

BASE PROSPECTUS



FERROVIE DELLO STATO ITALIANE S.p.A. *(incorporated with limited liability in the Republic of Italy)*

€7,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Base Prospectus comprises a Base Prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for notes ("**Notes**") issued under the Euro Medium Term Note Programme described herein (the "**Programme**") within twelve months after the date hereof to be admitted to the Official List of Euronext Dublin (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Ferrovie dello Stato Italiane S.p.A. (the "**Issuer**" or "**FS**") may issue Notes under the Programme to one or more of the Dealers named on page 135 and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"). References in this Base Prospectus to the "**relevant Dealer**" shall be, in the case of an issue of Notes to more than one Dealer, to the lead manager of such issue and, in the case of an issue of Notes to one Dealer, to such Dealer. Pursuant to the Programme, the Issuer may issue Notes denominated in any currency agreed with the relevant Dealer, subject to any applicable legal or regulatory restrictions. The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €7,000,000,000 (or its equivalent in other currencies calculated as described herein).

As at the date of this Base Prospectus, the Issuer has the following ratings assigned to it: BBB by Fitch Italia S.p.A. ("**Fitch**") and BBB by S&P Global Ratings Europe Limited ("**Standard & Poor's**"). The Programme has been rated BBB by Fitch and BBB by Standard & Poor's. Each of Fitch and Standard & Poor's is established in the EEA and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such each of Fitch and Standard & Poor's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by a rating agency. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Standard & Poor's.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

Amounts payable under the Notes may be calculated by reference, inter alia, to EURIBOR or LIBOR, or such other reference rate as specified in the relevant Final Terms. As at the date of this Base Prospectus, ICE Benchmark Administration (as administrator of LIBOR) is included in the European Securities and Markets Authority's ("**ESMA's**") register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of EURIBOR is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Joint Arrangers

**Crédit Agricole CIB
J.P. Morgan**

**Deutsche Bank
UniCredit Bank**

Dealers

**Banca Akros S.p.A. – Gruppo Banco BPM
Banco Bilbao Vizcaya Argentaria, S.A.
Bayern LB
BNP PARIBAS
Commerzbank
Deutsche Bank
HSBC
J.P. Morgan
Morgan Stanley
MUFG
NatWest Markets
SMBC Nikko
UBI Banca**

**Banca IMI
Barclays
BofA Merrill Lynch
Citigroup
Crédit Agricole CIB
Goldman Sachs International
ING
Mediobanca
MPS Capital Services
Natixis
Santander Corporate & Investment Banking
Société Générale Corporate & Investment Banking
UniCredit Bank**

22 October 2018

IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with the issue of any Tranche of Notes are the persons named in the applicable Final Terms as the relevant Dealer(s).

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information or document incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, should be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Unauthorised information

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor the Paying Agents nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the financial condition or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act. The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For more information, see "*Subscription and Sale*".

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Important – EEA retail investors

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the **EEA**. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market

The Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Programme limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €7,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain definitions and language of Base Prospectus

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA.

In this Base Prospectus, references to "**U.S.\$**" or "**USD**" are to United States dollars, references to "**Sterling**" or "**£**" are to the lawful currency of the United Kingdom and references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

Non-IFRS Financial Measures

This Base Prospectus contains certain non-IFRS (International Financial Reporting Standards) financial measures (including those which are considered alternative performance measures within the meaning of Article 12 of Commission Delegated Regulation (EU) 2016/301), including EBITDA, EBIT, Net operating working capital, Other assets, Net non-current assets, Other provisions and Net Financial Debt.

- EBITDA (or gross operating profit) is an indicator of the performance of operations and reflects the Group's core business only. It is calculated as the difference between revenue and operating costs;
- EBIT (or operating profit) is an indicator of the performance of operations and is calculated as the algebraic sum of EBITDA (gross operating profit) and amortisation and depreciation, impairment losses (reversals of impairment losses) and provisions;
- EBITDA Margin (or gross operating profit margin) is a profitability indicator and is calculated as the ratio of gross operating profit to operating revenue;
- EBIT Margin (or operating profit margin – ROS (return on sales)) is a sales profitability indicator and is calculated as the ratio of operating profit to revenue;
- Net operating working capital is the algebraic sum of inventories, construction contracts, current and non-current trade receivables and current and non-current trade payables;
- Other assets, net reflect the sum of receivables and advances from the Ministry of the Economy and Finance for grants, deferred tax assets, other current and non-current assets and other current and non-current liabilities;
- Net non-current assets reflect the sum of property, plant and equipment, investment property, intangible assets and equity investments;

- Other provisions reflect the sum of post-employment benefits and other employee benefits, the provision for litigation with employees and third parties, the provisions for other sundry risks and deferred tax liabilities; and
- Net Financial Debt is a financial indicator calculated as the algebraic sum of bonds, non-current bank loans and borrowings and the current portion thereof, current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, financial assets with the Ministry of the Economy and Finance for current fifteen-year grants, cash and cash equivalents and current and non-current loan assets.

It should be noted that the above mentioned measures are not recognised as measures of performance or liquidity under IFRS and should not be recognised as alternative to operating income or net profit or any other performance measure derived in accordance with IFRS or any other generally accepted accounting principles. The management finds them useful in monitoring the Group's (as such term is defined in the "Terms and Conditions of the Notes") performance and believes they reflect the results of operations and financial trends of its business segments. Accordingly the Issuer believes that the above measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business.

Forward-looking statements

The Base Prospectus and certain documents incorporated by reference therein include "forward-looking statements" within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in the Base Prospectus, including, without limitation, those regarding the Issuer's strategy, plans, objectives, prospects; future developments in the markets in which the Issuer operates; and anticipated regulatory changes in the industry in which the Issuer operates. These forward-looking statements can be identified by use of forward-looking terminology, such as the terms "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "should" or "will" or, in each case, their negative, or other variations or comparable terminology. Examples of forward-looking statements include, among others, statements or guidance regarding the Group's future financial position, income growth, assets, business strategy, projected levels of growth in the rail markets, projected costs or savings, original and revised commitments and targets, estimates of capital expenditures and plans and objectives for future operations, international expansion plans, projected employee numbers and other statements that are not historical fact.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Investors are cautioned that forward-looking statements are not guarantees of future performance and that the actual financial condition, results of operations and cash flows, and the development of the industry in which the Issuer operates, may differ, also materially, from those made in, or suggested by, the forward-looking statements contained in the Base Prospectus. Any forward-looking statements are made only as at the date of the Base Prospectus and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, the Issuer undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Stabilisation

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 (as amended) implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this section.

Issuer:	Ferrovie dello Stato Italiane S.p.A.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Joint Arrangers:	Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch J.P. Morgan Securities plc UniCredit Bank AG
Dealers:	Banca Akros S.p.A. – Gruppo Banco BPM Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC Bayerische Landesbank BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International plc MPS Capital Services S.p.A. MUFG Securities EMEA plc Natixis NatWest Markets Plc SMBC Nikko Capital Markets Limited Société Générale Unione di Banche Italiane S.p.A. UniCredit Bank AG and any other Dealers appointed in accordance with the Dealer Agreement (as defined in " <i>Subscription and Sale</i> " below).

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.
	<i>Notes having a maturity of less than one year</i>
	Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.
Fiscal Agent and Paying Agent:	Deutsche Bank AG, London Branch
Listing Agent:	Deutsche Bank Luxembourg S.A.
Programme Size:	Up to €7,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal and/or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer and as stated in the applicable Final Terms.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form, as described in " <i>Form of the Notes</i> " below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on such basis as may be specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the Reference Rate.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on such basis as may be specified in the applicable Final Terms.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest, in each case as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons, upon a Change of Control or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders and/or at the option of the Noteholders upon giving notice to the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.

Redemption by Instalments:

The applicable Final Terms in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Certain Restrictions — Notes having a maturity of less than one year*" above) and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). If the Final Terms so specify, Notes may be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000.

Taxation:	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy as provided in Condition 11 (<i>Taxation</i>). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 11 (<i>Taxation</i>), be required to pay additional amounts to cover the amounts so deducted.</p>
Negative Pledge:	<p>The terms of the Notes will contain a negative pledge provision as further described in Condition 5 (<i>Negative Pledge</i>).</p>
Cross Default:	<p>The terms of the Notes will contain a cross default provision as further described in Condition 12(c) (<i>Events of Default – Cross-default of Issuer or Material Subsidiary</i>).</p>
Status of the Notes:	<p>The Notes will constitute direct, general and unconditional obligations of the Issuer and will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p>
Rating:	<p>As at the date of this Base Prospectus, the Issuer has the following ratings assigned to it: BBB by Fitch and BBB by Standard & Poor's. The Programme has been rated BBB by Fitch and BBB by Standard & Poor's. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms.</p> <p>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.</p>
Approval, Admission to Trading and Listing:	<p>The Central Bank of Ireland has approved this document as a base prospectus for the purposes of the Prospectus Directive. Applications have also been made for Notes issued under the Programme to be admitted to trading on the regulated market of Euronext Dublin and to be listed on the Official List of Euronext Dublin.</p>

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Pursuant to Article 18 of the Prospectus Directive, the Central Bank of Ireland may at the request of the Issuer, send to the competent authority of another EEA Member State and the ESMA (i) a copy of this Base Prospectus; and (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive (an "**Attestation Certificate**").

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by English law. Condition 16 (*Meetings of Noteholders: Modification and Waiver*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom, France and the Republic of Italy), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D applicable/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risk of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. Prospective investors should read the entire Base Prospectus.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme

Risks relating to macroeconomic conditions

The sovereign debt crisis has raised concerns about the long-term sustainability of the European Monetary Union and the ordinary activity of many commercial and investment banks as well as insurance companies. Some of these entities have become insolvent or have been forced to merge with other financial firms or have requested assistance from governments, central banks and international monetary funds which have intervened injecting liquidity into the economic system, also taking part to the restructuring of some financial entities. Moreover, other negative factors, such as increasing unemployment levels, have worsened the situation.

Persistent market tensions might negatively affect the funding costs and economic outlook of some euro member countries, including Italy. Since the beginning of the sovereign debt crisis in May 2010, credit quality has generally declined, as reflected by downgrades suffered by several countries in the Eurozone, including Italy.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high volatility.

The persisting financial crisis has also adversely affected Italy and the current negative economic situation is not expected to end in the near future. In this context, further uncertainties may arise in connection with the Republic of Italy's 2019 budget law which, as at the date of the Base Prospectus, has been submitted for the approval to the European Commission. If such budget law is not approved or is substantially amended by the European Commission, there may be potentially negative impacts on the economic outlook of the Republic of Italy that may adversely affect the domestic market conditions. In addition, it is currently unclear what effect the exit of the United Kingdom from the European Union (so called 'Brexit') will have on the macroeconomic environment in Europe.

FS is affected by the economic and political environment and cyclical trends in the European and domestic economy, and any economic downturn, market crisis or period of instability could have a negative impact on the Group's business.

For example, weak economic conditions and prolonged instability could result in stagnation or a decrease in demand for transport businesses in which FS and its Group operate, adversely affecting the services of FS. This in turn may give rise to a decrease in prices and profitability levels, which may have an adverse effect on the financial condition and result of operations of FS.

The sovereign debt crisis and the downgrading of the Republic of Italy

Large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Eurozone financial institutions and their exposure to such countries. In particular, the Issuer's credit ratings closely reflect the rating of the Republic of Italy and are therefore exposed to the risk of reductions in the sovereign credit rating of Italy. Accordingly, on the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a consequential effect on the credit rating of Italian issuers, such as the Issuer.

Downgrading of the Issuer's ratings

The Issuer has the following ratings assigned to it: BBB by Fitch and BBB by Standard & Poor's. Any significant deterioration or downgrading of those ratings may adversely affect the Issuer's access to alternative sources of funding and may increase the cost of funding, all of which could have an adverse effect on the Issuer's financial condition or results of operations.

Liquidity and Financing risks

The Group may need to raise further debt from time to time to, among other things, finance future capital expenditure and enable it to refinance its existing indebtedness in the ordinary course of business. FS adopts asset/liability management techniques in raising debt capital and financing for the Group and maintains continuous control of Group funding needs and ensures ongoing funds availability, also by recourse to consistent cash holdings and committed lines. There can be no assurance that the Group will be able to raise future debt on terms that are economically viable or at all and this may have an adverse effect on the Issuer's business and results of operations.

Interest Rate risks

The Group is mainly exposed to interest rate risk related to loans which bear variable rates of interest. In particular, as of 31 December 2017, 51 per cent. of the Group's loans bore variable rates of interest. The Group companies which are most exposed to this risk (including Trenitalia S.p.A. ("**Trenitalia**") and Rete Ferroviaria Italiana S.p.A. ("**RFI**")) have entered into hedging transactions on the basis of specific risk management policies approved by the respective Boards of Directors and implemented with the technical and operating support of FS, with the aim of managing the exposure to changes in interest rates. The Group does not enter into derivatives for speculative purposes. There can be no assurance that the Group will be able to further implement transactions to hedge interest rate risk related to new debt issues and this may have an adverse effect on the Issuer's business and results of operations.

Procurement risks

Procurement prices for commodities, energy and transport services may shift depending on the market situation. As such, it may not be possible (or may only be possible to a limited extent) to pass on higher costs to customers. Consequently, this could have a negative effect on profits.

Project risks

The investments of the overall rail system require high amounts of capital expenditures and involve complex projects. Changes in the legal framework, delays in deliveries of such projects or technical adjustments during the frequently multi-year project terms can result in increasing costs. As such, changes listed above could lead to increased costs and/or have an adverse effect on the Issuer's business and results of operations.

Risks relating to the Group's relationship with the Republic of Italy

The nature of FS' business, as a contractor for activities of public interest, implies that, in addition to the risks connected with the terms of renewal upon the expiry of agreements, such as the RFI *Contratto di Programma* and ANAS *Contratto di Programma* which regulate the funding of, respectively, rail and road infrastructure development and concessions, FS bears the risks associated with its special relationship with the Italian government, which is FS' client and sole shareholder, and therefore exercises a significant influence over FS' operations. Moreover FS bears the regulatory risk as it operates in a sector regulated by a recently constituted independent authority. FS' results of operation and financial condition may be adversely affected by the failure to extend upon expiry any long standing agreements or concessions with Italian governmental bodies. Similarly, FS' results of operations and financial condition may be adversely affected by any changes in law or regulation in FS'

areas of business adopted by the Italian State and the transport authority. The Italian State owns 100 per cent. of the Issuer's paid up capital. The Italian State, acting through the Ministry of Economy and Finance ("MEF"), controls the Issuer and has the power to elect and remove its directors, as constituted from time to time, or committees thereof. Part of FS' debt is serviced by State transfers arising from specific State laws. The State influences the Issuer's operations through its various departments and policies and FS' independent regulator determines criteria for infrastructure charge and path allocation and defines tender schemes to award public service contracts. Given the importance of the Italian railway sector to the national economy, the State could require the Issuer to take actions designed to serve the public interest in Italy which may not necessarily be designed to maximise FS' profits.

Risks relating to the structure of the Group

The majority of the Group's debt is held by FS, RFI and Trenitalia (which together, held 91.8 per cent. of total debt as of 31 December 2017). Generally, any claims in respect of indebtedness incurred, and guarantees issued, by a subsidiary of the Issuer, and claims of preference shareholders (if any) of such subsidiary, will rank prior with respect to the assets and earnings of such subsidiary to any claims of the creditors of its parent company, the Issuer. The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to pay any amounts due under the Notes. The Notes, therefore, will be effectively subordinated to creditors (including trade creditors) and preference shareholders (if any) of the Issuer's direct and indirect subsidiaries. The proceeds from any issue of Notes finance Group's capex via *intercompany loans* signed between the Issuer and the relevant subsidiary, reflecting the main contractual conditions of the bonds in terms of parties' commitments and covenants.

Risks related to Litigation and Contracts

FS may be involved in disputes and litigation arising from claims for damages and/or from legal disputes. Provisions are made for legal and contractual risks after estimating the respective probability of occurrence. The actual utilization of these provisions depends on whether the risks materialize to the extent set forth in the Group's current estimates. A negative outcome resulting from such disputes could have an adverse effect on the Issuer's business and results of operations. For proceedings currently considered to involve material risks relating to the Issuer, see also "*Description of the Issuer – Litigation*".

Risks related to the European Commission procedures SA. 32953 and SA. 32179 relating to the implementation of the competition policy

If the European Commission finds, at the end of the procedure of formal investigation on assumed State aid measures on behalf of Trenitalia and FS Logistica, described in "*Description of the Issuer–Litigation–Proceedings before the Italian and EU authorities*", that the abovementioned measures constitute unlawful State aid incompatible with the internal market, it shall adopt a negative decision with the recovery of the State aid, that will oblige the Italian State to take all necessary measures to recover, without delay, the aid from Trenitalia and FS Logistica. A negative outcome resulting from such investigation and a timely action by the Italian State to recover of such aid could therefore have an adverse effect on the Group's results of operations.

Business risks

High speed lines have allowed the railway sector to compete with other means of transport (for example, airplane and car), mainly as a result of the reduction in travel times, combined with the comfort of the journey and easy access to the urban centres of major cities. In this market segment, the Issuer believes that the crucial factor for maintaining competitiveness will increasingly be the maintenance of and improvement in the quality of the service offered and of the rapid adaptation to trends in market demand. Since 2012, the railway sector has been affected by the change in market equilibriums following the entry of new private operators that operate on high speed routes. This increasing competition on high speed routes may have a negative impact on the Group's business and profitability.

Regional transportation risks

In respect of the Italian regional transport segment, since 2012, there have been several developments in the applicable legislative framework and FS cannot rule out the introduction of further legislative amendments in the future. In Judgement 199/2012, delivered in July 2012, the Italian Constitutional Court declared the constitutional illegality of art. 4 of Law 148/2011, converting Legislative Decree n.138/2011 into law, which provided for the

obligation to launch tenders for the regional transport service upon the expiry of the contracts in place with the Group.

The Group has entered into contracts with the Regional Governments which do not depend on the procedures through which the Regional Governments themselves may find the necessary sources of financing. These processes could have a negative impact on the mobility needs expressed by local areas and on planning criterion imposed by the railway sector in relation to the time required for the implementation of any investment plans. Although safeguards for investments have been provided for in executing the service contracts, there remains uncertainty in respect of the future developments in the legislative framework. This uncertainty may have a negative impact on the Group's results of operations, specifically in relation to the contracts it entered into with Regional Governments. For further detail see also "*Description of the Issuer – Regional Public Service Contracts*".

Operational risks

Major operational risks may arise from the Group's failure to comply with the contractual functional specifications of new rolling stock being delivered by its manufacturers. The Group constantly monitors the different issues reported on important job orders that have generated disputes, in particular operational difficulties and significant service disruptions that have arisen in rare cases. In this regard, particularly severe actions have been taken against suppliers and in some cases the Group has used different procedures for the entry into service of rolling stock, providing for the full involvement of the manufacturer for long trial periods, without taking delivery of the rolling stock. In other cases, contracts were terminated due to non-compliance by the suppliers themselves, activating the enforcement of the sureties given to secure contracts. The general crisis of the credit markets also affected railway sub-suppliers, thus creating, in some cases, increased pressure on the manufacturers which are also small/medium businesses. An additional risk may arise from the management of cleaning service contracts that could have an impact on the quality of the service rendered by the Group company that has sub-contracted out such service. There can be no assurance that the above-mentioned risks will not lead to operational difficulties that may have an adverse effect on the Group's business and results of operations.

IT risks

The Group relies heavily on its telecommunications network and computer systems for coordination of scheduling and other aspects of its railway operations as well as accounting, ticket sales for passenger trains, tracking cargo deliveries and numerous other functions. Hardware and software used by the Group may be damaged by human error, natural disaster, power loss and other events. In order to ensure continuous availability of IT operations, the Group has in place a redundancy methodology for operations and data backup as well as a *fail-safe* network coupling. These measures safeguard critical business and IT processes and prevent serious breakdowns. However, there can be no assurance that the implemented safeguard measures will be sufficient and/or be able to prevent any IT system failures which may, in turn, have an adverse effect on the Group's business and results of operations, including increased expenses and decreased revenues. Specifically in order to continue minimising this risk in any case, to ensure service continuity or recovery in the shortest amount of time possible following potential IT infrastructure disaster, FS Italiane Group is implementing business continuity solutions for business critical systems only. The maximum tolerance range for these systems to restore services and update the data is not more than 30 minutes, which is higher than the current limits of the disaster recovery plan.

In addition, we are subject to the regulations governing the protection, collection and processing of personal data in the jurisdictions in which we operate. We are exposed to the risk that the data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorized by the customer, including by unauthorized parties (such as third parties or Group employees).

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorized processing or disclosure, would have a negative impact on our business and reputation, and could subject us to fines, with consequent negative effects on our business, results of operations or financial condition.

In addition, changes to such regulation could impose more stringent sanctions for violations, could have a negative impact on our business insofar as they lead us to incur additional compliance costs.

There are possible risks with regard to the reliability of the system (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on our operations, as well as on our capital and financial situation.

Among the risks we face relating to the management of IT systems are the possible violations of our systems due to unauthorized access to our corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. Like attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to us and our customers and can have negative effects on the integrity of our IT systems, as well as on the confidence of our customers and on our reputation, with possible negative effects on our capital and financial condition.

Workforce risks

The changes in legislation with regard to social security and pensions reform in Italy represent an element of high risk due to the repercussions they could cause in terms of their impact on the policies planned for the reorganisation and the restructuring of the Group. Such repercussions may, in the future, have a negative financial impact on the Group's results of operations.

Risks relating to the use of estimates

The determination of provisions and strategies to monitor and mitigate the different risks to which the Issuer's business is exposed involves the use of estimates which reflect the Issuer's knowledge of events and factors which may possibly change in time, thus potentially resulting in significantly different outcomes. Consequently, the financial condition and results of operations of the Issuer may be adversely affected if, due to the occurrence of unexpected events and factors, such provisions, techniques and strategies prove not to be fully effective in mitigating or monitoring the Issuer's risk exposure.

Environmental risks

The Group's operations are subject to extensive environmental laws and regulations as it operates as a contracting entity for infrastructure construction works and offers transportation service for products that are hazardous to the environment. Compliance with environmental regulations is an on-going process and, as such, new laws and regulations, the imposition of more stringent requirements, increasingly strict enforcement or new interpretations of existing environmental laws may require the Group to modify its operations, incur substantial unbudgeted costs to comply with current or future regulations or incur fines or penalties for environmental violations that could have a material adverse effect on the Group's business, profitability and operating results.

Risks relating to Change of Control

A Change of Control (as such term is defined in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*)) of the Issuer may activate the right of Noteholders to require the Issuer to redeem the Notes (the "**Change of Control Put Option**") if, at the time such Change of Control occurs, there is also a downgrade in the credit rating assigned to the Notes, all as described in more detail in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*). If the Notes are unrated at the time of the Change of Control, the Noteholders' Change of Control Put Option is exercisable immediately upon the Change of Control occurring, in accordance with the procedures set out in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*). The Issuer has certain other financing arrangements in place that were executed before any credit ratings were assigned to the Issuer and which permit the relevant creditors, including certain of the Dealers (the "**Other Financing Creditors**"), to activate a Change of Control put option regardless of the fulfilment of any additional condition (including any subsequent downgrade in the Issuer's or its securities' credit ratings). Therefore, should a Change of Control in respect of the Issuer occur, holders of Notes that are rated should be aware that they may be able to exercise their Change of Control Put Option only at a later stage, as compared to both (i) holders of Notes that are unrated and (ii) the Other Financing Creditors, who may exercise their put option immediately upon the Change of Control occurring.

