,809,549**	**-**	**-**	**1,809,549**
Total assets	**938,251,145**	**-**	**613,699**	**938,864,844**

BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES	31 December 2015 approved	Reclass. Legislative Decree 139/2015	Adjustments Legislative Decree 139/2015	31 December 2015 adjusted
A) Shareholders' equity				
I. Share capital	57,207,884	-	-	57,207,884
II. Share premium reserve	48,000,000	-	-	48,000,000
VI. Other reserves, shown separately	7,672,766	-	-	7,672,766
VII. Cash flow hedge reserve	-	-	(9,190,276)	(9,190,276)
VIII. Retained earnings /(accumulated losses)	-	-	(261,014)	(261,014)
IX. Profit/(Loss) for the year	(12,620,170)	-	(2,611,254)	(15,231,424)
Total shareholders' equity	**100,260,480**	**-**	**(12,062,544)**	**88,197,936**
B) Provisions for risks and charges				
1) Pensions and similar obligations	-	-	-	-
2) Taxes, including deferred tax liabilities	-	-	-	-
3) Derivative liabilities	-	-	12,676,243	12,676,243
~~3)~~ 4) Other	11,116,643	-	-	11,116,643
Total provisions for risks and charges	**11,116,643**	**-**	**12,676,243**	**23,792,886**
C) Post-employment benefits (*TFR*)	**6,189,392**	**-**	**-**	**6,189,392**
D) Payables				
4) Bank borrowings				
- within 12 months	-	-	-	-
- after 12 months	241,512,613	-	-	241,512,613
	241,512,613	-	-	241,512,613
5) Other borrowings				
- within 12 months	18,209,810	-	-	18,209,810
- after 12 months	426,666,632	-	-	426,666,632
	444,876,442	-	-	444,876,442
6) Advances				
- within 12 months	44,047	-	-	44,047
	44,047	-	-	44,047
7) Suppliers				
- within 12 months	94,151,952	-	-	94,151,952
- after 12 months	5,330,664	-	-	5,330,664
	99,482,616	-	-	99,482,616
12) Tax liabilities				
- within 12 months	1,924,684	-	-	1,924,684
- after 12 months	-	-	-	-
	1,924,684	-	-	1,924,684
13) Social security payables				
- within 12 months	1,855,297	-	-	1,855,297
- after 12 months	-	-	-	-
	1,855,297	-	-	1,855,297
14) Other payables				
- within 12 months	5,247,891	-	-	5,247,891
- after 12 months	-	-	-	-
	5,247,891	-	-	5,247,891
Total payables	**794,943,590**	**-**	**-**	**794,943,590**
E) Accrued liabilities and deferred income	**25,741,040**	**-**	**-**	**25,741,040**

Total shareholders' equity and liabilities	**938,251,145**	**-**	**613,699**	**938,864,844**

MEMORANDUM ACCOUNTS	31 December 2015 approved	Reclass. Legislative Decree 139/2015	Adjustments Legislative Decree 139/2015	31 December 2015 adjusted
~~1) Third-party assets held by the Company~~	-	-	-	-
~~2) Third-party commitments~~	~~177,970,362~~	-	~~**177,970,362**~~	-
~~3) Contingent liabilities~~	~~12,676,243~~	-	~~**12,676,243**~~	-
~~4) Reconciliation of accounting and tax regulations~~	-	-	-	-
Total memorandum accounts	**190,646,605**	**-**	**(190,646,605)**	**-**

Notes to the reclassifications and adjustments shown in the above balance sheet are provided below.

Adjustments to fair value of derivatives

In compliance with the provisions of Legislative Decree 139/2015 and the amendments to art. 2426 of the Italian Civil Code (paragraph 11-bis), derivative financial instruments are measured and recognised at fair value.
In particular, given that they are hedging derivatives, as there is a clearly designated and documented relationship between the hedged item and the hedging instrument, changes in fair value are recognised directly in an equity reserve (after taxation), amounting to €9,190,276.
The fair value of the derivative financial instrument, amounting to €12,676,243 at 31 December 2015, has been recognised in provisions for risks and charges and the related taxation as an increase in deferred tax assets, amounting to €3,485,967.

Adjustments for advertising costs

The derecognition of capitalised advertising costs and the related accumulated amortisation has been accounted for as a reduction in shareholders' equity, totalling €2,872,268 after taxation of €1,162,950 recognised as an increase in deferred tax assets. An adjustment of €261,014 has been recognised in shareholders' equity in the item, "VIII Retained earnings/(accumulated losses)", given that this amount regards movements in previous periods, and an adjustment of €2,611,254 has been recognised in "IX Loss for the year", in that it regards adjustments to the income statement described below.

Adjustments to the memorandum accounts

Legislative Decree 139/2015 has abolished the provisions regarding memorandum accounts, with the related disclosures provided in the notes to the financial statements. The memorandum accounts are, therefore, no longer shown below the balance sheet in order to avoid duplicated disclosure of events already reported in the balance sheet, the income statement and/or the notes, which would have a negative impact on clarity. The effect is retroactive and is also, therefore, presented in comparatives.