Risks in relation to the integration of new businesses into the Group

Law Decree No. 50 of 24 April 2017, converted in law with amendments through Law No. 96 of 21 June 2017 (the "**Law Decree No. 50**"), regulates the transfer of the entire share capital of ANAS S.p.A. ("**ANAS**") by the Group (the "**ANAS Transaction**"). For further detail on the ANAS Transaction, see also "*Description of the Issuer – Recent Events*".

Following the completion of the ANAS Transaction which occurred on 18 January 2018, the Issuer owns the entire share capital of ANAS and, as a result, all the assets and liabilities of ANAS and its subsidiaries will be

consolidated in the Group's financial statements starting from 2018. As a consequence, the Issuer and its Group are exposed to risks typically connected to the integration of new and complex businesses, which could have potential adverse effects on the entities involved in the integration.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features, distinguishing between factors which may occur in relation to any Notes:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

If the interest rate on any Notes convert from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest bearing securities with comparable maturities.

Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a "benchmark".

Key international reforms of "benchmarks" include the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation has been in force since 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to a "benchmark" index, including in the following circumstances: (i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; (ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". An example of such benchmark reform was the announcement by the UK Financial Conduct Authority on 12 July 2018 that the LIBOR benchmark may cease to be a regulated benchmark under the BMR (the "FCA Announcement"). The FCA Announcement indicates that steps are being taken to transition from the LIBOR benchmark to alternative interest rate benchmarks following the FCA's announcement on 27 July 2017 that it will no longer compel banks to submit rates for the calculation of the LIBOR benchmark. The potential elimination of the LIBOR benchmark could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Bonds linked to LIBOR. Any such consequences could have a material adverse effect on the value and return on any such Bonds.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could require or result in adjustment to the interest calculation provisions of the Conditions or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark. In addition, the provisions of the Conditions provide that in certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to the CMS Rate which determine the amount of interest (a "**relevant factor**"). Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (d) if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and

the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

In respect of any Notes issued with a specific use of proceeds such as a Green Bond there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

If in respect of any particular issue of Notes there is a particular identified use of proceeds including Eligible Green Projects (as defined under "Use of Proceeds" below), this will be specified in the applicable Final Terms. Prospective investors should have regard to the information set out in such Final Terms regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

In particular, the Issuer may choose to apply the proceeds from the issue of any Notes for Eligible Green Projects which have been defined in accordance with the broad categorisation of eligibility for green projects set out by the International Capital Market Association ("ICMA") Green Bond Principles. No assurance is given by the Issuer or the Dealers that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or social impact of any projects or uses the subject of or related to, any Eligible Green Projects.

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects) will be capable of being implemented in or substantially in the manner described in the Final Terms and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green or sustainable or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as green or sustainable or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Green Projects will meet any or all investor expectations regarding such green, sustainable or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus, (ii) is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes and (iii) would only be current as of the date that it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any Notes are listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Eligible Green Projects, and/or the withdrawal of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the Issuer to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waiver

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The conditions of the Notes are governed by English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to applicable English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Fiscal Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will

provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, Notes issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Notes may be adversely affected.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, EEA regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland and shall be incorporated in, and form part of, this Base Prospectus:

1. the audited consolidated financial statements (including the notes thereto) of the Issuer as at and for the year ended 31 December 2016 (the "2016 Consolidated Financial Statements") and the auditor's report in respect of the 2016 Consolidated Financial Statements;

<https://www.fsitaliane.it/content/dam/fsitaliane/en/Documents/investor-relations/financial-statements/2016%20Annual%20Report%20FSI.pdf>

2. the audited consolidated financial statements (including the notes thereto) of the Issuer as at and for the year ended 31 December 2017 (the "**2017 Consolidated Financial Statements**") and the auditor's report in respect of the 2017 Consolidated Financial Statements;

https://www.fsitaliane.it/content/dam/fsitaliane/en/Documents/investor-relations/financial-statements/2017_Annual_report_FS.pdf

3. the terms and conditions of the base prospectus of the Issuer dated 13 June 2017 (the "**2017 Base Prospectus**")

http://www.ise.ie/debt_documents/final%20Prospectus_5374dc13-1a6b-49dc-b4f1-99d03f634a1b.pdf

provided, however, that any statement contained in this Base Prospectus or in any information or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement, **provided that** such modifying or superseding statement is made by way of a supplement to this Base Prospectus pursuant to Article 16 of the Prospectus Directive.

The following table shows, *inter alia*, where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 (as amended) can be found in the above mentioned documents.

2016 and 2017 Consolidated Financial Statements	2016	2017
Consolidated statement of financial position	Page 140	164
Consolidated Income Statement	Page 141	165
Consolidated Statement of Comprehensive Income	Page 142	166
Consolidated statement of changes in equity	Page 143	167
Consolidated statement of cash flows	Page 144	168
Notes to the consolidated financial statements	Pages 145- 236	169-262

2016 and 2017 auditor's reports in respect of the Consolidated Financial Statements

Auditor's report in respect of the 2016 Consolidated Financial Statements	All (pages 309 - 310 of PDF)
Auditor's report in respect of the 2017 Consolidated Financial Statements	All (pages 359 - 363 of PDF)

2017 Base Prospectus

The terms and conditions of the 2017 Base Prospectus	Pages 25-56
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The information incorporated by reference that is not included in the cross reference lists above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 (as amended).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section, the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

FORM OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("NGN") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that global bearer notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided, however, that** in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued

interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 22 October 2018 (the "**Deed of Covenant**")) executed by the Issuer.

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 12 (*Events of Default*) occurs and is continuing.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 60 days of the bearer requesting such exchange.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (a) and (b) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (c) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on

which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 60 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

- (ii) any of the circumstances described in Condition 12 (*Events of Default*) occurs and is continuing.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 60 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

- (a) **Programme:** Ferrovie dello Stato Italiane S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €7,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an issue and paying agency agreement dated 22 October 2018 (the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) **The Notes:** All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the specified office of the Fiscal Agent, the initial specified office of which is set out below.
- (e) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below. In case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons will be attached on issue ("**Talons**").

2. Definitions and Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:
 - "**Accrual Yield**" has the meaning given in the relevant Final Terms;
 - "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Business Day**" means:
 - (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Change of Control" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Notice" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Put Date" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Put Event" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Put Notice" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Put Period" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Put Receipt" has the meaning given in Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*);

"Change of Control Redemption Amount" means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in the relevant Final Terms;

"Consolidated Assets" means, with respect to any date, the consolidated total assets of the Group as reported in the most recently published audited annual consolidated financial statements of the Issuer;

"Consolidated Revenues" means, with respect to any date, the consolidated total revenues of the Group as reported in the most recently published audited annual consolidated financial statements of the Issuer;

"Contratti di Programma", means the framework agreements, including any relevant related documentation, between Rete Ferroviaria Italiana S.p.A. and the Italian Ministry of Infrastructure and Transportation which are, for the time being, the basis for the funding of rail infrastructure development and related investments (*parte investimenti*) and services (*parte servizi*) (or any other instrument, contract, memorandum of understanding, document or agreement of any nature, law or regulation which, for the time being, are the basis for such funding) and which, in respect of any instrument, contract, memorandum of understanding, document or agreement of any nature, shall refer to such instrument, contract, memorandum of understanding, document or agreement as amended, supplemented, restated or novated from time to time, and in respect of any law or regulation, shall refer to such law or regulation as extended, amended or re-enacted;

"CMS Rate" means the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent;

"CMS Reference Banks" means (i) where the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five major banks in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Issuer on the advice, free of costs, of an investment bank of international repute;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if **"Actual/Actual (ICMA)"** is so specified, means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of

days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

- (vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Decree No. 239**" means Italian Legislative Decree No. 239 of 1 April 1996 and related implementing regulations, as amended, supplemented or re-enacted from time to time;

"**Designated Maturity**" has the meaning given in the relevant Final Terms;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"EURIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"Euro" means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended;

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Group" means the Issuer and its Subsidiaries from time to time;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"High Speed Project" means the design, construction, maintenance and development of the new technologically advanced railway lines implemented by the Group to develop and maintain the high speed transport services;

"Indebtedness" means any present or future indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility
- (b) any amount raised by acceptance under any acceptance bank credit facility or dematerialised equivalent;
- (c) amounts raised under any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); and
- (f) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Instalment Date(s)" means the date(s) specified in the relevant Final Terms;

"Instalment Amount(s)" means the amount(s) specified in the relevant Final Terms;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means, in respect of any specified currency and any specified period, the London inter-bank offered rate for that currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate;

"Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" means any Subsidiary of the Issuer which accounts for 15 per cent. or more of the Consolidated Assets or Consolidated Revenues of the Group;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Non-recourse Securitisation" means any securitisation, asset backed financing or transaction having similar effect under which an entity (or entities in related transactions) on commercially reasonable terms:

- (a) acquires receivables for principally cash consideration or uses existing receivables; and
- (b) issues any notes, bonds, commercial paper, loans or other securities (whether or not listed on a recognised stock exchange) to fund the purchase of or otherwise backed by those receivables and/or any shares or other interests falling under the scope of item (e)(2) of the Permitted Security Interest definition and the payment obligations in respect of such notes, bonds, commercial paper, loans or other securities;

- (i) are secured on those receivables; and
- (ii) are not guaranteed by any member of the Group (other than as a result of any Security Interest which is granted by any member of the Group in accordance with item (e)(2) of the Permitted Security Interest definition or as to the extent of any Standard Securitisation Undertakings);

"Non-recourse Securitisation Debt" means any Relevant Indebtedness incurred by a Securitisation Entity pursuant to a securitisation of receivables where the recourse in respect of that Relevant Indebtedness to the Issuer or a Material Subsidiary is limited to:

- (a) those receivables and/or related insurance and/or any Standard Securitisation Undertakings; and
- (b) if those receivables comprise all or substantially all of the business or assets of such Securitisation Entity, the shares or other interests of any member of the Group in such Securitisation Entity;

"Noteholders' Representative" has the meaning given in Condition 16(b) (*Noteholders' Representative*);

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Permitted Reorganisation" means any *fusione* or *scissione* (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other reconstruction, amalgamation, reorganisation, merger, consolidation, or other similar arrangement, in each case:

- (a) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (b) occurring by operation of law; or

- (c) in the case of a Material Subsidiary, whilst solvent whereby all or a substantial part of the assets and undertaking of such Material Subsidiary are transferred to or otherwise vested in the Issuer or another Material Subsidiary (or a Subsidiary which, as a result of such transfer or vesting, becomes a Material Subsidiary); or
- (d) in the case of the Issuer, whilst solvent whereby all or a substantial part of the assets and undertaking of the Issuer are transferred to an entity (such entity being, for the avoidance of doubt, prior to or immediately upon such transfer, a Subsidiary of the Issuer) and such entity (1) assumes or maintains (as the case may be) liability as principal debtor in respect of the Notes; and (2) continues substantially to carry on the business of the Issuer;

"Permitted Security Interest" means:

- (a) any Security Interest arising by operation of law (or agreement evidencing the same) in the ordinary course of business of the Issuer or any of its Subsidiaries which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business prior to any enforcement of any such Security Interest or, as appropriate, Security Interests against the assets to which it or, as appropriate, they attach(es);
- (b) in the case of any entity which becomes a Subsidiary of any member of the Group after the Issue Date of the Notes, any Security Interest securing Relevant Indebtedness existing over its assets at the time it becomes such a Subsidiary **provided that** the Security Interest was not created in contemplation of or in connection with it becoming a Subsidiary and the amounts secured have not been increased in contemplation of or in connection with such acquisitions;
- (c) any Security Interest securing any Project Finance Indebtedness in the form of Relevant Indebtedness;
- (d) any Security Interest created to secure loans or notes provided, supported or subsidised by a governmental agency, export credit agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation (such as the European Investment Bank and Eurofima – European Company for the Financing of Railroad Rolling Stock);
- (e) any Security Interest created over (1) the receivables of a Securitisation Entity (and any bank account to which such proceeds are deposited) which are subject to a Non-recourse Securitisation as security for Non-recourse Securitisation Debt raised by such Securitisation Entity in respect of such receivables; and/or (2) the shares or other interests owned by any member of the Group in any Securitisation Entity as security for Non-recourse Securitisation Debt raised by such Securitisation Entity, provided, in each case, that the receivables or revenues which are the subject of the relevant Non-recourse Securitisation comprise all or substantially all of the business of such Securitisation Entity, or any Security Interest created in order to extend, renew or replace, in whole or in part, any Security Interest referred to in this paragraph (or any successive extensions, renewals or replacements thereof) or extend, renew or refinance any Relevant Indebtedness secured by any Security Interest permitted by this paragraph;
- (f) any Security Interest created in connection with convertible bonds or notes where the Security Interest is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the Issuer to effect the conversion of the bonds or notes into such assets;
- (g) to the extent that it does not fall within paragraphs (a) to (f) above, any Security Interest in existence on the date of this Base Prospectus which secures Indebtedness outstanding on such date; and
- (h) any Security Interest created in substitution of any Security Interest permitted under paragraphs (a) to (g) above over the same or substituted assets **provided that** (1) the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest and (2) in the case of substituted assets, the market value

of the substituted assets as at the time of substitution does not exceed the market value of the assets replaced,

provided that the aggregate amount of any Indebtedness secured by any Security Interest pursuant to paragraphs (b) to (h) above shall not, at any time, exceed 20 per cent. of the Group's Consolidated Assets;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Project" means the ownership, development, design, construction, operation and maintenance of the High Speed Project;

"Project Finance Indebtedness" means any present or future, secured or unsecured, Indebtedness of any member of the Group incurred to finance or refinance the Project, whereby (A) the claims of the relevant creditor(s) against the borrower are limited to (i) the amount of cash flow or net cash flow generated by and through the Project during the tenor of such Project Finance Indebtedness and/or (ii) the amount of proceeds deriving from the enforcement of any Security Interest taken over the Project to secure the Project Finance Indebtedness and (B) the relevant creditor has no recourse whatsoever against any assets of any member of the Group other than the Project and the Security Interest taken over the Project to secure the Project Finance Indebtedness;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Rating Agency" means any of Fitch Italia S.p.A. or S&P Global Ratings Europe Limited, and any other rating agency substituted for either of them by the Issuer and, in each case, any of their respective successors to the rating business thereof;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Change of Control Redemption Amount, the Early Termination Amount, the Instalment Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate, on the advice, free of costs, of an investment bank of international repute;

"Reference Currency" has the meaning given in the relevant Final Terms;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means EURIBOR, LIBOR or the CMS Rate as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Indebtedness" means (i) any Indebtedness, whether present or future, which is in the form of or represented by any bond, note (including, for the avoidance of doubt, any note issued on a private placement basis to investors located in the United States or elsewhere), debenture, debenture stock, loan stock, certificate, commercial paper or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such Indebtedness;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Swap Rate" means:

- (a) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (b) where the Reference Currency is sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of

good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

- (c) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (d) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Reserved Matter" has the meaning given to such term in Condition 16(a) (*Meetings of Noteholders*);

"Securitisation Entity" means any special purpose vehicle created for the sole purpose of carrying out, or otherwise used solely for the purpose of carrying out a Non-recourse Securitisation or any other Subsidiary which is effecting Non-recourse Securitisations;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Standard Securitisation Undertakings" means representations, warranties, covenants and indemnities entered into by any member of the Group from time to time which are customary in relation to Non-recourse Securitisations, including any performance undertakings with respect to servicing obligations or undertakings with respect to breaches of representations or warranties;

"Subsidiary" means, a company which is a *società controllata* as provided by Article 2359, paragraph 1 of the Italian Civil Code;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"Treaty" means the Treaty on the Functioning of the European Union, as amended; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

(b) **Interpretation**

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable", then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future assets to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other Security Interest for the Notes as

may be approved by an Extraordinary Resolution of Noteholders or (c) the prior written approval by an Extraordinary Resolution of Noteholders.

6. Fixed Rate Note Provisions

- (a) **Application:** This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

- (a) **Application:** This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination for Floating Rate Notes other than Floating Rate Notes linked to the CMS Rate:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is not specified as the Reference Rate, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable:

- (A) the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Calculation Agent with a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
- (B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer on the advice, free of costs, of an investment bank of international repute, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; ***provided, however, that*** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of the immediately preceding Interest Period for which such rate or arithmetic mean was determined.

(d) ***Screen Rate Determination for Floating Rate Notes which are linked to the CMS Rate:*** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is specified as the Reference Rate,

the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If, on any Interest Determination Date, less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin related to that last preceding Interest Period).

- (e) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount and multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose, a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

- (a) **Application:** This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date or, in case Condition 9 (b) (*Redemption by Instalments*) applies its final Instalment Amount on the final Instalment Date, subject as provided in Condition 10 (*Payments*).
- (b) **Redemption by Instalments:** If the Redemption by Instalments is specified in the relevant Final Terms as being applicable, unless previously redeemed, purchased and cancelled as provided in this Condition 9, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the relevant Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relates to such Instalment Amount.
- (c) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation or administration of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(c).

- (d) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) ***Partial redemption:*** If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) ***Redemption at the option of Noteholders:*** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall immediately notify the Issuer and shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (g) ***Redemption at the option of Noteholders upon a Change of Control Put Event:*** If at any time while the Notes remain outstanding a Change of Control Put Event occurs, the holder of any Note will have the option (unless, prior to the giving of the Change of Control Put Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with Condition 9(c) (*Redemption for tax reasons*)) to require the Issuer to redeem such Note on the Change of

Control Put Date at its Change of Control Redemption Amount together with interest accrued to, but excluding, the Change of Control Put Date.

If a Change of Control Put Event occurs, the Issuer shall, within 14 days of the occurrence of such Change of Control Put Event, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control and the procedure for exercising the option contained in this Condition 9(g).

To exercise the right to require redemption of this Note, the holder of this Note must deliver this Note at the specified office of any Paying Agent at any time during the normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 45 days after that on which a Change of Control Notice is given, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. All unmatured coupons shall be dealt with in accordance with the provisions of Condition 10 (*Payments*). The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the holder concerned a non transferable receipt (a "**Change of Control Put Receipt**") in respect of the Note so delivered. The Issuer shall redeem the Notes in respect of which Change of Control Put Receipt have been issued on the date (the "**Change of Control Put Date**") being the fifteenth day after the date of expiry of the Change of Control Put Period, unless previously redeemed and purchased. Payment in respect of any Note will be made on the Change of Control Put Date by transfer to the bank account (if any) specified in the Change of Control Put Notice (or, if an address is specified for payment by cheque, by cheque sent by first class post to such address) and, in every other case on or after the Change of Control Put Date, in each case against presentation and surrender or (as the case may be) endorsement of such Change of Control Put Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 9(g).

For the purposes of these Conditions:

A "**Change of Control**" will be deemed to occur if the Italian Ministry of Economy and Finance (*Ministero dell'economia e delle finanze*) ("**MEF**") ceases to own either directly and/or indirectly (through any arm or body of the Italian State or any company directly or indirectly controlled by MEF) a shareholding which entitles MEF to have the majority of the voting rights in the ordinary and extraordinary shareholders' meetings of the Issuer, both at the first and second summoning (*convocazione*).

A "**Change of Control Put Event**" shall be deemed to occur if:

- (a) Change of Control occurs; and
- (b) if at the time of the Change of Control, the Notes carry a credit rating which is either:
 - (i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such credit rating is, within 90 days of the occurrence of the Change of Control, either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not, within such 90-day period, subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or
 - (ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such credit rating is, within 90 days of the occurrence of the Change of Control, either downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) or withdrawn and is not, within such 90-day period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency or (in the case of a

withdrawal) replaced by an equivalent credit rating or better from any other Rating Agency.

For the avoidance of doubt, paragraph (b) above shall only apply in the event the Notes carry a credit rating from any Rating Agency at the time of the Change of Control.

- (h) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.
- (i) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) **Purchase:** The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmaturing Coupons are purchased therewith.
- (k) **Cancellation:** All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmaturing Coupons attached to or surrendered with them may be cancelled and may not be reissued or resold.

10. Payments

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) **Interest:** Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any

regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (e) ***Deductions for unmatured Coupons:*** If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented for payment on redemption without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) ***Unmatured Coupons void:*** If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(c) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) ***Payments on business days:*** If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Taxation

- (a) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
 - (i) in the Republic of Italy;
 - (ii) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (iii) in the event of payment to a non Italian resident legal entity or a non Italian resident individual, to the extent that interest or other amounts are paid to a non Italian resident legal entity or a non Italian resident individual which is not resident in a country which allow for a satisfactory exchange of information with the Italian authorities (the "**White List States**") as listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time; or
 - (iv) by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon, by making a declaration or any other statement to the relevant tax authority, including but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
 - (v) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or
 - (vi) in relation to any payment or deduction of any interest, premium or other proceeds of any Note, or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time, except where the requirements and procedures set forth in Legislative Decree No. 239 of 1 April 1996, as amended, have not been met or complied with due to the actions or omissions of the Issuer; or
 - (vii) in respect of any Note where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30th September 1983, converted into Law No. 649 of 25th November 1983 as amended from time to time.

- (b) **Taxing jurisdiction:** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. Notwithstanding any other provision in these Conditions, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental agreement (any such withholding or deduction, a "**FATCA Withholding**"), and no person shall be required to pay any additional amounts in respect of FATCA Withholding.

12. Events of Default

If any of the following events occurs and is continuing:

- (a) **Non-payment:** if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) **Cross-default of Issuer or Material Subsidiary**
 - (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that no such event shall constitute an event of default so long as and to the extent that the Issuer or the relevant Material Subsidiary is contesting in a recognised court and/or jurisdiction, in good faith, that the relevant Indebtedness or Guarantee of any Indebtedness shall be due or enforceable, as appropriate, and **provided further that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €100,000,000 (or its equivalent in any other currency or currencies); or

- (d) **Contratti di Programma:** any of the Contratti di Programma expires and is not renewed (on substantially the same terms) within 12 months of its expiry (or is otherwise terminated), unless the parties thereto continue to perform the relevant obligations therein on materially the same terms, and unless it is replaced by any other instrument, contract, memorandum of understanding, document or agreement of any nature, law or regulation having the same effects thereto on the Group; or
- (e) **Unsatisfied judgment:** the Issuer fails to pay, for a period of 60 days after the date(s) of receipt of notice or, if later, the date therein specified for payment, one or more final judgment(s) or order(s) of a court of competent jurisdiction rendered against the Issuer for the payment in excess of €500,000,000 (or its equivalent in any other currency or currencies), **provided that** no such event shall constitute an event of default so long as and to the extent that the Issuer is contesting in a recognised court or jurisdiction, in good faith, that the relevant amount shall not be due or enforceable, as appropriate, within 60 days of receiving notice of the final judgement

or order and such final judgement or order is subsequently discharged within 180 days, commencing on the date on which the Issuer commences the proceedings in the recognised court or jurisdiction; or

- (f) **Insolvency:** (i) the Issuer or any of its Material Subsidiaries is adjudicated or becomes insolvent or is unable to pay its debts as they fall due, or (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made) where a "**substantial part**" of the Issuer's or any of its Material Subsidiaries' business means a part of the Issuer's or any of its Material Subsidiaries' business which accounts for 25 per cent. or more of, alternatively, the Group's Consolidated Assets or Consolidated Revenues, or (iii) the Issuer or any of its Material Subsidiaries takes any action for judicial composition proceedings with its creditors or the appointment of an administrator, liquidator, receiver, administrative receiver or other similar official in insolvency proceedings or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it, **provided that**, in respect of (i) and (ii) above only, no such event shall constitute an event of default so long as and to the extent that the Issuer is contesting such adjudication or appointment in a recognised court or jurisdiction, in good faith within 60 days of such adjudication or appointment and such adjudication or appointment is subsequently discharged within 180 days, commencing on the date on which the Issuer commences the proceedings in the recognised court or jurisdiction; or
- (g) **Cessation of business:** the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, save for the purposes of or pursuant to, a Permitted Reorganisation, where a "**substantial part**" of the Issuer's or any of its Material Subsidiaries' business means a part of the relevant entity's business which accounts for 25 per cent. or more of, alternatively, the Group's Consolidated Assets or Consolidated Revenues; or
- (h) **Winding up:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries, save for the purposes of or pursuant to, a Permitted Reorganisation; or
- (i) **Analogous event:** any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (f) to (h) above; or
- (j) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

13. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence,

security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

15. Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

16. Meetings of Noteholders; Modification and Waiver

- (a) ***Meetings of Noteholders:*** all meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time. The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by a Resolution. Any such meeting may be convened by the directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and by the Issuer, subject to mandatory provisions of Italian law applicable from time to time, at the request in writing signed by the holders of not less than one-twentieth in aggregate principal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth in aggregate principal amount of the Notes outstanding, the same may be convened by decision of the President of the competent court upon request by such Noteholders in accordance with the provisions of Article 2367 of the Italian Civil Code. Every such meeting shall be held at such time and place in which the registered office of the Issuer is situated, unless its by-laws provide differently, as provided pursuant to Article 2363 of the Italian Civil Code. The quorum required at any such meeting will be (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) (a) in the case of a first meeting, one or more persons present being or representing Noteholders and holding more than one half of the aggregate principal amount of the outstanding Notes; (b) in the case of an adjourned meeting, one or more persons present being or representing Noteholders and holding more than one third of the aggregate principal amount of the outstanding Notes or for voting on any of the proposal referred to a Reserved Matter (as defined below), one half of the aggregate principal amount of the outstanding Notes. The majority required to pass a resolution will be (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time): in the case of a first meeting, a vote in favour by one or more persons holding or representing more than one half of the aggregate principal amount of the Notes for the time being outstanding, and (b) in the case of an adjourned meeting, a vote in favour by one or more persons holding or representing at least two thirds of the aggregate principal amount of the Notes for the time being outstanding represented at the meeting **provided, however, that** (A) certain proposals, as set out in Article 2415 of the Italian Civil Code (including any proposal to

modify the maturity of the Notes or the dates on which interest is payable on them; to reduce or cancel the principal amount of, or interest on, the Notes; or to change the currency of payment of the Notes) (each a "**Reserved Matter**"), may only be sanctioned by a resolution passed at meeting (including any adjourned meeting) of Noteholders by one or more persons holding or representing not less than one half of the principal amount of the Notes for the time being outstanding, **provided that** the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities. Any resolution duly passed at any such meeting by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting, and on all Couponholders.

- (b) **Noteholders' Representative:** a representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a resolution of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.
- (c) **Modification:** the Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

17. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

18. Notices

Notices to Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to the Official List of Euronext Dublin and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in the Republic of Ireland and approved by Euronext Dublin (which is expected to be the *Irish Times*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

19. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

21. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Noteholders to take proceedings outside England:** Condition 21(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 21 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Process agent:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (f) **Waiver of immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and [, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

[[MiFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s/s'] target market assessment) and determining appropriate distribution channels.]²

Final Terms dated [●]

FERROVIE DELLO STATO ITALIANE S.p.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the
€7,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 22 October 2018[and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, **provided, however, that** all references in this document to the "**Prospectus Directive**" in relation to any Member State of the EEA refer to Directive 2003/71/EC, as amended or superseded, and include any relevant implementing measure in the relevant Member State.]³

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the Base Prospectus dated 13 June 2017 (the "**Conditions**") which are incorporated by reference in the Base Prospectus dated 22 October 2018 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes

¹ Square brackets or wording to be removed as appropriate for each issuance.

² Square brackets or wording to be removed as appropriate for each issuance.

³ Include this wording where the Notes are to be listed.

the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Conditions and the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Conditions and the Base Prospectus. The Base Prospectus is available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, **provided, however, that** all references in this document to the "**Prospectus Directive**" in relation to any Member State of the EEA refer to Directive 2003/71/EC, as amended or superseded, and include any relevant implementing measure in the relevant Member State.]⁴

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 22 October 2018[and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document does not constitute Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive, as these Notes are not being issued pursuant to the Prospectus Directive.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended or superseded, **provided, however, that** all references in this document to the "**Prospectus Directive**" in relation to any Member State of the EEA refer to Directive 2003/71/EC as amended or superseded and include any relevant implementing measure in the relevant Member State.]⁵

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

[When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|----|-------|--|---|
| 1. | (i) | Series Number: | [•] |
| | (ii) | Tranche Number: | [•] |
| | (iii) | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [•]].] |
| 2. | | Specified Currency or Currencies: | [•] |
| 3. | | Aggregate Nominal Amount: | [•] |
| | (i) | Series: | [•] |

⁴ The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2017 Base Prospectus.

⁵ Include this wording where the Notes are not to be listed.

- (ii) Tranche: [●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] *(insert date, if applicable)*]
5. (i) Specified Denominations: [] [and integral multiples of [] in excess thereof up to and including []. No Notes in definitive form will be issued with a denomination above [].]
- (Under current practices of Euroclear and Clearstream, Luxembourg, unless paragraph 21 (Form of Notes) below specifies that the Permanent Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the lowest Specified Denomination and may only be traded in such amounts, whether in global or definitive form.)*
- (Notes, including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)*
- (ii) Calculation Amount: [●]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*
6. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
7. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
8. Interest Basis: [[●] per cent. Fixed Rate]
- [EURIBOR/LIBOR]+/- [●] per cent. Floating Rate]
- [Floating Rate: CMS Linked Interest]
- [Zero Coupon]
- (further particulars specified below in paragraph [13]/[14]/[15])**
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the

- Maturity Date at [100] per cent. of their nominal amount.
10. Put/Call Options: [Investor Put]
- [Change of Control Put]
- [Issuer Call]
- [(further particulars specified below in paragraph [16]/[17]/[18])]**
- [Not Applicable]
11. (i) Status of the Notes: Senior
- (ii) [Date [Board] approval for issuance of Notes] obtained: [●] [and [●], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
13. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Period: [●]
- (iii) Specified Interest Payment Dates: [Not Applicable/[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below]
- (Note that this item adjusts the end date of each Interest Period (and consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 10(g) (Payments on*

business days) and the defined term "Payment Business Day".)

- (iv) [First Interest Payment Date]: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [Not Applicable/[●]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [[●] shall be the Calculation Agent]/[Not Applicable]
- (ix) Screen Rate Determination: (Conditions 7(c) and 7(d))
 - Reference Rate: [EURIBOR/LIBOR/CMS Rate]
 - Interest Determination Date(s): [●]

(in the case of a CMS Rate where the Reference Currency is euro): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]

(in the case of a CMS Rate where the Reference Currency is other than euro): [Second [specify type of day] prior to the start of each Interest Period]
 - Relevant Screen Page: [●]

(Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions)
 - Relevant Time: [●]
 - Relevant Financial Centre: [●]
- (x) ISDA Determination: (Condition 7(e))
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - [ISDA Definitions: [2006]

(xi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[[●] per cent. per annum]/[Not Applicable]
(xiv)	Maximum Rate of Interest:	[[●] per cent. per annum]/[Not Applicable]
(xv)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
14.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

15.	Redemption by Instalments:	[Applicable/Not Applicable]
(i)	Instalment Amount(s):	[●]
(ii)	Instalment Date(s):	[●]
16.	Call Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[●] per Calculation Amount
(b)	Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	[●]/[Not Applicable]
17.	Put Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) Notice period: [●]/[Not Applicable]
18. **Change of Control Put:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraph of this paragraph)*
- (i) Change of Control Redemption Amount(s) of each Note: [●] per Calculation Amount
19. Final Redemption Amount of each Note [●] per Calculation Amount
20. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [[●] per Calculation Amount]/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]*
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- (*Notes may only be issued pursuant to this option in amounts equal to the Specified Denomination or integral multiples thereof)*
22. New Global Note: [Yes] [No]
23. Additional Financial Centre(s): [Not Applicable/[●]]
24. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

Signed on behalf of Ferrovie dello Stato Italiane S.p.A.

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [The official list of Euronext Dublin]/[Not Applicable]⁶
- (ii) Admission to trading: [Application [has been/is expected to be] made for the Notes to be admitted to trading on the regulated market of Euronext Dublin with effect from [●]]/[Not Applicable.]⁷
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimated total expenses of [●]/[Not Applicable]⁸
admission to trading:

2. RATINGS

The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[Standard & Poor's: [●]]

[Fitch: [●]]

[[Other]: [●]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

Option 1 - CRA established in the EEA and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

⁶ Insert "Not Applicable" where the Notes are not to be listed.

⁷ Insert "Not Applicable" where the Notes are not to be admitted to trading.

⁸ Insert "Not Applicable" where the Notes are not to be admitted to trading.

Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].

Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below.)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to Base Prospectus under Article 16 of the Prospectus Directive.)]

4. **[Fixed Rate Notes only – YIELD**

Indication of yield: [●]

[The yield is calculated at the Issue Date on the basis of the issue Price. It is not an indication of future yield]

5. **[Floating Rate Notes only — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/CMS Rate] rates can be obtained from [Reuters].]

[Benchmarks

Amounts payable under the Notes will be calculated by reference to [LIBOR/EURIBOR/CMS RATE] which is provided by [ICE Benchmark Administration/ European Money Markets Institute/specify other]. As at [●], [ICE Benchmark Administration/ European Money Markets Institute/specify other] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR").

[As far as the Issuer is aware, [[[●] does/do] not fall within the scope of the BMR by virtue of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [●] is not currently required to obtain authorisation or registration.]]

6. **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: [if not for general corporate purposes, for example, for an Eligible Green Project]

[(ii) Estimated net proceeds: [●]

[(iii) Estimated total expenses: [●]

[Include breakdown of expenses]

7. **[THIRD PARTY INFORMATION]**

[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.]

8. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

FISN: [•]

CFI Code: [•]

Issuer LEI: [•]

Delivery Delivery [against/ free of] payment

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]

9. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated: [Not Applicable]
 - (a) Names and addresses of Managers and underwriting commitments: [•]
 - (b) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name and address of Dealer: [Not Applicable/[•]]
- (iv) U.S. Selling Restrictions: [TEFRA C/TEFRA D/TEFRA not applicable]
- (v) [Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable] (*If the offer of the Notes clearly does not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes may constitute "packaged" products, "Applicable" should be specified.*)

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note, notwithstanding the definition contained in Condition 2(a) (*Definitions*), "**Payment Business Day**" shall mean: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Exercise of put option: In order to exercise the option contained in Condition 9(f) (*Redemption at the option of Noteholders*) or Condition 9(g) (*Redemption at the option of Noteholders upon a Change of Control Put Event*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream,

Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer for the general finance purposes of the Group, with particular focus on:

- (i) high speed capex in infrastructure and rolling stock; and
- (ii) *inter alia*, works, plants, and/or networks, and/or the procurement of assets relating to the railway public service, and/or the construction and management of railway networks;

as well as for any other purpose specified in the applicable Final Terms, including Eligible Green Projects, as applicable.

According to the definition criteria set out by the International Capital Market Association ("**ICMA**") green bond principles ("**Green Bond Principles**"), only Tranches of Notes financing or refinancing Eligible Green Projects will be denominated "Green Bonds".

Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for green projects set out by the ICMA Green Bond Principles. In accordance with the ICMA Green Bond Principles, the Issuer published on its institutional website its framework relating to investments in Eligible Green Projects (the "**FS Green Bond Framework**").

For the purposes of this section:

"**Eligible Green Projects**" means projects with a positive impact in terms of environmental and social sustainability, in accordance with the broad categorisation of eligibility for green projects set out by ICMA, which prior to the relevant Issue Date will be (i) approved both by the Issuer and by a reputed sustainability rating agency, and (ii) made available on the Issuer's website (www.fsitaliane.it) in the investor relations section.

DESCRIPTION OF THE ISSUER

Introduction

History and Development

Ferrovie dello Stato Italiane S.p.A. ("**FS**", "**FS Italiane**", or the "**Issuer**" and together with its subsidiaries, the "**Group**" or "**FS Group**") is the holding company of the Italian railway group, which is active in the field of passenger and freight transport (mainly by rail) and related services. Among other things, FS controls the railway infrastructure manager RFI, the road infrastructure manager ANAS as well as the railway undertaking Trenitalia, which are subsidiaries of FS.

Pursuant to Law n. 137 of 22 April 1905 which entrusted the management and ownership of most railway services, once privatised, to the Italian State (the "**State**"), FS was established on 21 April 1905 through the nationalization of three private companies in operation in Italy since 1839. On 12 August 1992, FS became a joint-stock company which was wholly owned by the State via the Ministry of the Economy and Finance ("**MEF**"). In accordance with Article 4 of the Articles of Association currently in force (the "**Articles of Association**"), FS is incorporated, domiciled and operating under the laws of Italy (the Italian civil code and specific legislation in addition to the Articles of Association) for a period up to 31 December 2100 (which may be extended or decreased by a resolution passed at an extraordinary shareholders' meeting).

Purpose of the Issuer

According to Article 3 of the Articles of Association, the objectives of FS include the:

- (a) construction and management of the infrastructure network for rail, road and motorway transportation at a domestic and international level;
- (b) operation of transport services of passengers and freight, including the promotion, implementation, and management of initiatives and services in the transportation field; and
- (c) performance of any other connected and instrumental activities related directly or indirectly to those mentioned above, including activities related to customer services and those aimed at the enhancement of assets for the operation of (a) and (b) above.

Registered Office

The registered office of FS is at Piazza della Croce Rossa 1, Rome, Italy, Fiscal Code and Registration with the Company Register of Rome No. 06359501001. Its telephone number is +39 06 44101.

Financial Year

The Issuer's financial year starts on 1 January and ends on 31 December of each year.

Major shareholders

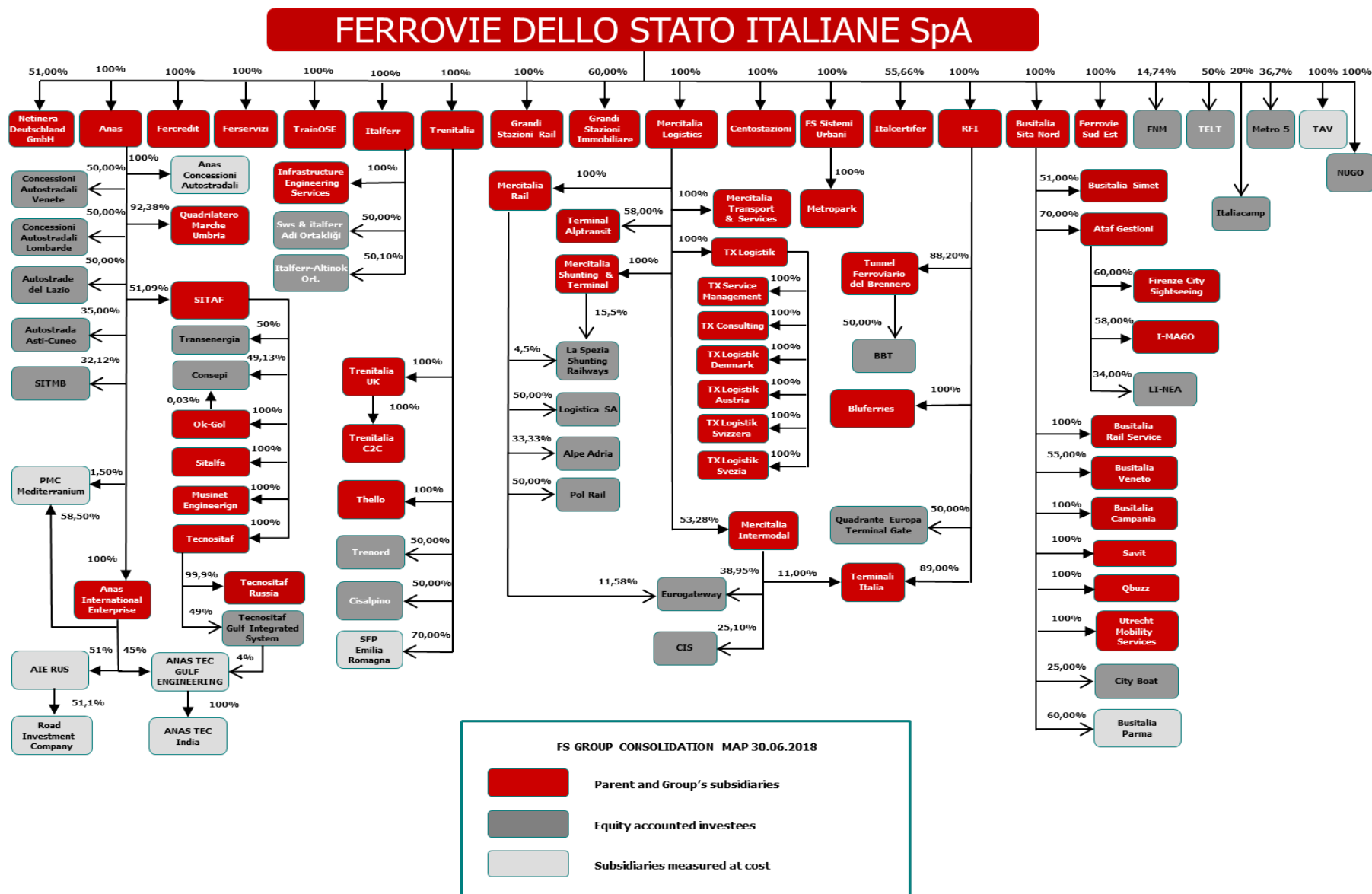
The Issuer is a wholly-owned subsidiary of the MEF.

Organisational Structure

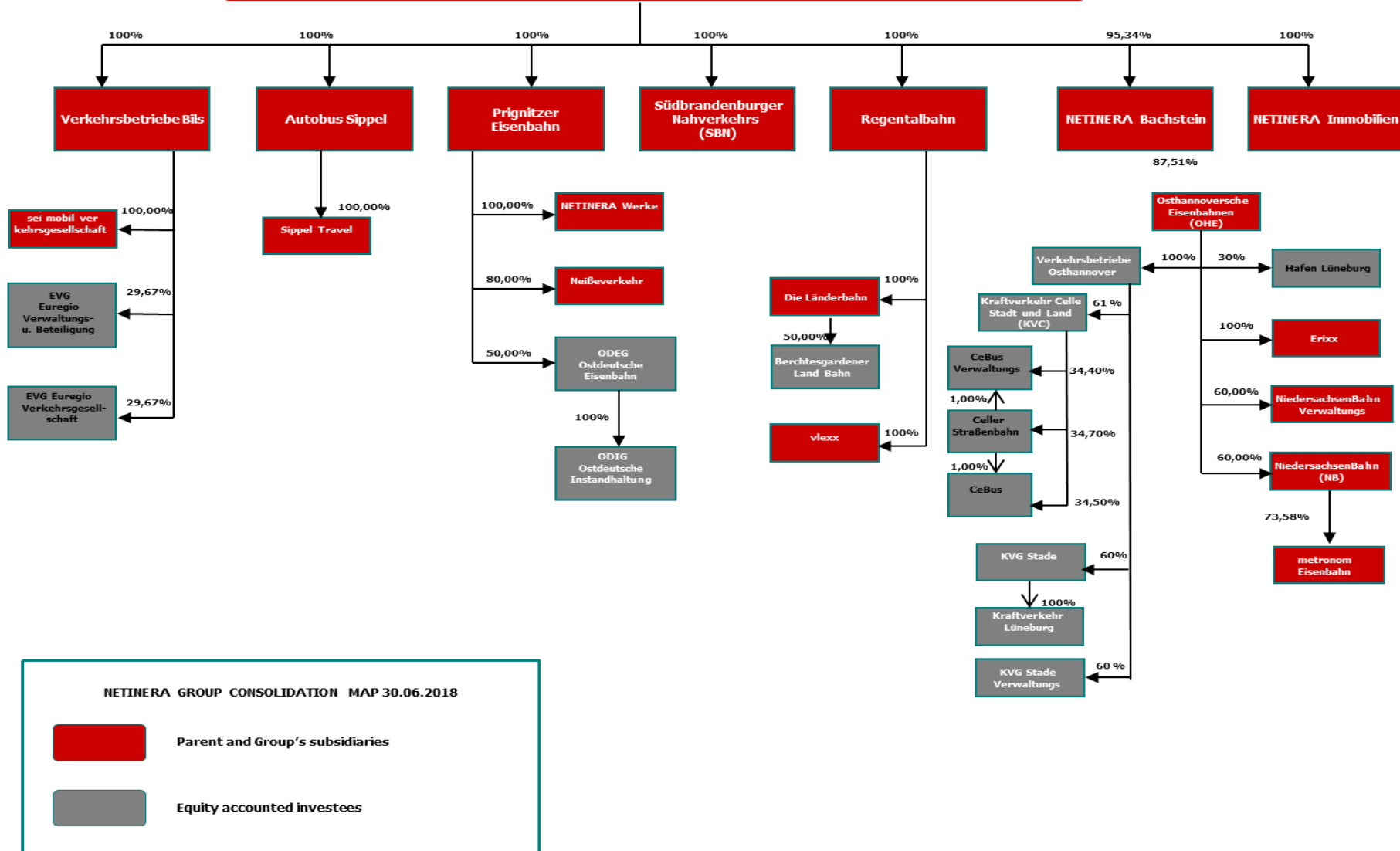
EC Directive 91/440/EEC on the development of railways (subsequently amended by EC Directive 2001/12/EC of 26 February 2001) as implemented by law D.P.R. 8 July 1998 n. 277 and Legislative Decree 8 July 2003 n. 188 ("**Decree 188/2003**"), established the guidelines for the restructuring of the Italian national rail system. These EC Directives emphasised the need to separate rail infrastructure management from the provision of transport services. Following these legislative developments, the Group initiated a reorganisation program in 1998 by creating the infrastructure division. In May 1999, the Group set up three additional divisions to manage the medium and long-distance passenger transport, freight transport and local transport. The reorganization continued with the establishment in June 2000 of Trenitalia, a passenger and freight transport company, which was completed on 1 July 2001.