INCOME STATEMENT	2015 approved	Reclass. Legislative Decree 139/2015	Adjustments Legislative Decree 139/2015	2015 adjusted
A) Value of production				
1) Revenue from sales and services	303,850,348	-	-	303,850,348
4) Increases in fixed assets for internal work	1,625,045	-	-	1,625,045
5) Other income:				
- other	16,648,004	539,177	-	17,187,181
- revenue grants	51,649	-	-	51,649
- capital grants (accrued portion)	253,671	-	-	253,671
Total value of production	**322,428,717**	**539,177**	**-**	**322,967,894**
B) Production costs				

6) Raw materials, consumables and goods	848,441	-	-	848,441
7) Services	202,165,326	(3,916,915)	4,051,405	202,299,816
8) Lease expense	8,699,090	-	-	8,699,090
9) Personnel:				
a) Wages and salaries	28,796,781	-	-	28,796,781
b) Social security contributions	8,475,769	-	-	8,475,769
c) Post-employment benefits (*TFR*)	1,920,866	-	-	1,920,866
d) Pensions and similar obligations	-	-	-	-
e) Other costs	2,844,072	-	-	2,844,072
	42,037,488	-	-	42,037,488
10) Amortisation, depreciation and impairments				
a) Amortisation of intangible fixed assets	13,401,208	-	(382,883)	13,018,325
b) Depreciation of tangible fixed assets	26,523,460	-	-	26,523,460
c) Other impairments of fixed assets	-	-	-	-
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	252,786	-	-	252,786
	40,177,454	-	(382,883)	39,794,571
11) Change in inventories of raw materials, consumables and goods	466,882	-	-	466,882
12) Provisions for risks	991,314	-	-	991,314
13) Other provisions	10,139,229	-	-	10,139,229
14) Other operating costs	3,280,168	1,036,380	-	4,316,548
Total production costs	**308,805,392**	**(2,880,535)**	**3,668,522**	**309,593,378**
Difference between value of production and production costs (A-B)	**13,623,325**	**3,419,712**	**(3,668,522)**	**13,374,515**
C) Financial income and expenses				
16) Other financial income:				
d) other income:				
- other	894,209	1,739,788	-	2,633,997
	894,209	1,739,788	-	2,633,997
17) Interest and other financial expenses:				
- other	13,722,968	3,916,915	-	17,639,882
	13,722,968	3,916,915	-	17,639,882
17-bis) Foreign exchange gains and losses	(591)	-	-	(591)
Total financial income/(expenses)	**(12,829,350)**	**(2,177,127)**	**-**	**(15,006,477)**
D) Adjustments to value of financial assets				
18) Revaluations				
	-	-	-	-
19) Impairments				
Total adjustments to value of financial assets	**-**	**-**	**-**	**-**
~~**E) Extraordinary income and expenses**~~				
~~20) Income:~~				
~~- gains on disposals~~	-	-	-	-
~~- sundry~~	~~2,278,965~~	~~(2,278,965)~~	-	-
	~~2,278,965~~	~~(2,278,965)~~	-	-
~~21) Expenses:~~				
~~- losses on disposals~~	~~330,675~~	~~(330,675)~~	-	-
~~- income tax for previous years~~	-	-	-	-
~~- sundry~~	~~705,705~~	~~(705,705)~~	-	-
	~~1,036,380~~	~~(1,036,380)~~	-	-
~~**Total extraordinary income and expenses**~~	**1,242,585**	**(1,242,585)**	**-**	**-**
Profit/(Loss) before tax (A-B±C±D)	**2,036,560**	**-**	**(3,668,522)**	**(1,631,961)**
~~22)~~ 20) Current and deferred tax income and expense for the year	(14,656,730)	-	1,057,268	(13,599,463)
~~23)~~ 21) Profit/(Loss) for the year	**(12,620,170)**	**-**	**(2,611,254)**	**(15,231,424)**

Notes to the reclassifications and adjustments shown in the above income statement are provided below.

Reclassifications required by Legislative Decree 139/2015

The reclassification of extraordinary items following the elimination of section “E) Extraordinary income and expenses”: following the elimination of the section for extraordinary items, the Company has reclassified the related income and expenses based on their nature. In particular:

- income from the debt restructuring agreement, amounting to €1,739,788, has been reclassified in “B16d) Other income”;
- losses on the disposal of assets, totalling €330,675, and contingent liabilities of €705,705 have been reclassified in “B14 Other operating costs”;
- contingent assets of €539,177 have been reclassified in “A5 Other income”.

In addition, fees relating to collateral provided under the loan agreement, totalling €3,916,915, have been reclassified from “B7 Service costs” to “B17 Interest and other financial expenses”, as they are financial by nature.

Adjustments for advertising costs

As noted above, in accordance with the requirements of the new accounting standard OIC 24, the carrying amount of capitalised advertising costs has been derecognised. The adjustment has resulted in recognition of advertising costs of €4,051,405 in the income statement for 2015, and the derecognition of accrued amortisation of such costs and others outstanding at 31 December 2015, amounting to €382,883. This has resulted in the restatement of tax expense in “D 20 Current and deferred tax income and expense for the year”, which has been reduced by €1,057,268.

* * * * *

These financial statements, consisting of the balance sheet, income statement, statement of cash flows and the notes, provide a true and fair view of the financial position and operating results for the period and are consistent with the underlying accounting records.

The Board of Directors

The Chairman