Since 2001, infrastructure maintenance (through RFI) and railway undertakings (through Trenitalia) have operated as separate companies within the Group.

The Group structure as of 30 June 2018 is outlined below:



NETINERA DEUTSCHLAND GmbH



Key Players

The key players in the Italian Rail Industry are the following:

Government / regulatory bodies	Ministry of Economy and Finance ('MEF')	<ul style="list-style-type: none"> The Ministry of Economy and Finance (MEF) pays fees for the National Public Service Contract and transfers financial resources to the Regions for the Regional public service Contract. The MEF also provides funding for rail infrastructure investments and maintenance.
	Ministry of Infrastructure and Transports ('MIT')	<ul style="list-style-type: none"> The Ministry of Infrastructure and Transport (MIT) delivers licenses to railway undertakings. MIT also defines the access charge to the railway infrastructure and subscribes the <i>Contratto di Programma</i> with RFI and the National Public Service Contract (the <i>Contratto di Servizio</i> that includes national universal services for passengers transport) with Trenitalia.
	Autorità Garante della Concorrenza e del Mercato ('AGCM')	<ul style="list-style-type: none"> The Italian Competition Authority is an independent body and is in charge of the application of competition law and of national consumer legislation.
	Autorità di Regolazione dei Trasporti ('ART')	<ul style="list-style-type: none"> The Transport Regulation Authority (Autorità di Regolazione dei Trasporti, ART) has been established in accordance with art. 37 of the Legislative Decree n.201/2011 and has been operative since January 2014. Its competences are: <ul style="list-style-type: none"> • To guarantee equitable and non-discriminatory access to rail, port, airport and highway infrastructure, • To define criteria for setting tariffs, fees and tolls. • To define minimum quality conditions for national and local transport considered to be a public service, • To regulate access to rail infrastructure, • To define public tender mechanisms to assign transport services and criteria for appointing awarding commissions, • To help Public Administration in identifying Public Service Obligation routes and support the PA in retracing the most effective methods to finance them. It reports to the Italian Parliament.
Infrastructure manager	Rete Ferroviaria Italiana ('RFI')	<ul style="list-style-type: none"> Rete Ferroviaria Italiana SpA (RFI) is part of the Ferrovie dello Stato Italiane Group. It owns the infrastructure and is responsible for designing, building and maintaining the infrastructure and develops the technology of systems and materials. RFI acts as the national railway infrastructure manager, as set forth in the Act of Concession with the MIT.
Agenzia Nazionale per la Sicurezza Ferroviaria ('ANSF')		<ul style="list-style-type: none"> The National Railway Safety Authority (Agenzia Nazionale per la Sicurezza delle Ferrovie, ANSF) is an independent body from all the railway actors. ANSF's main tasks are: <ul style="list-style-type: none"> • To define the legislative framework for the railway operational safety, • To verify the enforcement of the adopted regulations, • To carry out the approval processes for systems, sub-systems and constituents, • To issue the safety certificates to railway undertakings and the safety authorizations to infrastructure managers.
Regions		<ul style="list-style-type: none"> The Regions subscribe Public Service Contracts (PSCs) for regional transport services with railway undertakings. In Italy there are 15 ordinary Regions and 5 border Regions with special status.
Railway undertakings		<ul style="list-style-type: none"> After having obtained a license, (a '<i>titolo autorizzatorio</i>'), a safety certificate and after having entered into a '<i>Contratto di Utilizzo</i>' with the infrastructure manager, these provide passenger and freight transportation services Trenitalia is the largest Italian railway undertaking.

Business of the Group

As at 31 December 2017, the Group is organized into the following operating segments, each of which is carried out by certain key subsidiaries:

- The transport services segment, which accounted for 66 per cent. of the Group's revenues for the year ended 31 December 2016 and for 70 per cent. of the Group's revenues for the year ended 31 December 2017, is divided into medium/long term distance passengers, regional passengers, and freight and is largely represented by the 100 per cent. owned subsidiary, Trenitalia.
- The infrastructure services segment, which accounted for 25 per cent. of the Group's revenues for the year ended 31 December 2016 and for 24 per cent. of the Group's revenues for the year ended 31 December 2017, manages the national rail network, both high speed and conventional lines, through the 100 per cent. owned subsidiary, RFI.
- The commercial activities relating to the real estate segment, which accounted for 7 per cent. of the Group's revenues for the year ended 31 December 2016 and for 3 per cent. of the Group's revenues for the year ended 31 December 2017, includes the companies (primarily, Grandi Stazioni Rail S.p.A.) that deal with management and enhancement of the property assets of the Group.
- The other services segment, which accounted for 2 per cent. of the Group's revenues for the year ended 31 December 2016 and for 3 per cent. of the Group's revenues for the year ended 31 December 2017, manages other Group services including financial and administrative services.

Following the completion of the ANAS Transaction on 18 January 2018, ANAS is part of the Group. As a consequence, the Group now covers both the railway and road infrastructures and constitutes an integrated mobility player. FS Group consolidated financial statements at 31 December 2017 do not include ANAS financial results.

The following table sets out certain financial information of the Group's business segments for the years ended 31 December 2017 and 2016.

Year ended 31 December 2017						
	Transport	Infrastructure	Commercial real estate Activities	Other Services	Adjustments and Eliminations Operating Segments	Group
	(in millions of Euro)					
Revenues from Third Parties.	7,358	1,490	147	21	(3)	9,013
Inter-segment revenues	290	1,137	180	251	(1,572)	286
Operating revenues	7,648	2,627	327	272	(1,575)	9,299
EBITDA	1,760	495	52	6	(1)	2,312

Year ended 31 December 2016						
	Transport	Infrastructure	Commercial real estate Activities	Other Services	Adjustments and Eliminations Operating Segments	Group
	(in millions of Euro)					
Revenues from Third Parties.	6,668	1,425	532	21	22	8,668
Inter-segment revenues	269	1,202	170	245	(1,626)	260
Operating revenues	6,937	2,627	702	266	(1,604)	8,928
EBITDA	1,497	351	423	8	15	2,294

Again in 2017, FS Group remains the top player in the EU in terms of EBITDA and EBIT margin:

(€b)		2015	2016	2017
Ferrovie dello Stato Italiane Group	Revenue	8.5	8.9	9.3
	EBITDA margin %	23%	25.7%	25%
	EBIT margin %	7.5%	10%	7.7%

Deutsche Bahn Group	Revenue	43.2	43.3	45.6
	EBITDA margin %	10%	10.3%	9.9%
	EBIT margin %	-0.4%	3.4%	3.7%

SNCF Group	Revenue	31.4	32.3	33.5
	EBITDA margin %	14%	12.8%	13.7%
	EBIT margin %	-0.3%	6.6%	7.9%

Source: FS, DB & SNCF Annual Reports

Transport Services

Within the macro-sector of transport services, the Group operates primarily through Trenitalia, one of its main subsidiaries.

Other Group subsidiaries active in the transport services sector are Netinera Deutschland, Busitalia Group, the Mercitalia Hub – which operates the freight transport, FSE and TrainOSE.

Trenitalia (100 per cent. owned by FS) is the passenger transport company of the Group and consists of two business areas: passengers/medium and long distance routes (domestic and international) and passengers/local transport (commuter, regional and inter-regional).

Trenitalia signed a partial demerger deed on 21 December 2016 which provided for the allocation of a portion of its assets to Mercitalia Rail S.r.l. via the demerger of its Cargo Division. The deed for the demerger of Trenitalia's Cargo Division to Mercitalia Rail S.r.l. became effective on 1 January 2017. The demerged division includes the investments held by Trenitalia in companies active in the cargo transport and/or logistics sector (see "Mercitalia Hub" paragraph).

In 2017, Trenitalia recorded positive results, reporting a net profit of Euro 276.2 million. Also for the previous year ended 31 December 2016, Trenitalia recorded a positive results, with a net profit of Euro 116.8 million. 2017 EBITDA grew from €1,394.5 million in 2016 to €1,585.7 million in 2017, up by 13.7 per cent and 2017 EBIT came to €399.1 million, up on the previous year (€332.5 million), accounting for 7.5 per cent. of revenue (6.5 per cent. in 2016).

2017 revenue (+€239.7 million) was positively affected by the recovery in the mobility demand, for both long haul and regional passenger transport and, for services offered on the market only, specific commercial measures taken to limit price competition in the HS segment. The company's costs, on the other hand, felt the effects of certain changes in the cost of electrical energy for traction (-€120.0 million, of which €78.9 million related to previous years) following the coming into force of the Law no. 167 of 20 November 2017. The decrease was partially offset by the increase in the toll paid to the infrastructure operator, as per the conditions to access the network as of 2017, pertaining to the long haul and regional universal service for a total of €34.3 million.

Through the Long-Haul Passenger Division, Trenitalia provides mobility services for passengers at a national and international level. The services are divided into "market services", for which there is no contribution from public funds, and "universal services", which are only provided on the basis of a specific services contract with the State. In 2017 revenues from market services recorded an increase of about Euro 110.4 million, due to the rise in revenue (Euro +107.9 million) from the Freccia trains, in addition to the increase in revenue (Euro +2.5 million) generated by the International and Charter trains. Revenues arising from universal services recorded an increase of about Euro 4.9 million.

The table below set out key financial information relating to Trenitalia for the years ended 31 December 2017 and 31 December 2016.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", in 2016 the revenues and costs of Cargo Division (demerged in 2017 in favour of Mercitalia Rail S.r.l.) have been recognized in the income statements of Trenitalia in the separate item "Loss from discontinued operations". Therefore figures as at 31 December 2016 in the table below reflect this application.

		31 December 2017	31 December 2016
		(in millions of Euro)	
Main indicators			
Operating revenues		5,318.4	5,078.7
of which:			
Medium/Long distance passenger.....		47%	45%
Regional passenger		53%	55%
EBITDA		1,585.7	1,394.5
EBIT		399.1	332.5
Profit (loss) for the year		276.2	116.8
		December 2017	December 2016
Medium and long-distance traffic data			
PASSENGERS/KM – MARKET.....	millions	16,303	15,649
PASSENGERS/KM – UNIVERSAL CONTRIBUTED	millions	4,003	4,206
TOTAL	millions	20,306	19,855
TRAINS/KM – MARKET	thousands	62,034	57,230
TRAINS/KM - UNIVERSAL CONTRIBUTED	thousands	25,472	25,684
TOTAL	thousands	87,506	82,914
Revenues (*)	millions	2,506	2,295
Regional transport traffic data			
PASSENGERS – KM.....	millions	18,704	18,561
TRAINS – KM	thousands	155,579	156,175
Revenues (*)	millions	2,774	2,751
(*) The item includes revenues among segments			

(*) The item includes revenues among segments

Trenitalia UK Ltd ("Trenitalia UK" 100 per cent. owned by Trenitalia) is the British subsidiary of the FS Group active in the UK rail market. On 10 February 2017, Trenitalia UK entered into an agreement with the National Express Group PLC to acquire 100% of NXET Trains Limited (National Express Essex Thameside), subsequently renamed Trenitalia c2c Ltd ("Trenitalia c2c"). Trenitalia UK in a joint venture with First Group was shortlisted, after the Expression of Interest, to be invited to tender for the West Coast franchise which includes the current

InterCity services between London, Manchester, Liverpool, Preston, Edinburgh and Glasgow. The joint venture presented its binding bid in July 2018.

Trenitalia c2c, is a British passenger transport company which manages the c2c (City to Coast) franchise between London and Shoeburyness on the east coast of South Essex. In 2017, Trenitalia c2c recorded operating revenues of Euro 183.4 million and a negative net result of Euro -0.3 million, with Euro -0.5 million EBITDA and Euro -2.6 million EBIT.

Netinera Deutschland GmbH (in which FS has a 51 per cent. shareholding and Cube Infrastructure SCA Investment Fund has the remaining 49 per cent. shareholding) and its subsidiaries (the "**Netinera Group**") also operates in the Regional Passenger and Freight Transport segment of the Group, through a group of about 34 companies active in Germany. The Netinera Group is primarily involved in rail and road transport activities in the German local and metro transport markets, but it also carries out activities on international routes to the Czech Republic, Poland and the Netherlands. In addition to passenger and cargo transport service, the group performs services for the maintenance and renovation of vehicles.

During the course of 2017, the Netinera Group recorded revenues of Euro 619,8 million and expenses of Euro 527 million with Euro 92,3 million EBITDA and Euro 42,9 million EBIT. Taking into account amortization and depreciation of Euro 49 million and financial expenses of Euro 18 million to its partners, the Netinera group recorded profits of Euro 13,9 million.

The table below set out key financial information relating to Netinera Group for the years ended 31 December 2017 and 31 December 2016.

	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	619.8	603.2
EBITDA	92.3	78.1
EBIT	42.9	26.2
Profit (loss) for the year	13.9	5.5

Busitalia-Sita Nord S.r.l. ("Busitalia"), is the subsidiary which operates in the sector of public road transport within the Regional Passenger Transport Operating Segment. The company carries out its business, also through its subsidiaries ("**Busitalia Group**"), in various sectors, such as local public transport (both urban and suburban), long-distance bus service (both national and international), tourism and hires.

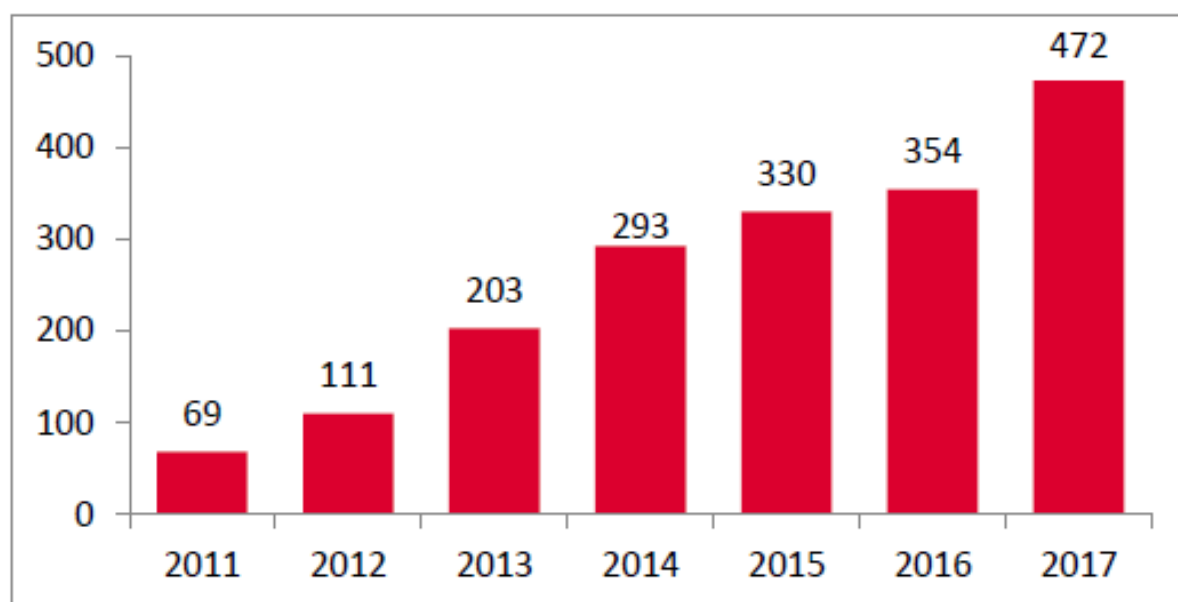
On 31 August 2017, Busitalia acquired 100% of Qbuzz BV ("**Qbuzz**") and Utrecht Mobility Services BV from Abellio Nederland BV. These companies manage local public transport in the Utrecht metropolitan area and the Groningen-Drenthe province. On 23 February 2018, Qbuzz was awarded the provision of local public transport (LPT) services in the Netherlands, specifically in the Drechtsteden, Alblasserwaard en Vijfheerenlanden (DAV) area, between Utrecht and Rotterdam. The concession, which is worth Euro 48 million per year and has an eight-year term, covers the management of the regional railway line between Geldermalsen and Dordrecht (the MerwedeLingelijn line) and the bus services in the DAV area. On 5 September 2018, Qbuzz was awarded the concession for public transport services in the Groningen-Drenthe area, where it already was the incumbent. The concession worth around Euro 100 million annually for a duration of ten years (with a possible extension of five years).

In 2017, Busitalia Group recorded operating revenues of Euro 472 million with Euro 43.1 million EBITDA and 15.2 million EBIT, principally derived from service contracts with Regions, Provinces and Municipalities as well as those from the additional service contracts with the region Tuscany.

The tables below sets out key financial information relating to Busitalia Group for the years ended 31 December 2017 and 31 December 2016.

		December 2017	December 2016
		<i>(in millions of Euro)</i>	
Main indicators			
Operating revenues		472.0	354.4
EBITDA		43.1	36.0
EBIT		15.2	13.1
Profit (loss) for the year.....		9.0	5.9
		December 2017	December 2016
Busitalia Group traffic data			
PASSENGERS	thousands	199,269	180,790
BUS/KM –	thousands	131,772	95,422

The following graph shows the increase in Busitalia Group revenues in the last years (€million):



Mercitalia Hub through the sub-holding, Mercitalia Logistics S.p.A. (100 per cent. owned by FS), and its subsidiaries operates in the cargo transport and in the logistics of the Group. In 2017, Mercitalia Hub recorded operating revenues of Euro 1,042.1 million vs. Euro 953.2 million in 2016. The Mercitalia Hub is the cluster of Group's companies that operate in the freight transport and logistics business: the sub-holding company Mercitalia Logistics, Mercitalia Rail S.r.l. (largest Italian sector player with €501 million of yearly turnover, constituted from the demerger of Trenitalia's Cargo Division effective from 1st January 2017), TX Logistik Group (based in Germany but active in different European countries), Mercitalia Intermodal, Mercitalia Transport & Services, Mercitalia Terminal, TerAlp (Terminal AlpTransit) and TLF. The purpose of Mercitalia Hub is to relaunch the freight business of the Group, developing integrated freight transport and logistics solutions that add value to railway use both in Italy and in Europe.

The table below set out key financial information relating to Mercitalia Hub for the years ended 31 December 2017 and 31 December 2016.

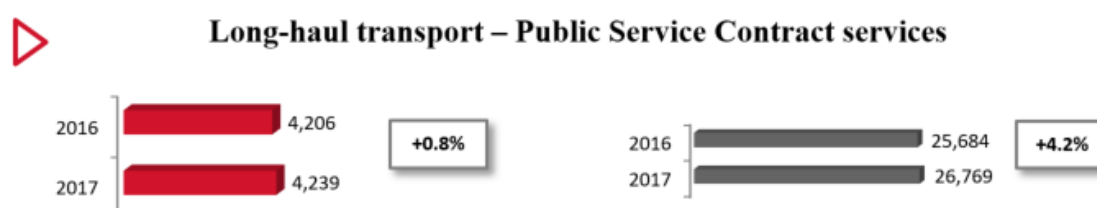
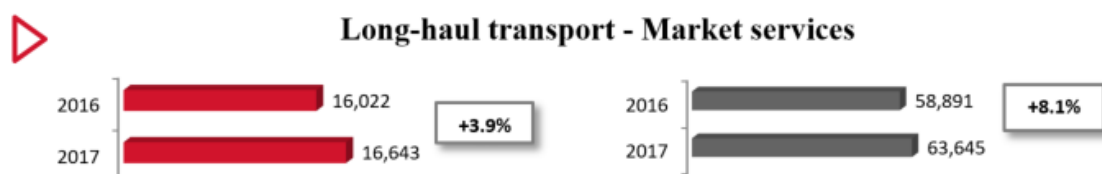
	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	1,042,1	953.2
EBITDA	39.5	(13.9)
EBIT	(30.7)	(93.5)
Profit (loss) for the year	(37.6)	(77)

FSE S.r.l. (100 per cent. owned by FS) is not only a passenger transport company that provides, through an integrated network, mobility services (train/bus) in the Puglia Region but also a firm that provides transport engineering services (see next paragraph: Infrastructure Services).

In 2017, the transport segment of FSE recorded operating revenues of Euro 91.6 million and the company had a negative net result of Euro -1.8 million, with Euro 4.4 million EBITDA and Euro -3 million EBIT.

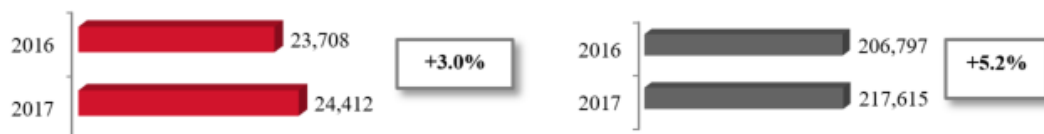
TrainOSE SA (100 per cent. owned by FS) is a company that provides cargo and passenger transport services at suburban, regional and national level in Greece. TrainOSE was acquired by FS Italiane on 14 September 2017 and during the year recorded operating revenues of Euro 38.8 million and had a negative net result of Euro -0.6 million.

FS Group key operating data in the transport segment:

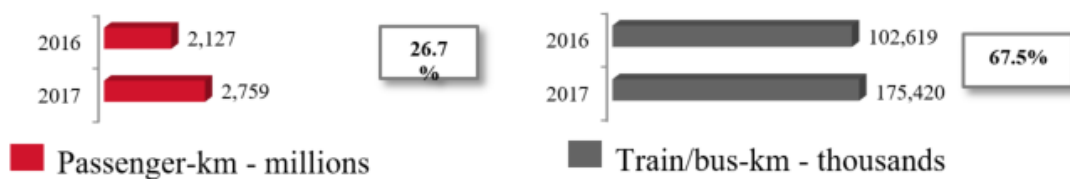




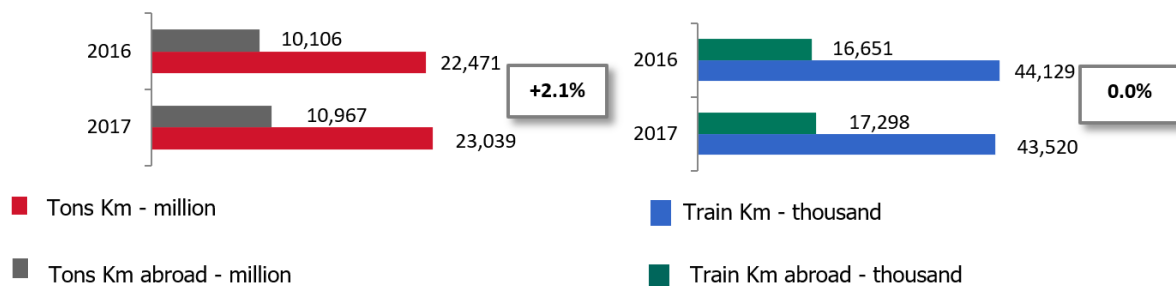
Short haul transport



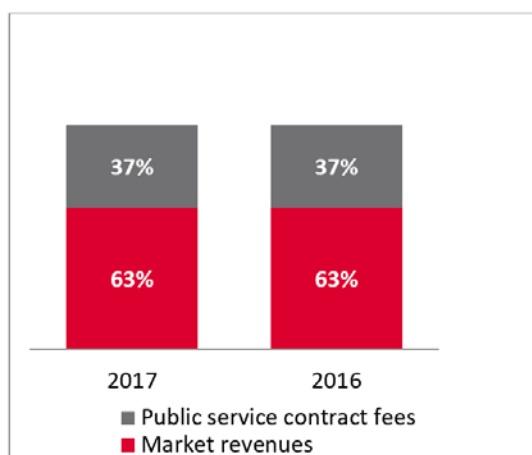
Road transport



Cargo transport



FS' transport segment revenues breakdown between Market services and Public Service Contracts:



Infrastructure Services

Within the macro-sector of Infrastructure Services, the Group operates through RFI, one of its main subsidiaries with the public role of Infrastructure Manager. It is responsible for the entire Italian national rail infrastructure including tracks that are 16,787 km long.

Following the completion of the ANAS Transaction on 18 January 2018, ANAS is part of the Group. ANAS manages and is responsible for Italy's national road and motorway infrastructure for over 26,000 km.

RFI – Rete Ferroviaria Italiana S.p.A. (100 per cent. owned by FS) is a joint stock company which performs the role of railway Infrastructure Manager in Italy, as assigned by a deed of concession (*Concessione*) granted by the Ministry of Infrastructure and Transport ("**MIT**") in October 2000 with a duration of 60 years (the "**RFI Deed of Concession**") and on the basis of the *Contratto di Programma*, a program contract governing relations with the State. RFI is responsible for the design, construction, commissioning, management and maintenance of the railway infrastructure in Italy. It manages the control and safety systems connected with train operations, contracts with railway companies, and draws up the timetables for the rail network and promotes the integration of the Italian infrastructure within the European railway network. RFI is also operating in the ferry service between Sicily and Sardinia directly and through its subsidiaries. RFI is also in charge of the development of high-speed projects and is also active in investing in technology innovation and implementing new technology through internal programmes dealing with technology in safety, traffic management and efficiency and development; moreover RFI is also planning on expanding links between Northern Italy and other EU countries as well as adding more connections in Southern Italy, including Naples–Bari, Salerno–Reggio Calabria, and Palermo–Catania–Messina, these projects are under designing/construction.

In 2017, RFI had net profit equal to Euro 262 million (with an increase of 45 per cent. compared to 2016) and EBITDA of Euro 479 million (an increase of 34 per cent.). In 2017, the revenues from sales and services decreased by Euro 81 million (a decrease of 4 per cent.) mainly due to the following factors: the reduction in revenue from the sale of electrical traction (€141 million), due to the effects of Law no. 167 of 20 November 2017; the increase in toll revenue (€45 million), as the net effect of the increase in volumes and the ISTAT adjustment; and the rise in revenue from services provided to the railway companies and traffic-related services (€15 million). Other income increased by Euro 44 million (+15 per cent) mainly due to the increase in revenue from the sale of material no longer in use and removed from production (+ Euro 24 million) and from work for third parties (+ Euro 17 million) mainly due to the work on the Palermo metro-rail and work on noise barriers on the Brenner line.

The revenues performance achieved was positively affected by decreasing of costs, mainly as a result of the net decrease in other costs (+ Euro 188 million) due essentially to the decrease in cost for electrical energy and fuel for train traction due to the effects of Law no. 167 of 20 November 2017 (+ Euro 241 million), partly offset by an increase in the consumption of materials for both investments and operation. Moreover, 2017 was affected by depreciation increased (Euro 14 million) due to the rise in the depreciation rate of the main line in the "G – HS network" and by net reversal of the impairment losses (increased by Euro 16 million) mainly due to the increase in impairment losses on property, plant and machinery (Euro 29 million), partly offset by an decrease in the allowance for impairment (Euro 8 million) and impairment losses on intangible assets (Euro 5 million). Finally an increase to the fund for the pursuit of pro-active policies to support income and employment (+ Euro 15 million) was occurred.

The table below set out key financial information relating to RFI for the years ended 31 December 2017 and 31 December 2016.

	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	2,537.7	2,575.3
<i>Track access charges</i>	1,103	1,058
<i>CdP-Services Part</i>	975.5	975.5
<i>Sale of electrical energy for traction</i>	59	200
<i>Other income</i>	400	341
EBITDA	479.3	356.7
EBIT	292.5	215.2
Profit (loss) for the year (period).....	261.5	180.8

Classification for:	2017 (km)
Type of track	
Double track lines	7,696
Single track lines	9,091
Electrification	
Double track electrified lines	7,619
Single track electrified lines	4,403
Not electrified lines	4,765
Total km of lines	16,787
Type of service	
Conventional network	23,016
HS lines	1,497
Total tracks Length	24,483

ANAS S.p.A. (100 per cent. owned by FS) is a joint stock company which performs the role of road infrastructure manager in Italy, as assigned by a deed of concession (Concessione) granted by the Ministry of Infrastructure and Transport ("MIT") in December 2002 with a duration of 30 years (the "**ANAS Deed of Concession**") and on the basis of the *Contratto di Programma*, a program contract governing relations with the State. ANAS manages Italy's national road and motorway network and provides support to public entities and roadway design, construction and maintenance both in Italy and abroad. By entering the FS Group following completion of the ANAS Transaction, ANAS began the exit process from the public administration to become a market participant and the assets and liabilities of ANAS (and its subsidiaries) will be consolidated in the Group's financial statements starting from the 2018 half-year results. ANAS remains subject to the auditing and technical-operative supervision of the Ministry of Infrastructure and Transport.

The table below sets out key financial information relating to ANAS Group for the years ended 31 December 2017 and 31 December 2016. The accounting standard transition to IAS/IFRS occurred from the 2017 Annual report with the First Time Adoption (FTA) starting 1st January 2016.

	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	2,287	2,977
<i>Revenues for construction services</i>	1,439	2,148
<i>Revenues from concession fee</i>	848	829
<i>Other income</i>	133	105
EBITDA	299	501
EBIT	98	84
Profit (loss) for the year (period)	16.5	84.6

Italferr S.p.A. (100 per cent. owned by FS) is the FS engineering firm and offers its services on the Italian and foreign markets in the field of transport engineering. It initiates and completes infrastructural and technological projects included in investment and upgrades plants for the railways.

In 2017, the company had a positive net result of Euro 4.3 million, with an increase in revenues from engineering services (an increase of 2.5 per cent.).

FSE S.r.l. (100 per cent. owned by FS) is not only a passenger transport company that provides, through an integrated network, mobility services (train/bus) in the Puglia Region but also a firm that provides transport engineering services.

In 2017, FSE (infrastructure area) recorded operating revenues of Euro 55.6 million and the company had a positive net result of Euro 5.5 million, with Euro 18.8 million EBITDA and Euro 4.8 million EBIT.

Commercial Real Estate Activities

Within the macro-sector of Commercial Real Estate Activities, the Group operates mainly through Grandi Stazioni Rail S.p.A., Grandi Stazioni Immobiliare S.p.A., Centostazioni S.p.A. (merged by incorporation into RFI on 16 July 2018) and FS Sistemi Urbani S.r.l.; furthermore, FS's real estate activities also contribute to the results of this segment.

The table below set out key financial information relating to GS Rail for the years ended 31 December 2017 and 31 December 2016.

Figures of GS Rail as at 31 December 2016 reflect the application of IFRS 5 "Non-current assets held for sale and discontinued operations" in relation of the costs and revenues related to Grandi Stazioni Retail SpA, that, after the partial non-proportionate and asymmetrical demerger deed of Grandi Stazioni S.p.A, have been transferred to Alba Bidco S.p.A. on 20 July 2016.

	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	137.7	127.2
EBITDA	14.2	7.5
EBIT	7.7	2.7
Profit (loss) for the year (period)	4.3	9.5

Centostazioni S.p.A. was merged by incorporation into RFI on 16 July 2018 and was responsible for the management of the assets comprised in the real estate complexes of the network of 103 medium-sized railway stations owned by RFI spread across 20 Italian regions. A procedure is currently ongoing - lead by RFI - to sell 100% of the share capital of Centostazioni Retail S.p.A. (constituted on 8 July 2018) which will have the concession of the commercial and advertising spaces in the railway stations of Milano Porta Garibaldi, Roma Ostiense, Padova, Torino Porta Susa and Napoli Afragola.

The table below set out key financial information relating to Centostazioni for the years ended 31 December 2017 and 31 December 2016

	December 2017	December 2016
	<i>(in millions of Euro)</i>	
Main indicators		
Operating revenues	74.4	75.9
EBITDA	16.0	14.2
EBIT	11.7	11.8
Profit (loss) for the year (period)	8.0	7.8

FS Sistemi Urbani S.r.l. (100 per cent. owned by FS Italiane) carries out activities relating to integrated urban services and the enhancement of assets which are not linked to the conduct of the railway business through the integrated management and the development of real estate services. In 2017 FS Sistemi Urbani S.r.l. recorded operating revenues of Euro 14.5 million in line with 2016. The net results in 2017 for the company were positive (0.1 million).

Other Services

Other companies which make up the non-core services of the Group are Fercredit S.p.A. and Ferservizi S.p.A..

Fercredit S.p.A. (100 per cent. owned by FS) is responsible for the financial services of the Group. Its activities are essentially focused on the development of the credit factoring and leasing on the captive market and on the expansion of the consumer credit transactions for the employees of the Group itself. In 2017, the company recorded a net profit of Euro 9.1 million compared to Euro 10.4 million in 2016.

Ferservizi S.p.A. (100 per cent. owned by FS) is the Group's non-core services company, which constitutes the "Integrated Services Centre" of the FS Group, as it manages activities aimed at the following processes: Real Estate, Administration, Facility Management, Group Procurement. The company recorded a net profit of Euro 19.4 million in line with 2016 with Euro 35.8 million EBITDA (+3.5 million) and Euro 29.4 million EBIT equal to -7 per cent.

Corporate Bodies and Management

The following table sets out the composition of the board of directors of the Issuer (the "**Board of Directors**") as of the date of this Base Prospectus. The shareholders' meeting on 30 July 2018 appointed a Board of Directors comprising seven members for a period of three terms, which terminate on the date in which the financial statements for the last year of the director's third term is approved. According to clause 10.3 of the Articles of Association, the members of the Board of Directors may be re-elected. On 31 July 2018, the Board of Directors appointed Gianfranco Battisti as chief executive officer.

Board of Directors and Management

The Board of Directors of FS consists of seven members.

The following are the members of the Boards of Directors of FS all of whom were appointed on 30 July 2018.

Name	Position (FS)	Other activities of the members of the Board of Directors within the Group	Main activities of the members of the Board of Directors outside the Group
Gianluigi Vittorio Castelli	Chairman of the Board of Directors	CEO of Nugo S.p.A.	Director of DEVO Lab (Digital Enterprise Value and Organisation Laboratory) Associate Professor of Practice of Information Systems – SDA Bocconi School of Management Director of Fondazione P&R Member of the surveillance board of Fondazione Ricerca & Imprenditorialità Chairman of Union Internationale des Chemins de Fer (UIC)
Gianfranco Battisti	CEO/Managing Director General Manager	CEO of FS Sistemi Urbani	Chairman Confindustria- Federturismo (The Italian Federation of Tourism Associations/Enterprises) Member of the board of Aspesi- National Association of Real Estate Development Companies Member of Strategic Steering Board of European University Rome Member of the board of two no-profit

Name	Position (FS)	Other activities of the members of the Board of Directors within the Group	Main activities of the members of the Board of Directors outside the Group
			medical organizations Member of the board of no profit organization "Amici del Fiuggi"
Flavio Nogara	Director	N/A	Employee of Banca Popolare di Sondrio
Andrea Mentasti	Director	N/A	Chief Executive Officer of Milano Serravalle – Milano Tangenziali Chairman of Pedemontana Lombarda (APL)
Cristina Pronello	Director	N/A	Professor in MIDT at the Sorbonne Universités - UTC
Francesca Moraci	Director	N/A	Tenured Professor in City Planning and head of city planning laboratory at the architecture and territory faculty of the Università Mediterranea in Reggio Calabria
			Scientific manager of the urban and territorial strategies for planning laboratory – LabStutep – of the Università Mediterranea in Reggio Calabria Member of the technical committee of the interregional permanent conference for the coordination of the policies in the Messina Strait area (established pursuant art. 4 Calabrian regional law n. 12 of April 2015)
			Vice-chairman of the conference of the entities participating to the protocol of intent between FSSistemi Urbani, ANAS, Italian Ministry of Infrastructures and Transport, universities and business associations on the project " <i>QVQC- Quale Velocità Quale Città- Alta Velocità /Alta Capacità. I nuovi scenari ambientali e territoriali in Europa e in Italia</i> " Member of the college of professor of the architecture and territory PhD of the Università Mediterranea in Reggio Calabria Founding member and vicechairman of the national scientific association "Accademia Urbana"
Wanda Ternau	Director	Member of the Board of Mercitalia Logistic SpA	Teaching activities on Global Regulation of Markets and Engineering Infrastructure and Railway Systems at Sapienza University Member of the Strategic/Executive

Name	Position (FS)	Other activities of the members of the Board of Directors within the Group	Main activities of the members of the Board of Directors outside the Group
			<p>Committee of GSSEP (Global Social Sustainable Energy Program) Onlus</p> <p>Officer of International Bar Association (IBA, International Construction projects committee)</p> <p>Member of the Panel of International Arbitrators at the Kuala Lumpur Regional Center for Arbitration (KLRCA)</p> <p>Fellow of the Chartered Institute of Arbitrators of London; Professional Member of the Dispute Board Federation of Geneva and Singapore</p>

The business address of each member of the Board of Directors of FS is Piazza della Croce Rossa, 1, 00161 Rome, Italy.

Board of Statutory Auditors

The board of statutory auditors (the "**Board of Statutory Auditors**") has three standing members and two alternative members elected by the general shareholders' meeting. Pursuant to Article 2403 of the Italian Civil Code, the Board of Statutory Auditors verifies compliance with the law, the Articles of Association and with correct corporate governance principles, and also verifies the adequacy and functionality of the organisational structure and administrative and accounting systems adopted by the Issuer.

The following is a list of the auditors appointed or, as the case may be, reappointed on 9 August 2013 and on 4 July 2016:

Name	Position (FS)	Other activities of the members of the Board of Statutory Auditors within the Group	Main activities of the members of the Board of Statutory Auditors outside the Group
Carmine Di Nuzzo	Chairman of the Board of Statutory Auditors (since 4 July 2016)	N/A	Manager of the Ragioneria Generale dello Stato (General Accounting Department of State) (MEF) Chief Inspector General of the General Inspectorate for the computerization of State Accounting
Susanna Masi	Statutory Auditor (since 4 July 2016)	N/A	<p>Chairman of the Board of Statutory Auditors of INVIMIT Sgr S.p.A. and Idea Fimit Sgr</p> <p>Member of the Board of Statutory Auditors of Equitalia S.p.A. and Gruppo FS Italiane</p>
Roberto Ascoli	Statutory Auditor (since 29 July 2016)	N/A	Chairman of the Board of Statutory Auditors of: Digicast S.p.A. (RCS Mediagroup); Imprepar S.p.A. in liq. (Impregilo Group); San Marino RTV S.p.A.; Metasalute - Fondo Sanitario

Name	Position (FS)	Other activities of the members of the Board of Statutory Auditors within the Group	Main activities of the members of the Board of Statutory Auditors outside the Group
			<p>Lavoratori Metalemeccanici.</p> <p>Sole Auditors: Bona Dea S.r.L.; Conti Editore S.r.L.; Corriere dello Sport S.r.L; Finamo S.r.l.; Nuova Editoriale Sportiva S.r.L.; Nuova Cantelli S.r.l.; Periodica S.r.L.; Poligrafici Il Borgo S.r.L.; Polipress S.r.L; Sporting Vacanze S.r.L; Sport Network S.R.L.; Stec Società Tipografico Editrice Capitolina S.r.L..</p> <p>Chairman of the Board of Statutory Auditors and member of Supervisory Body ("Organismo di vigilanza" pursuant Legislative Decree n. 231/01) of: Groupama Assicurazioni S.p.A.;</p> <p>Statutory Auditor and member of Supervisory Body ("Organismo di vigilanza" pursuant Legislative Decree n. 231/01): Saba Italia S.p.A..</p> <p>Statutory Auditor of: Corit S.p.A. In Liq. (Unicredit Group); Federmeccanica - Federazione Sindacale dell'Industria Metalmeccanica Italiana; Federtrasporto; Giuseppe Laterza & Figli S.p.A.; Opel Italia S.r.l..</p>
Cinzia Simeone	Alternate Auditor (since 18 May 2004)	N/A	<p>Manager of the Ragioneria dello Stato Department (MEF) Office 4</p> <p>Statutory auditor of the ECIPA Nazionale (National Confederation for Professional Education in Crafts and Small Businesses)</p> <p>Member of Gruppo Bilanci (Financial Group) set up within the Commissione tecnica di valutazione per il fondo perequativo (Technical Commission for Assessment of Equalization Fund) at Unioncamere</p> <p>Statutory auditor of the Federazioni Italiana Badminton (CONI)</p>
Paolo Castaldi	Alternate Auditor (since 24 June 2010)	N/A	<p>Manager at MEF (c/o ufficio centrale di bilancio - Ministero per i beni e per le attività culturali)</p> <p>Auditor of Fondazione Istituto Italiano di Tecnologia</p> <p>Auditor of Federazione Italiana Discipline sportive Armi da Caccia</p>

The residential addresses for each member of the Board of Statutory Auditors are as follows:

Dott. Di Nuzzo Carmine - Viale della Grande Muraglia 350, Rome, Italy.

Dott.ssa Masi Susanna - Via XX Settembre 97, Rome, Italy

Dott. Roberto Ascoli - Via Antonio Gramsci 20 - Roma

Dott.ssa Cinzia Simeone - Via A. Casella 12, Rome, Italy

Dott. Paolo Castaldi - Via Dancalia 21, Rome, Italy

Conflict of Interest

To the Issuer's knowledge, including on the basis of the FS' procedure concerning the "Related Party Transactions" (Administrative and Accounting Procedure - PAC/FS/11, 3rd December 2010), there are no existing potential conflicts of interest between the Board of Directors' or Board of Statutory Auditors' duties with respect to the Issuer and their private interests and/or duties.

Third Party Information

The Issuer confirms that third party information contained in the Base Prospectus has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by a third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Capital

According to Article 5 of the Articles of Association, the share capital of FS as at the date of this Base Prospectus is Euro 39,204,173,802.00 consisting entirely of ordinary shares with a par value of Euro 1 each. All the shares in issue are fully subscribed and paid up. No preference shares have been issued and the Issuer does not hold treasury shares.

The share capital of FS can be increased by means of the contribution of cash or assets. Further to any increase in share capital, the new shares would need to be offered as options to the shareholders in proportion to the shares actually owned; those who exercise the option will have the right to purchase the shares.

Corporate Governance

The Issuer complies in all material respects with the Italian corporate governance regime applicable to it pursuant to its Articles of Association and Italian legislation. The corporate governance process is based on the provisions and communications issued by FS' Board of Directors. FS is administered by a Board of Directors consisting of seven members (the Chairman, five non-executive directors and a Managing Director) appointed by the Shareholders' Meeting.

Relevant Committees

FS established two committees comprised of members of the Board of Directors of FS: the *Comitato Audit, Controllo rischi e Governance* and the *Comitato per la Remunerazione e le Nomine*.

The main task of the *Comitato Audit, Controllo Rischi e Governance* is to support, through preparatory work, proposals and opinions:

- the evaluations of the Board of Directors concerning the internal control system and risk management, as well as the requirements for the approval of periodic financial reports;
- the evaluations concerning the size/composition of the Board of Directors and the corporate governance of the FS Group, as well as the corporate social responsibility.

The main task of the *Comitato per la Remunerazione e le Nomine*, is to advise and make proposals to the Board of Directors regarding, among other things, the remuneration of the CEO and the Chairman (if the latter has operating powers), the definition of criteria for the designation of FS' key management personnel and members of Group's corporate bodies, the eventual co-option of FS' Directors as well as the periodic review of the requirements of independence and integrity and the absence of any reasons for incompatibility or ineligibility of the Directors of FS.

Furthermore, FS has established the following corporate committees, the main tasks of which are described as follows:

- The main task of the **Ethical Committee** is to promote the integration of ethical principles within corporate processes, to verify the compliance of the behaviour of the Board of Directors and employees to the standards of conduct and to revise business procedures in light of the Code of Ethics adopted by FS. Meetings of the Committee take place quarterly and its members are appointed by the Board of Directors.
- The main task of the **Committee for Equal Opportunities** is to promote initiatives and actions to offer female workers more favourable working conditions and greater development opportunities. Meetings of the Committee take place every two months and consist of one female representative from each trade union organization which signs the *CCNL Mobilità/AreaAF* and a corresponding number of female members designated by the Group.
- The main task of the **Antitrust Committee** is to promote, through the development of guidelines, the dissemination of knowledge regarding antitrust regulations and monitor their correct application. Meetings of the Committee take place quarterly and its members are appointed by the CEO. The CEO, with broad executive powers, is appointed by the Board of Directors.
- The main task of the **Investment Committee** is to provide guidelines on investment and disinvestment plans, assess the soundness (strategic, economic and financial) of strategic initiatives, monitor business plan execution and propose corrective actions. Meetings of the Committee take place upon the initiative of the Strategies and Planning Department. The Investment Committee members are appointed by the CEO.
- The group's **Information and IT System Security Committee**, established with group measure no. 168/AD of 25 November 2013, is an intragroup advisory body that monitors information and IT system initiatives, in accordance with group measure no. 167/AD of 25 November 2013. In particular, the committee steers FS Group's information security strategies, formulates proposals to group companies for the mapping of critical business processes in terms of emerging risks inherent to the use and management of information resources, monitors IT projects and assesses and approves proposals concerning the regulation of information and IT system security evaluations and certification.
- The **SoD (Segregation of Duties) Committee**, which was established with group measure no. 184/AD of 22 December 2014 and was updated with group measure no. 188/AD of 23 January 2015, carries out advisory activities and provides guidance on the segregation of duties. FS' SoD Committee is responsible for defining, validating and overseeing the group's SoD risk matrix. In addition, this committee is responsible for analysing and monitoring the implementation of the appropriate remediation actions to take in the management/resolution of SoD risks that are detected throughout many group companies' staff processes.
- The **Foreign Development Committee** was set up with group measure no. 206/AD of 5 May 2016 for the strategic oversight of development initiatives in the group's interests abroad.
- The **Credit Committee**, set up with group measure no. 210/AD of 23 June 2016, is responsible for monitoring the performance of group receivables, highlighting any critical areas and promoting the necessary corrective action, while also assessing consolidated exposure to each counterparty and any possibility of offsetting amounts.
- The **Sustainability Committee** was set up with group measure no. 211/AD of 1 July 2016 to ensure the integration of social and environmental aspects in the group's economic/financial strategies and promote

the values and principles of sustainable development, in accordance with stakeholders' requirements and expectations.

- Additionally, in connection with the launch of its first Green Bond in 2017, FS established a **Green Bond Working Committee**, established to create, review, maintain and implement FS Green Bond Framework. This Committee consists of members of FS' Finance and Sustainability teams, as well as those of the subsidiaries involved from time to time. The Committee is chaired by FS's Head of Finance.

Internal Audit Department

FS' management system is divided into twelve departments which report directly to the Chairman or to the CEO. The main group companies have internal audit departments reporting to the Chairman of their BoD. For companies that do not have (or do not yet have) their own internal audit departments, the parent's Central Audit Department provides this service.

If an Audit Committee has been set up, the internal audit department reports to it as well, as defined by the relevant company's internal procedures.

Internal auditing at group level is independent and objective, provides assurance and serves an advisory purpose, to improve the organisation's efficiency and effectiveness. It also helps the organisation to pursue its targets through a professional and systematic audit approach, which generates added value as it is aimed at assessing and improving control, risk management and corporate governance processes.

For the analysed processes, the group's internal audit departments assess the adequacy of the internal control system (ICS), with respect to the following:

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

The Central Internal Audit Department defines the group's audit guidelines and methodologies, which also helps better manage internal audit personnel.

Law 262/2005

Since 2007, upon the request of the Ministry of the Economy and Finance and in order to adopt corporate governance systems that are increasingly in line with those of listed companies, the parent created the position of manager in charge of financial reporting pursuant to Law no. 262 of 28 December 2005 "*Provisions to protect asset management and regulate financial markets*" for companies listed on financial markets.

Following the issue of the aforementioned bond (July 2013), FS' status became that of a public interest entity pursuant to article 16 of Legislative decree no. 39/2010 because it had issued bonds. Accordingly, the position of manager in charge of financial reporting is now legally required as the company now completely falls within the scope of application of article 154-bis of the Consolidated finance act.

The Regulation of the Manager in charge of financial reporting approved by the board of directors on 28 July 2015 governs the role, functions, powers, means and responsibilities of FS' manager in charge of financial reporting and this manager's relationships with the company officers, the control and supervisory bodies, the various company departments and group companies.

Considering FS Group's organisational and operational complexity, to strengthen and improve efficiency in the application of this legislation, FS' Board of Directors has deemed it appropriate, from the start, to have its main subsidiaries immediately appoint managers in charge of financial reporting as well (RFI, Trenitalia, FS Logistica S.p.A. (now Mercitalia Logistics S.p.A.), Busitalia and Ferservizi S.p.A.).

On 4 July 2016, the shareholder resolved to amend article 16 of the by-laws to implement the legislative requirements for managers in charge of financial reporting (article 154-bis of the Consolidated finance act) which – as noted earlier – applies to FS following the issue of listed bonds.

Since the position was created and filled, FS' current manager in charge of financial reporting has been the Director of the parent's Central Administration, Financial Statements and Tax Department, appointed by the Board of Directors on 27 March 2018 upon the CEO's proposal and with the approval of the Board of Statutory Auditors. He will remain in office until the approval of the financial statements as at and for the year ending 2020.

Law 231/2001

Legislative Decree n. 231 of 8 June 2001 ("**Law 231/2001**") "*Regulation of the administrative responsibility of the legal persons, companies and associations even without legal personality under Article. 11 of September 29th 2000, no. 300*" introduced into Italian law the principle of corporate criminal responsibility, i.e., criminal responsibility imposed on an entity, as well as on a natural person.

The expansion of such responsibility allows both the property of the entities themselves as well as the economic interests of the shareholders to be considered in formulating the penalty of certain criminal offences committed by the company's directors or employees.

Group measure no. 209/P of 9 June 2016, which replaced the previous measures concerning the control model since 2002, requires the companies of the Group to adopt an organisational, management and control model to prevent the illegal conduct covered by Legislative decree no. 231/2001 and establish a supervisory body responsible for monitoring that the models are functional and compliant and propose updates to them.

Supervisory bodies are normally set up as boards with a chairman from outside the company with important, specific expertise in this respect, an internal audit manager and a legal expert from outside the group or, alternatively, a member of the board of statutory auditors.

To ensure the bodies' independence, their members may not hold similar positions with subsidiaries or parents nor have interests in or carry out material transactions with the company, subsidiaries or parents.

FS' Supervisory Body consists of two external members, one of whom acts as Chairman, and one internal member, i.e., the Director of FS' Central Internal Audit Department.

Code of Ethics

The Code of Ethics adopted by FS clearly sets out the responsibilities, ethical and social commitments that FS has with regard to the stakeholders, and outlines the rules underlying any action taken by the Group. It is approved by the Board of Directors and applies to the corporate bodies, management, employees, external consultants, commercial partners, suppliers and other stakeholders of the Group.

Sustainability and Environment

FS Group has intensified its ambition of creating transport works and services that create long-lasting value for the community by redefining the business through intermodal transport.

This vision is based on three pillars: economic, social and environmental commitments. This expression of intent constitutes the shared foundation of values and beliefs that transversally guide FS Group's decisions and operations.

FS Group's code of conduct establishes the rights and responsibilities of corporate officers, managers, employees, freelancers, business partners, suppliers and all other parties involved in transactions with the FS Group. With the code of conduct, the FS Group transparently assumes its responsibilities and commitments to internal and external stakeholders.

The FS Group is also a member of the Union Internationale des Chemins de Fer ("**UIC**"), which promotes the railway sector around the world as a solution to the challenges of mobility and sustainable development. In 2011, the Group signed the UIC Declaration on Sustainable Mobility and Transport, undertaking to promote responsible conduct in line with the 10 principles of the Global Compact. FS Group also aims to help achieve the following

sustainable development goals as part of the United Nations 2030 Agenda for sustainable development: gender equality, decent work and economic work, industry innovation and infrastructure, sustainable cities and communities, climate action and partnerships for the goals.

The FS Group has formalised a set of principles – for all stakeholders – underpinning its business policies, code of conduct and vision.

The quality of the environment is a key value on which the FS Group has based the mobility project strategies it is pursuing to improve the overall transport system.

In its search for innovative travel solutions, to maximise the benefits of sustainable infrastructure and transport, the FS Group aims to create an integrated, intermodal system that seamlessly meets its customers' mobility needs by offering an alternative to the traditional mobility model based on private cars burning fossil fuels. By making the most of railway transport, the backbone of sustainable mobility, the Group is striving to create a system of synergies between collective transport, local public transport, sharing mobility services and, more generally, all operators capable of reducing the environmental impact of the transport of passengers and goods.

Its approach to improving environmental performance is increasingly geared towards assessing all stages in the life cycle of each process and service, focusing on the quality and operations of its suppliers, proper waste management and the appropriate care for the environmental aspects connected to all Group companies' operations. To implement this approach, the FS Group pursues certain measures to ensure its commitment to reducing environmental impacts is constant.

This commitment has also been translated into the implementation and certification of environmental management systems or integrated management systems covering all processes and operating sites, in order to continuously improve the Group services.

The considerable and differentiated range of activities requires the Group to carry out structured monitoring in order to retain control over the most significant environmental aspects.

On 1 July 2016, the Sustainability Committee was set up to ensure the integration of social and environmental aspects in the Group's economic/financial strategies and promote the values and principles of sustainable development, in accordance with the stakeholders' requirements and expectations.

The FS Group is aware that sustainable, long-lasting growth goes hand-in-hand with the ability to create value for the community and all stakeholders, i.e. its ability to meet the interests and expectations of its stakeholders. For this reason the Group holds a stakeholder panel every year to promote dialogue and interaction with stakeholders and stakeholder involvement. Stakeholders are invited to discuss hot topics and propose improvements for the business. In turn, the FS Group promises to give a specific and transparent answer to every request submitted and to follow up tangibly where appropriate.

Over 200 stakeholders from the various stakeholder categories participated in the four panels held from 2013 to 2016. A total of 85 proposals were gathered and, among these, 52 were implemented, 23 are being implemented and 10 were judged as not feasible.

In recent years, the FS Group has distinguished itself for its deep commitment to initiatives and projects to relieve social distress in railway areas and redevelop the land for communities. As the economic crisis continues and migration surges, all of Italy is experiencing the deterioration of social conditions, which can be especially seen at railway stations. Promoted and managed in collaboration with local bodies and non-profit associations, the help centres are the answer of the FS Group to the growing social distress and the considerable rise in migration to Europe and Italy in particular, as it is a gateway to Europe.

The help centres are "low threshold" information points - i.e. without any filtering of users - created to welcome and shelter those who are most in need and help begin their rehabilitation with the city's social services and institutions. The Group plays a key role in this project, providing space inside or near to the station on free loan to associations and bodies engaged in combating social marginalisation and covering urgent needs so they can create help centres.

The FS Group continuously monitors its environmental impacts with the aim of minimising and mitigating negative impacts, while taking the necessary steps to develop the environmental advantages of mass transport and making the most of local resources.

The Group's activities span a wide range of diversified operating segments that characterise its business and that have been assigned different impact levels with respect to the main environmental aspects. The reporting scope includes the core activities of the most material companies in aggregate environmental terms for the sector.

The transport segment's use of electrical energy is composed of: 97.3% for railway traction and 2.7% for electrical services.

The transport segment's use of diesel is composed of: 63.7% for railway traction, 28.1% for public road service traction and 8.2% for other purposes.

The transport segment's use of natural gas is composed of: 69.3% for heating, 30.6% for public road service traction and 0.1% for other purposes.

The transport segment's CO₂ emissions are composed of: 87.9% from railway traction, 6.3% from public road service traction, 2.4% from heating and 3.34% from other activities.

Railway mobility is the Group's largest consumer of energy, accounting for approximately 97% of electrical energy consumption and 64% of diesel among all transport companies. Between 2016 and 2017, electrical traction for railway traffic in Italy remained steady with the previous year, while its percentage of total consumption rose as a result of the roll-out of service on the UK market with Trenitalia c2c, which has expanded FS Group's international transport offer since 2017.

Overall, most of the energy consumed is electrical energy, due to the considerable volume of railway operations driven by electricity. This enables the Group to immediately benefit from renewable sources, which make up roughly 40% of the electrical energy mix in Italy. Although diesel railway transport accounts for a smaller portion of railway operations, it consumes 57% of total diesel volumes. Road transport has a substantial impact on diesel consumption, as diesel is the main type of fuel used, and on natural gas consumption as well. In particular, road transport accounted for one quarter of the Group's diesel and one fifth of its natural gas consumption. Natural gas is mainly used for heating and only marginally for road transport.

Overall, in the two-year period 2016-2017, the consumption of energy from these sources is up: electrical energy consumption +2.4%, diesel consumption +7.8% and natural gas consumption +2.9%. This trend is mainly due to the increase in transport services as a result of the larger consolidation scope: as reported earlier, additional electrical energy is due to the Trenitalia c2c railway service in the UK; similarly, a considerable portion of the increase in diesel volumes is due to the road transport services of Busitalia Campania S.p.A. and Ferrovie e Servizi Automobilistici del Sud Est S.r.l..

This trend affects FS Group's greenhouse gas emissions, which amount to nearly Euro 2.4 million tonnes (+0.8% on 2016). As with energy, railway traction, bus traction and water navigation significantly affect (85%) CO₂ production, while the remainder of CO₂ emissions relate to workshops, stations, offices and other operating sites. The FS Group companies are increasingly attentive to their use of water. In 2017, they cut water consumption by approximately 7% on 2016, confirming the effectiveness of the water management project slated to continue in forthcoming years. Most water consumption is for non-industrial use (roughly 87% of total consumption). The Group launches periodic campaigns to spread awareness of responsible practices among water users.





Industrial water use is carefully managed to reduce consumption and ensure efficient collection and treatment of wastewater.



The Group actively monitors and reduces the quantity of waste produced. Our commitment can also be seen in the continuous improvement of waste collection systems in the services we offer passengers, especially on board trains and at stations. The growth in waste production in 2017 (roughly 25% in 2016) is due to the increase reported by RFI, which contributes over 70% of the Group's total production, as its updating of tracks in the year generated an increase in waste in the form of iron, steel, cement and wood sleepers. The percentage of special waste sent for recycling remains steady.

To prevent or reduce the harmful effects of exposure to environmental noise, the FS Group carefully plans and carries out noise mitigation work for its transport, site and plant operations.

Furthermore, the FS and the main Group companies are involved in the implementation and certification of their environmental management systems in accordance with the ISO 14001 standard. In 2016, the Group companies began a transition to the new UNI EN ISO 14001:2015 standard, which, unlike the previous version, encourages environmental management systems to be more responsive to the specific company and extends improvement strategies according to broader concept of sustainability. The Group also controls the environmental risk of its contractor companies assigned infrastructural works projects, which includes a contractual obligation for the construction companies to adopt an environmental management system (UNI EN ISO 14001) for site activities for the entire duration of the contract and provide the company and relevant bodies with objective evidence of their controls over project activities.

FS Group initiatives and projects

 <p>Energy</p>	<p>FS issues its first green bond to finance the high-energy efficiency trains Pop, Rock and Frecciarossa 1000.</p> <p>GSE approved its requests for white certificates for the new Pop and Rock regional trains.</p> <p>A remote driver performance monitoring system was installed on the new buses to track their performance and pinpoint improvement areas.</p> <p>Development was completed on the QLIK IT system to monitor Trenitalia's energy consumption.</p> <p>RFI's electric substation meter project began, which will include the replacement of obsolete high and medium voltage transformers.</p>
 <p>Atmospheric emissions</p>	<p>The tender was assigned for the supply of electrical energy to 10 FS Group companies, which will include approximately 30 GWh/year from certified renewable sources in Italy.</p> <p>The preliminary analysis and economic/environmental assessment report for the construction of photovoltaic power plants with total power of roughly 200 MW was prepared.</p> <p>Italferr S.p.A. met the contractual environmental sustainability requirements of works in progress and, more specifically, to reduce the greenhouse gas emissions generated by works contracts worth over €30 million.</p> <p>Particulate and nitrogen oxide emissions were reduced with the commissioning of Busitalia's new Euro 6 buses, replacing obsolete vehicles.</p>
 <p>Waste</p>	<p>Strengthening of sorted waste collection systems in stations.</p> <p>Waste monitoring and control using dedicated software.</p> <p>Feasibility studies to increase sorted waste collection on board trains and at plant.</p>
 <p>Water</p>	<p>New industrial water treatment and purification systems.</p> <p>Awareness campaigns for a more rational use of water.</p>

	Remote control of consumption.
 Noise	Soundproofing barrier design and construction. Noise and vibration monitoring campaigns.
 Land and potentially contaminated sites.	Application of BIM (Building Information Modelling) in design. Development and creation of new services for the enhancement of cultural assets and the reporting of archaeological activities.

FS Green Bond Framework and Inaugural Green Bond

Ferrovie strongly believes that rail and public transport are critical for sustainable development and global efforts to combat climate change, by facilitating the modal shift away from cars into less carbon intensive modes of transport.

Ferrovie has developed the FS Green Bond Framework in accordance with the ICMA Green Bond Principles and which aims at financing projects with a positive impact in terms of environmental and social sustainability. The FS Green Bond Framework obtained a second party opinion from Sustainalytics.

The FS Green Bond Framework envisages as Eligible Green Projects the public transport rolling stock renewal as follows:

- New Electric Multiple Unit (EMU) trains for regional passenger transport, so called "Pop" and "Rock";
- New High speed Trains "ETR 1000".

Both categories of projects ensure energy efficiency improvements, carbon emissions reduction and a modal shift to rail in the local public and long-distance transport market, as well as contribute, among other factors, to the improvement of air quality and the comfort of passengers.

On 30 November 2017, FS issued its Eur 600 million 0.875% due 12/2023 inaugural green bond (Series 7) under the Programme, to finance the above mentioned Eligible Green Projects. 97% of the proceeds were allocated at date of issue whereas full allocation was completed on 4 April 2018.

Employees

The number of Group employees rose from 70,180 at 31 December 2016 to 74,436 at 31 December 2017 a net increase of 4,256, including 3,789 due to extraordinary transactions (such as Qbuzz with 1,869 employees, TrainOSE with 618 employees and Trenitalia c2c with 665 employees). The average number of employees also increased by a similar amount (+3,385 resources).

Personnel management and development policies

In 2017, work continued to increase efficiency and productivity, which included employee turnover to bring new experts and professionals into the Group.

Redundancy was managed with leaving incentives on one hand and by using the extraordinary benefits of the fund for income and employment assistance for the Group companies. Approximately 500 workers benefited from these schemes in 2017, on the other.

In addition, following the Interministerial decree no. 99296/2017, the Group began the procedure for the use of additional benefits drawn from the FS fund for "extraordinary solidarity benefits" which will entail the hiring of

around 1,000 young new employees for the operations the Group companies Trenitalia, RFI and Mercitalia Rail S.r.l., replacing the same number of workers who will retire.

The Group significantly ramped up its use of job postings, efforts that included new policies to develop the Group's resources and know-how. For the purposes of transparency, equal opportunities and professional diversification, employees were given the chance to express their interest in diversification in various fields, with the involvement of over 1,300 people, including managers. This resulted in an updated database for the creation of professional groups within the Group to consult for continuous job postings. Out of 92 intragroup job openings, 76 jobs openings were posted, and out of the 47 completed postings, 22 were filled.

Recruitment on the market outside the Group, which encompasses international candidates to meet the Group's development needs on foreign markets - in accordance with the principles of fairness, merit-based criteria, transparency and equal opportunities, as always - has focused on top quality recent graduates, not only in the fields of engineering, but in business and law as well, and on specialised experts, to generate value for the Group. To become known for its innovation to increasingly attract young people in general, rare candidates like those needed in the digital and technology fields and top candidates with digital skills and global mindsets, the Group has rolled out new digital tools for pre-screening and evaluation, enabling it to substantially increase the number of candidates eligible for positions at the end of the recruitment process. In 2017, over 440,000 curriculum vitae in the database were considered, including more than 105,000 that were received in response to published ads, creating a pool of recent graduates as attractive candidates. Of these, 240 were selected for positions in the Group. 78 newly hired employees were recruited through intense, ongoing collaboration with the network of universities and diversified employer branding activities (over 8,000 young potential candidates were met in the year). In particular, the FS competition was designed, organised and held to attract, involve, train and recruit students and recent graduates who stand to contribute to the mobility sector. Over 2,000 young participants competed on the website and the Facebook page with serious games, digital case studies and share experiences (escape room), 70 of whom were selected for the on-site event. Of these, 28 received "job vouchers" for exponential Group recruitment.

Similarly, "professional breeding grounds" that are useful to the business were developed for the professional target, with up to 180 people for expert positions and 22 managerial positions.

Each company of the Group followed its own specific procedure for the selection of operational personnel, in line with the Group's principles guidelines, which consider the candidate's residence in the region where the job is based as a priority requisite. For the specific purpose of training experts and cultivating potentially attractive pools of candidates to meet future needs for operational personnel within the Group, approximately 2,000 high school students were involved in youth initiatives, highlighting the Group's active contribution to developing culture and expertise for the labour market and boosting the country's economic system and employment rate, with 218 school/work programmes under 55 active agreements.

The Group has also expanded its channels for the communication and promotion of professional opportunities in line with international benchmarks to strengthen recruitment and attract new talent, including international talent. In particular, the career website "FSitaliane.it/Lavoraconnoi" – which receives an average of about 197,000 visits per month and around 680,000 page views – was completely revamped with new content and an updated layout. The Group also: i) published the English language version of the career website and online app; ii) reinforced the Group's presence on LinkedIn with a corporate page (in English); iii) periodically updated the sections on People, Recruitment, Company and Events/News. These efforts resulted in over 120,000 followers for the Group.

For the purpose of top level training to ensure innovation, developing the production system and make school and university training more responsive to business needs– also considering the requirements of integrated mobility and jobs in the new digital world, preparing young people for employment and bringing them closer to jobs – the Group promoted and conducted many different employer branding and networking initiatives with universities, through ongoing, fruitful contact with young people. It disbursed over 64 scholarships, provided 83 on-the-job training arrangements and held 30 events and seminars to meet, listen, provide work orientation to and recruit young people. All this led it to confirm its number one ranking for the fourth year in a row as the "Best Employer of Choice" among companies where young recent graduates would like to work, based on a statistical analysis of a sample of 2,500 young people representing all Italian recent graduates and considering 101 Italian and international companies.

in 2017, a new performance management model was established in order to enable the FS Group to:

- encourage the personal and professional development of people (heads and workers);
- align overall performance with strategic targets;
- provide continuous, differentiated feedback; and
- support the development of skills.

In 2017, additional development activities covered were:

- assessing participants of interest to the FS Group (managers, key junior managers and university graduates: 323 people) and company interest (junior managers and white collars: 426 people) for a total of 749 participants, along with the management of feedback and development plans following the assessments; and
- FS Group's annual performance assessment conducted by resource managers using the integrated evaluation system and involving key resource groups (managers, junior managers and university graduates). The performance of 9,169 men and 2,475 women was assessed, representing about 18% of the Group's average workforce for the year, up approximately 33% on 2016. The supervisors monitored the annual performance of resources not included in the integrated evaluation system assessment process informally (e.g., by providing feedback on strengths and improvement areas).

Industrial relations

In 2017, operating instructions were given for the application of the changes to the national labour agreement for the Mobility/Railway sector and the FS Group's agreement dated 16 December 2016, updating the previous guidelines for the purpose of simplification. The information systems were formatted and updated in accordance with the changes introduced by the national labour agreement for the Mobility/Railway sector and FS Group's agreement of 16 December 2016, in cooperation with the relevant Group structures. In addition, Group regulations were updated in accordance with the legislative changes, such as the legislation on civil unions. To implement the consequent contractual clause, on 2 May 2017, a pilot agreement was signed for smart working arrangements within the FS Group companies that have offered them.

On 20 July 2017, an agreement was signed with Mercitalia Rail S.r.l. to amend and integrate the working hours clauses for mobile personnel contained in the national labour agreement for the Mobility/Railway sector and FS Group's agreement dated 16 December 2016, in order to improve the Group's economic and organisational efficiency.

Another agreement was signed on 21 December 2017 for EUROFER, a complementary pension fund, allowing the dependants of railway workers participating in the fund to join as well.

Following the issue of decree no. 99296 of 18 May 2017 issued by the Italian Labour and Social Policy Minister's decree and the Minister of the Economy and Finance, published in Official Journal no. 166 of 18 July 2017, concerning the regulation of the fund for income and employment assistance for FS Group companies' personnel, an agreement was signed on 26 October 2017 for the procedure to receive the extraordinary solidarity benefits under the same fund. By way of this agreement, the parties quantitatively and qualitatively defined the personnel eligible for such benefits and the related methods and determined the procedure for the recruitment of new resources on the market for the generational succession of personnel.

The percentage of Group employees who are members of trade unions remained substantially the same at 62.95% and group employee absenteeism is 8.8%, compared to 8.9%.

	2017	2016	2015
Absenteeism rate	8.8%	8.9%	8.8%

Missed hours due to strikes show a substantial decrease on the previous year. Furthermore, company strikes accounted for 21% of total missed hours, in line with 2016.

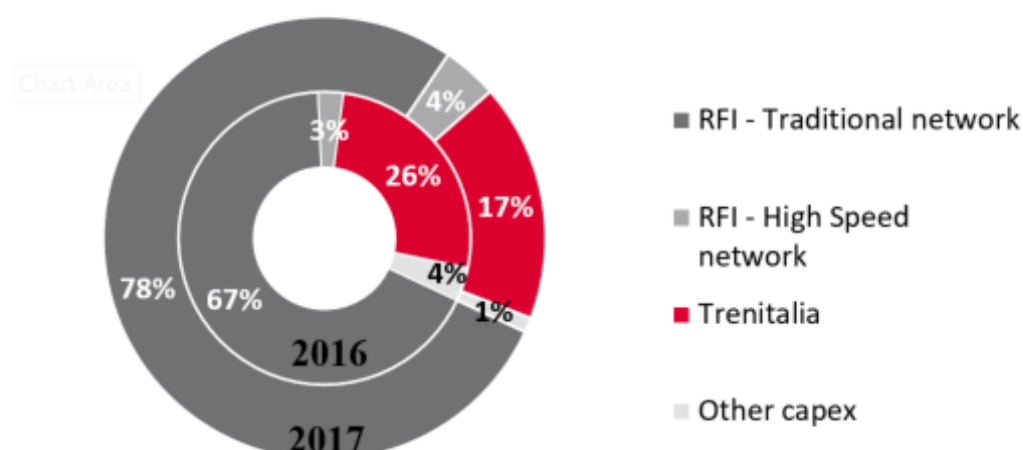
	2017	2016	2015
Missed hours due to strikes	57,709	108,776	50,617

Capital Expenditure

In 2017, the capital expenditure of the FS Group amounted to Euro 5,407 million (€1,107 million of which self-financed and €4,300 million through government grants mainly earmarked to infrastructure) compared to Euro 5,950 million in 2016.

Euro 4,409 million of investments refers to the Infrastructure operating segment, with RFI investing €4,191 million for the traditional/HC network and €218 million for the HS/HC network between Turin, Milan and Naples. Trenitalia invested €40 million (including ordinary maintenance), the Mercitalia Hub approximately €69 million, Netinera Deutschland GmbH €30 million and the Busitalia Group companies, which operate in road transport in Italy and abroad, €8 million. The Real estate segment accounts for approximately 1% of the group's investments and they were mainly made by Grandi Stazioni Rail S.p.A. and Centostazioni S.p.A. (merged by incorporation into RFI on 16 July 2018) to relaunch and redevelop the main railway stations.

Capex breakdown 2016-2017



Overview of the Consolidated Financial Information of the Group

Consolidated Income Statement for the years ended 31 December 2017 and 2016

	For the year ended 31 December	
	2017	2016
	<i>(in millions of Euro)</i>	
Revenue		
Revenue from sales and services.....	8,632	7,908
Other income.....	667	1,020
Total revenue	9,299	8,928

Operating costs		
Personnel expense	(4,178)	(3,951)
Raw materials, consumables, supplies and goods	(1,136)	(1,230)
Services	(2,663)	(2,421)
Use of third-party assets	(229)	(183)
Other operating costs	(208)	(199)
Internal work capitalised	1,428	1,349
Amortisation and depreciation	(1,378)	(1,306)
Reversals of impairment losses	(152)	(70)
Provisions	(65)	(25)
Operating profit	718	892
Financial income and expense		
Financial income	62	62
Financial expense	(176)	(170)
Share of profits of equity-accounted investees	14	14
Pre-tax profit	618	798
Income taxes	(64)	(26)
Profit (loss) from assets held for sale, net of taxes	(2)	
Profit for the year from continuing operations	552	772
Profit for the year (attributable to the owners of the parent and non-controlling interests)	552	772
<i>Profit for the year attributable to the owners of the parent</i>	<i>542</i>	<i>758</i>
<i>Profit for the year attributable to non-controlling interests</i>	<i>10</i>	<i>14</i>

Consolidated Statement of Financial Position as of 31 December 2017 and 2016

	As of 31 December	
	2017	2016
	<i>(in millions of Euro)</i>	
Property, plant and equipment	44,449	44,590
Investment property	1,398	1,565
Intangible assets	988	766
Deferred tax assets	158	183
Equity-accounted investments	373	331
Non-current financial assets (including derivatives)	1,863	2,326
Non-current trade receivables	9	8
Other non-current assets	1,307	1,995
Total non-current assets	50,545	51,764
Construction contracts	57	53
Inventories	2,102	2,053
Current trade receivables	2,491	2,337
Current financial assets (including derivatives)	637	630
Cash and cash equivalents	1,834	2,337
Tax assets	113	121
Other current assets	5,231	3,392
Total current assets	12,465	10,923
Assets held for sale and disposal groups	3	0
Total assets	63,013	62,687
Equity	38,630	38,412
Equity attributable to owners of the parent	38,380	38,155
Share capital	36,340	36,340
Reserves	42	10
Valuation reserves	(467)	(512)

	As of 31 December	
	2017	2016
	<i>(in millions of Euro)</i>	
Retained earnings (losses carried forward)	1,923	1,559
Profit for the year	542	758
Total equity attributable to non-controlling interests	250	257
Profit for the year attributable to non-controlling interests	10	14
Share capital and reserves attributable to non-controlling interests	240	243
Liabilities		
Non-current loans and borrowings	9,125	8,652
Post-employment benefits and other employee benefits	1,633	1,785
Provisions for risks and charges	944	968
Deferred tax liabilities	275	271
Non-current financial liabilities (including derivatives)	44	83
Non-current trade payables	96	15
Other non-current liabilities	160	142
Total non-current liabilities	12,277	11,916
Current loans and borrowings and current portion of non-current loans and borrowings	2,389	3,210
Current portion of provisions for risks and charges	50	44
Current trade payables	4,252	4,097
Tax liabilities	18	4
Current financial liabilities (including derivatives)	33	119
Other current liabilities	5,363	4,885
Total current liabilities	12,105	12,359
Total liabilities	24,383	24,275
Total equity and liabilities	63,013	62,687

Consolidated Cash Flows Statement for the years ended 31 December 2017 and 2016

	As of 31 December	
	2017	2016
	<i>(in millions of Euro)</i>	
Profit for the year	552	772
Amortisation and depreciation	1,378	1,306
Share of profits/losses of equity-accounted investments	(14)	(14)
Accruals to provisions and impairment losses	263	116
Profit on sales	(74)	(36)
Change in inventories	(105)	(54)
Change in trade receivables	(149)	631
Change in trade payables	225	(175)
Changes in current and deferred taxes	46	(4)
Change in other liabilities	377	(1,826)
Change in other assets	(1,082)	896
Uses of provisions for risks and charges	(203)	(121)
Payment of employee benefits	(145)	(95)
Net cash flow generated by operating activities	1,069	1,395
Increases in property, plant and equipment	(5,306)	(5,599)
Increases property	(6)	(12)
Increases in intangible assets	(196)	(135)
Increases in equity investments	(131)	(154)
Investments, before grants	(5,639)	(5,899)
Grants for property, plant and equipment	4,300	4,280

Grants for investment property		
Grants for intangible assets		6
Grants for equity investments	95	128
Grants	4,395	4,414
Decrease of property, plant and equipment	131	291
Decrease of investment property	17	11
Decrease of intangible assets		2
Decrease of equity investments	10	4
Divestments	159	308
Net cash flow used in investing activities	(1,085)	(1,177)
Disbursement and repayment of non current loans	667	(596)
Disbursement and repayment of current loans	(1,091)	1,098
Change in financial assets	456	445
Change in financial liabilities	(72)	(107)
Dividends	(300)	(46)
Changes in equity	(146)	20
Net cash flow generated by in financing activities	(486)	815
Total cash flows	(503)	1,032
Opening cash and cash equivalents	2,337	1,305
Closing cash and cash equivalents	1,834	2,337

Reclassified Consolidated Statement of Financial Position as of 31 December 2017 and 2016

	As of 31 December	
	2017	2016
	(in millions of Euro)	
ASSETS		
Net operating working capital	401	404
Other assets, net	1,174	591
Working capital	1,575	995
Net non-current assets	47,279	47,330
Other provisions	(2,902)	(3,068)
Net assets held for sale	2	
NET INVESTED CAPITAL	45,954	45,257
COVERAGE		
Net current financial debt	(65)	353
Net non-current financial debt	7,338	6,407
Net financial debt	7,273	6,760
Equity	38,681	38,497
COVERAGE	45,954	45,257

The results for 2017 fully highlight the short and medium-term decisions that the Group has taken to effectively implement the strategy. Indeed, the 2017 growth in turnover due to extraordinary transactions worth €472 million demonstrates how FS Group began to see the benefits of its planned transformation from a national transport company to a European mobility player with a systemic vision in which all modes of transport are integrated. The Group will transform itself - and has already partially done so - through a radical internationalisation process, combined with modal and infrastructural integration. This is all supported by new regulations that recognise the mobility system's central role and its connection as vital factors in a country's economic wellbeing.

The government has recently taken steps in this direction, with Law no. 167 of 20 November 2017, which introduced sweeping changes to the previous regulatory framework for the Special Rate Regime (SRR) for the

procurement of electrical energy used for traction, no longer basing the calculation of consumption on the type of transport service but instead on the type of infrastructure used to provide the transport service. Considering only the adjustments for 2015-2016, the results for 2017 benefited from a €143 million reduction in energy costs as a result of these changes. This reduction led to a €128 million increase in gross operating profit, net of recharges to third-party railway companies. This new rate system, along with the new local rail/road public transport service standards negotiated with the individual Italian regions, has boosted competition, enabling FS Group to operate under conditions that make it possible to provide highly comfortable and punctual mobility services to the overall satisfaction of customers.

Partly due to the developments described above, in 2017, the Group posted growth of €724 million in revenue and a substantial profit for the year of €552 million.

The profit for 2016, which came to €772 million, was significantly affected by the aforementioned sale of Grandi Stazioni Retail S.p.A. assets and – to a lesser extent – the completion of the settlement with the Prime Minister's office to resolve the difficult, longstanding waste emergency in Campania. The normalised profit for 2016, excluding the effects of these extraordinary transactions, would have therefore been €385 million. Similarly, eliminating the non-recurring prior year income of €128 million generated by electrical energy for traction (Law no. 167/2017), the normalised profit for 2017 would have been €424 million (+10.1% on 2016), FS Group's highest profit in the past three years.

Revenue increased by €371 million as a result of the rise in revenue from transport services (+€682 million) and the growth in revenue from infrastructure services (+€43 million), offset mainly by the decrease of €353 million in other income.

The main factor driving the increase in revenue from transport services (+€682 million) is undoubtedly the long haul railway passenger transport service, both that offered on the market (+€111 million) and the universal service (+€100 million). Another factor is the Freccia service's excellent results (+€107.9 million), as it benefited from a generic recovery in demand for mobility services and the commercial measures taken to limit price competition in the HS segment. The universal service benefited from the revised prices following the renewal of the 2017-2026 service contract with the government. The new prices will guarantee the contract's balance of costs and revenues and will support the Group's long-term investment plan, ensuring better service quality, comfort and punctuality thanks to the upgrading of rolling stock. The short haul railway passenger transport service also performed well (+€89 million) both in Italy, where Trenitalia posted growth in revenue (+€65 million), and internationally, with the contribution of Netinera Group (+€24 million).

This growth in revenue from transport services was also driven by the extraordinary transactions that entailed the consolidation of FSE S.r.l., a regional transport company operating in Puglia (+€41 million), Trenitalia c2c, a passenger transport company operating on the UK's medium haul market (+€177 million) and, in the second half of 2017, TrainOSE SA, which provides transport service connecting Athens and Thessaloniki on the Greek peninsula (+€34 million).

Revenue from road transport services also rose significantly in the year, by €156 million, almost entirely due to the aforementioned expansion of the consolidation scope. In particular, FSE S.r.l. (+€44 million), Busitalia Campania S.p.A. (+€33 million), Busitalia Simet S.p.A. (+€11 million) and the Dutch company, QBuzz (+€67 million) contributed to this growth.

On the other hand, revenue from cargo transport and logistics services decreased by €21 million.

Revenue from infrastructure services rose (+€43 million) mainly as a result of the increase in the impact of FSE S.r.l.'s service contracts (+€51 million) and the growth in toll revenue (+€14 million) as more train-km were offered in the year. However, the €15 million drop in revenue from the sale of electrical energy used for traction is a result of the application of the new rates introduced by Law no. 167/2017 on 2015 and 2016.

Other income decreased (-€353 million) mainly due to the transfer of non-core assets consisting of commercial spaces through the sale of the investment in Grandi Stazioni Retail S.p.A. in the second half of 2016, generating a gain of €365 million for the Group and leading to a decrease in revenue from property leases (-€28 million), partially offset by the performance of other sundry income (+€40 million) due to non-recurring items, particularly the sale of idle material no longer used in operations.

Operating costs rose by €51 million (+5.3%) to €9,986 million (2016: €9,635 million). They may be analysed as follows:

- the €227 million increase in net personnel expense is mostly due to the expansion of the consolidation scope (+€178 million) and the effects of the full application of the new national labour agreement for the railway mobility sector, signed at the end of 2016;
- other costs, net rose by €124 million, mainly as the combined effect of the following changes:
 - (i) the decrease in raw materials, consumables, supplies and goods (-€94 million) was significantly affected by the drop in energy costs almost entirely due to the price effect of the new rate regime pursuant to Law no. 167/2017, which generated a total cost reduction of €241 million (including the 2015/2016 adjustment of -€143 million). These savings in energy costs were partially offset by the greater consumption of materials (+€60 million) due to investments, higher costs for traction fuel (+€34 million), mostly due to the consolidation of road transport companies, higher selling costs for land and buildings held for trading (+€16 million) and greater impairment losses (+€2 million);
 - (ii) the increase in services (+€242 million) following the rise in transport services (+€76 million) and higher costs for maintenance, cleaning and other contracted services (+€100 million), IT services (+€34 million) and sundry services (+€27 million);
 - (iii) the growth in the use of third-party assets (+€46 million), particularly in connection with the "Rolling stock hires and indemnities" of the newly consolidated companies, such as Trenitalia c2c and TrainOSE SA;
 - (iv) greater capitalisations (+€79 million), basically due to the increase in investments in infrastructure, specifically to upgrade technology and safety, as well as greater value-increasing maintenance of rolling stock.

Gross operating profit increased by €20 million, or 0.9%, to €2,313 million as a result of the variations in revenue and operating costs described above.

Operating profit amounts to €118 million, a €174 million decrease (-19.5%) on the previous year. Specifically, the increase in gross operating profit was offset by the greater amortisation/depreciation, impairment losses and provisions (+€73 million, €81 million, €40 million respectively). Amortisation and depreciation are largely related to new investments in rolling stock, while impairment losses mainly refer to rolling stock to be scrapped and the normal annual adjustment alignment of receivables and provisions of €65 million (€25 million in 2016) cover the expenses related to the bilateral fund for income assistance.

Net financial expense of €99 million worsened on the previous year by €5 million. Financial income and the share of profits from equity-accounted investees are substantially in line with 2016, while financial expense shows an increase in exchange rate losses (+€13 million) and a decrease in borrowing costs and employee benefits.

Income taxes amount to €64 million, an increase of €38 million mainly reflecting changes in deferred taxes.

The loss from assets held for sale amounts to €2 million and reflects internal trends in Netinera Deutschland GmbH's investees.

Strategy of the Group

The intention of the new Board of Directors in charge since 30 July 2018, is to present a new industrial plan ("Plan") which will cover the next five years period 2019-2023. These are points on which FS will base its next actions:

- **a customer oriented approach with the client at the centre of the strategy, in the regional as well as in the HS services:** FS main focal points are rail passengers and, above all, commuters, improving its positioning at EU level. FS aim is to continue to work intensively to achieve ever higher standards of safety, quality and efficiency in regional and local rail transport. FS operates so that it reach, on all of

our local railways lines, the security standards that the RFI-managed network boasts, to guarantee full national rail interoperability, integrating the local lines into our network;

- **integrated mobility:** the collaboration between all of the operators in the transport sector certainly makes travel experiences more fluid and streamlined, improving regional and metropolitan transport services;
- **digitalisation:** is essential to meeting demand, in an increasingly more widespread and efficient manner, and to accompany passengers throughout their entire travel experiences, providing them with more assistance and more effective and timely information. The aim is to realise optimised industrial processes with a reduction in time and cost, along with predictive maintenance on trains and infrastructure, punctuality, regularity and safety; in this respect it is fundamental to increase the competitiveness of the national railway infrastructure to promote and favour railway services, also exporting FS best practices and know-how at international level;
- **sustainability:** new, more comfortable and more technologically-advanced trains, modern stations that are increasingly integrated into the metropolitan fabric, and rail/road integration. The principles of ethics and sustainability are at the heart of FS strategic decisions;
- **intermodality:** to grow in size, profitability and ability to collaborate with road transport, to build a balance in which each mode of transport can enhance its specific purpose. To invest in modal hubs, further integrating with ports and inland terminals, to offer an effective, reliable, convenient and sustainable service, also to strengthen FS' freight and logistics service and through valorization of FS real estate assets.

Regulatory Framework

Current railway transport laws

The services provided by the Group are subject to European Union and Italian laws.

	European legislation	Italian legislation	Description	Comments
90s	Directive 91/440/EEC	Presidential Decree n. 277/1998	<ul style="list-style-type: none"> • Separation between infrastructure manager and railway undertakings • Development of EU railways 	<ul style="list-style-type: none"> • Administrative reorganization of the FS Italiane Group
	Directive 95/18/EC Directive 95/18/EC	Presidential Decree n. 146/1999	<ul style="list-style-type: none"> • Introduction of license for railway undertakings • Infrastructure capacity • Charges for the use of the infrastructure 	
		Budget Law 2001 (Art. 131)	<ul style="list-style-type: none"> • Transition from concession system to authorization system. 	<ul style="list-style-type: none"> • Italian market is fully liberalised
		Legislative decree n. 422/1997	<ul style="list-style-type: none"> • Regionalisation of public local transport 	
First package (2001)	Directive 2001/12/EC Directive 2001/13/EC Directive 2001/14/EC Directive 2001/16/EC	Legislative Decree n. 188/2003 Legislative Decree n. 268/2004	<ul style="list-style-type: none"> • Infrastructure capacity allocation • Regulation of access to the infrastructure • License for railway undertakings • Access charge calculation • Safety certificates • Interconnection between national railway system and the trans-European one 	
Second package (2004)	Directive 2004/49/EC Directive 2004/50/EC Directive 2004/51/EC Regulation (EC) 881/2004	Legislative Decree n. 162/2007 Legislative Decree n. 163/2007	<ul style="list-style-type: none"> • Further integration to ensure consistency among key European rail markets. In particular: • Safety • Set up of an European Railway Agency • Liberalization of the freight rail market from 01/01/2007 	<ul style="list-style-type: none"> • The Legislative Decree n. 162/2007 sets the safety rules and conditions for the access to the rail services market, attributing the expertise to a new autonomous institution, the 'Agenzia nazionale per la sicurezza delle ferrovie'

	European legislation	Italian legislation	Description	Comments
				<ul style="list-style-type: none"> The Legislative Decree n. 163/2007 regulates the design, construction, commissioning, restructuring, renovation, operation and maintenance phases of railway systems, as well as with respect to professional qualifications and health and safety conditions of the staff who is deals with the operation and maintenance
Third package (2007)	Directive 2007/58/CE Directive 2007/59/CE Regulation (EC) 1371/2007	Law 99/2009 Legislative Decree n. 15/2010 Legislative Decree n. 191/2010 Legislative Decree n. 247/2010	<ul style="list-style-type: none"> Further integration of rules for capacity allocation and calculation of charges for the use of the infrastructure Introduction of certificates for train drivers Rights and duties of international passengers Liberalization of international passenger traffic from 01/01/2010 	
PSO (2007)	Regulation (EC) 1370/2007		<ul style="list-style-type: none"> Conditions under which competent authorities, when imposing or contracting for public service obligations, compensate public service operators for costs incurred and/or grant exclusive rights in return for the discharge of public service obligations. 	
Salva Italia		Law n. 214/2011 (so called "Salva Italia")	<ul style="list-style-type: none"> Establishment of a new Authority competent for all mode of Transport 	
Recast First package (2012)	Directive n. 2012/34/UE	Legislative Decree n. 112/2015	<p>From the entering into force of the Legislative Decree n. 112/2015 are abrogated the following laws:</p> <ul style="list-style-type: none"> The Legislative Decree n. 188/2013 The Articles 58 and 59 of the Law 99/2009 The Presidential Decree n. 146/1999 	
Fourth package (2016)	Directive n. 2016/2370		See paragraph below	

The Fourth Railway Package

In 2016, the Fourth EU Railway Package was approved.

The package consists of a market pillar and a technical pillar, which are respectively established in directives and regulations, as specified below:

Market pillar

- EU directive no. 2016/2370 of the European Parliament and Council of 14 December 2016 amending EU directive no. 2012/34/EU as regards to the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure. Directive must be transposed into national law by 25 December 2018;

- EU regulation no. 2016/2337 of the European Parliament and Council of 14 December 2016 repealing the Council's regulation no. 1192/69 on common rules for the normalisation of the accounts of railway undertakings; and
- EU regulation no. 2016/2338 of the European Parliament and Council of 14 December 2016 amending EC regulation no. 1370/2007 which deals with the award of public service contracts for domestic passenger transport services by rail.

Technical pillar

- EU regulation no. 2016/796 of the European Parliament and Council of 11 May 2016, establishing a European Union Agency for Railways and repealing EC regulation no. 881;
- EU directive no. 2016/797 of the European Parliament and Council of 11 May 2016 on the interoperability within the European Union; and
- EU directive no. 2016/798 of the European Parliament and Council of 11 May 2016 on railway safety. Both Directives that are part of the technical pillar must be transposed into national law by 16 June 2019.

In short, the market pillar provides for the opening of domestic passenger transport services to competition throughout the EU by December 2020. Right of access can be limited only to protect economic equilibrium of public service contracts.

Furthermore, it contains rules concerning the infrastructure manager's independence within integrated groups, i.e., those in which there is both an infrastructure manager and railway undertakings.

EU regulation no. 2016/2338 provides calls for tenders as a general rule for awarding public service contracts. However, national authorities can continue to directly award service contracts under certain conditions.

Technical pillar strengthens the powers of the European Union Agency for Railways (EUAR, formerly ERA) concerning the rolling stock authorisation in EU countries and its certification in accordance with safety standards.

Regulatory Overview Transportation

- The relationship between Trenitalia and the Italian central / local administrations is regulated by different public service contracts ("PSCs") in which the required level of services are specified in terms of quantity and quality, tariff obligations, and fees.
- The State and the Regions define the perimeter of the services to be provided on the basis of the mobility and accessibility of user needs. Contracts are subject to specific regulation that defines eligible costs in terms of company operational expenses, depreciations and adequate capital investments returns.
- As the State and the Regions define quantity and quality of rail services included in the contracts, it is their responsibility to decide whether to reduce or increase them according to the terms and conditions defined in the contract.
- PSCs contain appropriate tools and clauses to guarantee payments to railway undertakings by Regions within the stated terms. In case of non-payment or under compensation of the services provided, the railway undertakings have the right to reduce or even to stop the services.
- Rail fares are adjusted annually for (i) inflation; (ii) any variations on contractual quality/performance objectives (e.g. punctuality, cancellations, cleaning); (iii) change in access infrastructure charges; and (iv) changes in regional fare policy.
- According to EC Regulation 1370/2007, competent authorities (the Regions and the State) may decide to directly award PSCs or to launch competitive tenders. Since 1997 only a few Regions have launched tenders for local rail transport. To date, all the PSCs have been awarded to Trenitalia (on its own or as a consortium leader).

- All risks deriving from the performance of the PSCs are borne by Trenitalia; the contracts with the central administration foresee the possibility of revision in case of significant change in the overall scenario, in order to maintain economic equilibrium.

Railway Infrastructure

- As foreseen by the RFI Deed of Concession and Legislative Decree n. 112/2015 which implemented the Directive 2012/34/EU, the relationship between RFI and the State is regulated on the basis of an Agreement (*Contratto di Programma*).
- The *Contratto di Programma* is the basis for the funding of rail infrastructure development; the funding is primarily based on a medium term investment plan and covers infrastructure development, extraordinary maintenance and ordinary maintenance. Each *Contratto di Programma* lasts for a minimum of five years and may be subject to annual adjustments.
- According to the current regulatory framework, the *Contratto di Programma* is organized in two main parts:
 - investments to modernize and further develop rail infrastructure are disciplined by the *Contratto di Programma* – Investment Part; and
 - ordinary and extraordinary maintenance and other activities (including safety, security and navigation) are disciplined by the *Contratto di Programma* – Services Part.
- In September 2018, the 2017-2021 *Contratto di Programma* – Investment Part has been sent to the Parliamentary Commissions for their examination. This is the last step before the final approving MIT/MEF interministerial decree of the contract, which will then be lodged by the Court of Auditors.
- The 2016-2021 *Contratto di Programma* – Services Part took full effect on 2 October 2017 following the Court of Auditors' registration of Ministerial decree no. 359 of 12 July 2017 whereby the MIT approved the deed.

Road Infrastructure

- As foreseen by the ANAS Deed of Concession, the relationship between ANAS and the State is regulated on the basis of an Agreement (*Contratto di Programma*).
- The *Contratto di Programma* is the basis for the funding of the road and motorway infrastructure development; the funding is primarily based on a medium term investment plan and covers roads and motorways infrastructure development, extraordinary maintenance and ordinary maintenance. Each *Contratto di Programma* lasts for a minimum of three years and may be subject to annual adjustments.
- According to the current regulatory framework, the *Contratto di Programma* provides two type of funding:
 - Compensation Services Part: to fund ordinary maintenance, operation services, security and recurring extraordinary maintenance (paving and guardrail).
 - Compensation Investment Part: to fund investments to modernize and further develop road infrastructure. This compensation covers depreciation costs and the regulatory net invested capital remuneration.
- The 2016-2020 *Contratto di Programma* took full effect on 29 December 2017 following the Court of Auditors' registration of Ministerial decree no. 588 of 27 December 2017 whereby the MIT approved the deed.

The Italian Transport Regulation Authority

The Italian Transport Regulation Authority (Autorità di Regolazione dei Trasporti or "**ART**") became operational in January 2014. Its main objects are to:

1. guarantee equitable and non-discriminatory access to rail, port, airport and highway infrastructures;
2. define minimum quality levels for national and local transport considered to be a public service;
3. regulate access to rail infrastructure;
4. define public tender mechanisms to assign transport services; and
5. cooperate with the public administration in identifying public service obligation routes and support it in identifying the most effective methods to finance them.

On 5 November 2014, the ART released its decision no. 70 of 31 October 2014 on the regulation of railway infrastructure access, where it was resolved on: (a) the adoption of measures for the fair and non-discriminatory access to rail infrastructure, and (b) the start of the process for the establishment of criteria for determining the toll for the use of railway infrastructure.

With respect to adoption of measures for the fair and non-discriminatory access to rail infrastructure for the year 2015, the new authority considers that, in defining the level of toll, the Infrastructure Manager should be oriented to principles of more transparency and economic efficiency, and in particular:

- (a) in line with article 15 of Legislative Decree 188/2003 (now replaced by the article 16 of Legislative Decree n. 112/2015), the financial statements of the Infrastructure Manager must have a balance between the total revenues and the costs related to the management of the infrastructure;
- (b) the eligible financial costs should be evaluated by the Infrastructure Manager having regard to any possible optimisation of the management of the debt, in line with the best market conditions;
- (c) the investments made by the Infrastructure Manager after 31 December 2013 must be adjusted annually, as well as the related credit lines; and
- (d) the incidence of the infrastructure management costs must be reformulated time to time, with immediate implementation, in order to burden less in the period in which the competitive scenario has been deploying and consolidating.

With regard to the eligible costs criteria, the authority requests the Infrastructure Manager to consider eligible, for the computation of the toll for the access to the HS\HC network, in addition to the infrastructure management costs (appropriately reformulated), only the following annual financial costs, properly optimized in line with the best market conditions:

- (a) the annual financial costs related to the investments already made as of 31 December 2013 incurred by the Infrastructure Manager, as not covered by government grants; and
- (b) the annual cumulative financial costs related to the investments in progress after 31 December 2013, calculated as the costs actually incurred by the Infrastructure Manager net of government grants.

On 18 November 2015, the ART released its decision no. 96 of 13th November 2015 on the criteria for determining access charges for the use of national rail infrastructure. The new regulatory framework concerns (i) the minimum access package supplied by the Infrastructure Manager (RFI) to all railway undertakings in a non-discriminatory manner and (ii) other rail services supplied by operators of service facilities. With regard to the charges for the use of rail infrastructure, the decision particularly defines:

- a five year regulatory period;
- perimeter of relevant costs;
- market segmentation based on the main types of service;

- new classification of the network;
- «caps» to the segment average kilometric charge for the purpose of market sustainability and
- requirements for regulatory accounting.

On 1 July 2016, the ART released its decision no 75/2016 validating the 2016-2021 charging scheme for the Minimum Access Package supplied by the Infrastructure Manager (RFI). The charging scheme complies with the criteria for the determination of charges for access and use of the railway infrastructure, as adopted by Decision n. 96/2015 and later amendments.

The content of the main ART regulations in 2017 and first months of 2018 is summarised below:

Resolution no. 18 of 10 February 2017

On 10 February 2017, the ART approved the regulation measure with resolution no. 18 designed to ensure the cost effectiveness and operating efficiency of the railway shunting services. These measures are applicable to the 13 railway districts specified in the resolution.

Resolution no. 69 of 18 May 2017

With this resolution, the ART began a survey to gather information on the methodology and criteria to be implemented to ensure efficient management of regional rail transportation services.

Resolution no. 77 of 1 June 2017

With this resolution, the ART started a procedure to verify and, if possible, integrate, the principles and regulatory criteria for the national railway system which have resulted from a public consultation started by Resolution n. 127/2016.

Resolution no. 88 of 28 June 2017 and Resolution n. 101 of 27 July 2017

With this resolution, the ART started a consultation procedure to identify the minimum quality service levels applicable to national and local railway passenger services that are characterized by public service burdens. The deadline for the completion of this consultation procedure was extended by Resolution 101/2017.

Resolution no. 127 of 20 October 2017

With this resolution, the ART started a consultation procedure to assess how to integrate the principles and regulatory criteria for the access to the national railway system.

Resolution no. 66 of 5 July 2018

With this resolution, the ART started a consultation procedure to identify the methodologies and the criteria necessary in order to grant the efficiency of the management of the local railway system.

Relationship with the Italian State

The Italian State is the 100 per cent. shareholder of FS via the MEF. The State also acts as a client to FS via the MIT and Regions.

As sole shareholder, the Italian State:

- (i) appoints the Board of Directors;
- (ii) oversees FS' strategy via its board representation; and
- (iii) services (mainly to RFI) a large part of FS' debt directly through guaranteed State transfers as detailed in the debt structure section below.

As a client, the State (i) executes PSCs which set out scheduling, quality level and pricing of the services and fees to be paid to Trenitalia, and (ii) executes the *Contratti di Programma* with both RFI and ANAS which sets out the funds for infrastructure investment and maintenance.

FS' legal status was formally changed on 12 August 1992 from that of a government body to a public limited joint stock company. However, in accordance with public law obligations and being an entity which, although formally a corporation under private law, is owned by the State and/or is benefiting from public money, the *Corte dei Conti* (Italy's Court of Auditors) controls FS. A *Magistrato Delegato*, appointed by the Court of Auditors, attends the meetings of FS' corporate bodies. FS is also required to abide by public procurement laws; indeed FS and other companies belonging to it are to be considered public undertakings under Article 2(b) of Directive 2014/25/UE (coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors). The EU legislative provision applicable to FS was transposed into Legislative Decree n. 50/2016 (*Nuovo codice dei contratti pubblici di lavori, servizi e forniture*).

According to its Articles of Association and pursuant to Article 2364 of the Italian Civil Code, the General Assembly (*Assemblea*) of FS, composed by the sole shareholder, MEF, resolves, in particular, on: (i) the appointment and revocation of members of the Board of Directors (*Consiglio di Amministrazione*) and the Board of Statutory Auditors (*Collegio Sindacale*) as well as their remuneration; (ii) the responsibility of the Board of Directors members and the Statutory Auditors; and (iii) the approval of the annual financial statements.

Debt Structure

FS's gross financial debt ("Total Debt") amounts to Euro 11,514 million at YE 2017 vs. Euro 11,862 million at YE 2016.

The majority of the Group's debt is held by FS, RFI and Trenitalia (91.8 per cent. of Total Debt at 31st December 2017). RFI's borrowings are solely used to fund infrastructure investments and Trenitalia borrowings are entirely linked to the purchase/revamping of rolling stock, as described in further detail in the "*Use of Proceeds*" section.

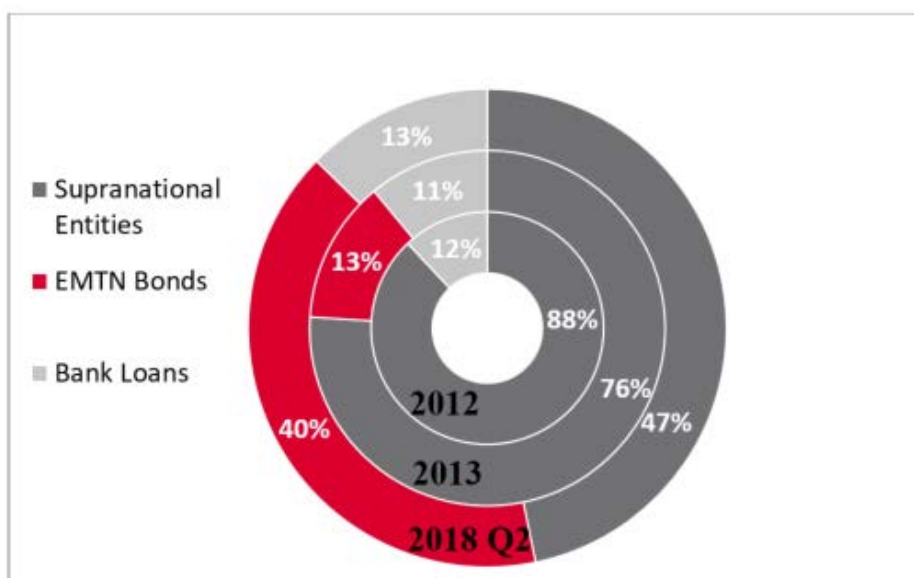
The Group has a balanced debt maturity profile extending out over the next 14 years.

Part of FS' debt is funded directly through guaranteed State transfers (Euro 2.57 billion out of a total debt of Euro 11.51 billion as of 31 December 2017).

An amount of Euro 1.98 billion of private placement bonds is fully underwritten by Eurofima, a European infrastructure supranational rated Aa1 by Moody's and AA+ by Standard & Poor's.

With €3.95 billion outstanding as of the date of this Base Prospectus, FS has significantly increased the use of senior unsecured bonds for its funding needs since the establishment of this EMTN Programme, which now account for 40 per cent. of financial sources. Supranational entities such as EIB, Cdp, Eurofima, still act as important Group's lenders whereas bank lending accounts for 13 per cent. These percentages are calculated on the long term debt held by FS, RFI and Trenitalia which amounts to around Euro 9.7 billion.

The pie-chart below shows the breakdown of financial sources in 2012, 2013 and 2018.



In July 2018 FS renewed a Euro 2 billion committed revolving credit facility, with 3 - year maturity underwritten by a pool of 11 banks and increased from the previous Euro 1.5 billion expired in May. Besides, FS has additional uncommitted credit lines granted by several primary domestic and international banks.

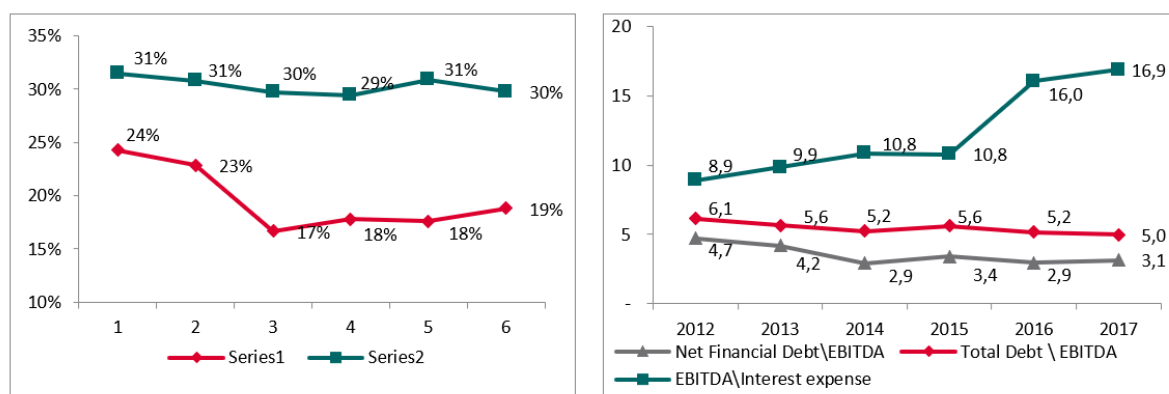
The split of debt by the Group's main companies at 31 December 2017 can be summarised as follows:

	Total Debt	External Debt	Parent company debt
	(in millions of Euro)		
FS.....	8,097	8,097	N/A
RFI.....	4,036	1,739	2,297
Trenitalia.....	6,521	737	5,784
Other Group companies.....	1,457	941	516
Total Long Term Debt and Short Term Financing.....	N/A	11,514	8,597

Given improvement in profitability and conservative debt management, Total Debt / EBITDA has been keeping stable around 5

Historically low borrowing costs and prudent management of finance costs, including interest rate risk management policies, has resulted in EBITDA interest cover remaining above 9x in the last four years reaching 16.9x in 2017.

FS Italiane maintains a strong equity cushion and capital base which offsets its debt leverage:



Historically low borrowing costs and an effective management of finance costs, including interest rate risk management policies, has resulted in a containment of interest expense on debt generating value for the Group. In 2017 interest expense on debt was a record low at 1.5% compared to 1.7% in 2017.

Deed of Concession

FS' infrastructure, both railway and road, as well as national rail passenger activities are subject to public service obligations and are agreed by contract with the State through the RFI Deed of Concession and ANAS Deed of Concession.

RFI acts as the national railway infrastructure manager, as set forth in the RFI Deed of Concession with the MIT, under which RFI's role consists of developing, strengthening and maintaining the Italian rail network and controlling traffic and handling relations with train operators over safety standards and access to the tracks. The relationship between RFI and the State is governed by the *Contratto di Programma*.

ANAS acts as the national road infrastructure manager, as set forth in the ANAS Deed of Concession with the MIT, under which ANAS's role consists of managing, developing, strengthening and maintaining the Italian road and motorway network, controlling the management of motorway granted to third concessionaires, supervising construction works on third concessions. The relationship between ANAS and the State is governed by the *Contratto di Programma*.

Public Service Contracts

The relationship between Trenitalia and the Italian central/local administrations are regulated by different PSCs in which the required level of services are specified in terms of quantity and quality, tariff obligations, and fees. The State and the Regions define the perimeter of the services to be provided on the basis of mobility and accessibility needs. Such contracts are subject to specific regulation that defines eligible costs in terms of company operational expenses, depreciations and adequate capital investments returns. As the State and Regions define quantity and quality of rail services included in the contracts, it is left to their discretion to decide to reduce or increase the rail services according to the terms and conditions defined in the contract. PSCs contain appropriate tools and clauses to guarantee payments to railway undertakings by Regions within the stated terms. Rail fares are adjusted annually for (1) inflation; (2) any variations on contractual quality/performance objectives (e.g. punctuality, cancellations, cleaning); (3) change in access infrastructure charges; and (4) changes in regional fare policy.

Trenitalia primarily self-finances its own rolling stock. A put clause in favour of Trenitalia provides that the rolling stock accounted for by Trenitalia during the life of the contract according to the contractual terms have to be purchased by the Region should the services be assigned to another company.

According to EC Regulation n. 2016/2338, competitive tendering is the main rule for awarding public service contracts, but member states' competent authorities (Regions and Central Government) are allowed to opt for direct awarding of PSCs. Since 1997 only a few Regions have launched tenders for local rail transport.

National Public Service Contracts

The MIT produces an investigation on medium/long distance passenger transport market conditions in order to ensure the equilibrium between costs and revenues of the rail service is maintained. The Interministerial Committee for Economic Planning ("**CIPE**") identifies the rail passenger services perimeter to be included in the National PSC. The MIT and MEF, within the limits of available financial resources, negotiate with the railway undertaking with respect to the annual services timetable, with the aim of guaranteeing the achievement of an economic equilibrium during the validity period of the contract. This analysis is based on a multi-year business plan ("**PEF**") that defines a specific regulatory accounting for eligible costs covered by State compensation, which includes the cost of capital.

The contract concerns medium/long distance public transport services, and it is regulated by Law 166/2002 in accordance with the EU legal framework. The competent authorities (MIT and MEF) and Trenitalia recently defined the content of the 2017-2026 National PSC for passenger services. Currently the contract is in its final stage of approval. The overall duration of the contract is ten years.

Regional Public Service Contracts

Regions are responsible for Regional PSCs in which scheduling, pricing and planning of the services are set. A Service Catalogue approach has been adopted by Trenitalia containing prices of each offered train category and type of service set on the basis of the costs incurred in providing them including a fair return on capital included. Trenitalia renewed almost all of the contracts for 8 years and is negotiating with most of the Regions to replace them with new contracts of 15 years, six of them already signed. Reviews of tariffs and fee structure within a PSC normally occur after the contract expires.

PSCs current status may be summarized as follows:

Emilia Romagna	Signed with Trenitalia for the period 2016-2018. For the period 2019-2041 the PSC has been assigned to Trenitalia and Trasporto Passeggeri Emilia Romagna S.p.A by public tender.
Lazio	Signed for the period 2018 - 2032
Veneto	Signed for the period 2018 - 2032
Liguria	Signed for the period 2018 - 2032
Umbria	Signed for the period 2018 - 2032
Puglia	Signed for the period 2018 - 2032
Sardinia	Signed for the period 2017-2025
Sicily	Signed PSC for the period 2017-2026
Trento	Signed for the period 2016-2024
Bolzano	Signed for the period 2016-2024
Tuscany	Signed for the period 2015-2023
Abruzzo	Signed for the period 2015-2023
Marche	Signed for the period 2015-2023
Campania	Signed for the period 2015-2023
Molise	Signed for the period 2015-2023

Basilicata	Signed for the period 2015-2023
Calabria	Signed for the period 2015-2017, expected direct assignment to Trenitalia of a 15 years PSC 2018 - 2032
Friuli Venezia Giulia	Signed for the period 2018-2019
Valle d'Aosta	PSC extended for the period 2017-2019. Tendering process is ongoing: Trenitalia submitted the most competitive bid in terms of cost and operational efficiency. The Contracting Authority is expected to assign the PSC by December 2018.
Piedmont	Signed for the period 2017-2019/2020, pending direct award to Trenitalia of a new multi-annual PSCs for one/two areas of the Region.
Lombardy	Signed for the period 2015-2020 (operated by Trenord)

Judicial Investigations and Proceedings (Arbitration, Antitrust Proceedings and Proceedings before the Public Contracts Supervisory Authority; Administrative Litigation)

In relation to the most significant judicial investigations and proceedings initiated by some public prosecutors' offices against former representatives of the Group companies, to date no events have been reported which the Issuer believes could lead to either Group companies themselves or the Group being exposed to material liabilities or losses, nor is the Group aware, at present, of events that could considerably affect their economic, financial and equity position. Furthermore, in cases where circumstances existed, the Issuer appeared as an aggrieved party to recover damages.

In 2017, following criminal proceedings initiated by the public prosecutors against former or current Group company representatives, there were no definitive rulings against senior management (company officers or general managers) for any of the following:

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

To meet disclosure requirements, the paragraph below includes information on criminal proceedings and contingent assets and liabilities arising from the most significant civil, administrative and arbitration proceedings and proceedings before the Italian and EU authorities.

Litigation pursuant to Legislative decree no. 231/01

- Hearings are underway in criminal proceedings no. 2554/13 in the general register of crimes at the Foggia Court (merged with criminal proceedings no. 3253/2010 in the general register of crimes) against RFI for administrative liability pursuant to Legislative decree no. 231/01 and one of its employees and two employees of Fersalento S.r.l.. The proceedings concern the fatal workplace accident on 5 March 2010 at Agro di Cerignola, in which an employee of Fersalento S.r.l. died.
- With respect to criminal proceedings no. 6305/09 in the general register of crimes pending before the public prosecutors' office at the Lucca Court, following the railway accident in Viareggio on 29 June 2009, at the 31 January 2017 hearing, the judge read the first-level ruling. For the Group, the Court found that FS and FS Logistica S.p.A. (as of the date of this Base Prospectus, Mercitalia Logistics S.p.A.) had not committed administrative liability violations pursuant to Legislative decree no. 231/2001 "because there is no crime" and acquitted, "because they did not commit the crime", FS' former pro-tempore CEO for the allegations against him in his position as pro-tempore CEO, FS Logistica S.p.A.'s former CEO and former Chairman, and five RFI officials. However, it found Trenitalia and RFI guilty of

administrative violations pursuant to article 25-septies of Legislative decree no. 231/2001, fined them €700 thousand each and prohibited them from advertising their goods and services for three months. The Court also issued guilty rulings for 12 natural persons within the Group, including two of RFI's former pro-tempore CEOs who succeeded each other between 2001 and 2009 and Trenitalia's former pro-tempore CEO, in addition to another 11 natural persons and three companies outside the Group for violations of Legislative decree no. 231/2001, while one person was found not guilty. The Court also ordered the guilty parties, jointly and severally and with the related civil liability, to pay damages (in addition to court and defence costs) to the aggrieved parties that had filed the lawsuit, submitting most of the damages to the civil court judge for liquidation, while ordering payment of an advance on the damages at the same time. The natural persons and companies found guilty, as well as the public prosecutor and the aggrieved parties, have filed appeals against the Court's ruling.

- Arguments are being heard in criminal proceedings No. 7906/2009 in the general register of crimes with the public prosecutors' office at the Latina Court concerning alleged injuries due to negligence in connection with alleged violations of anti-accident legislation (following an accident that occurred on 10 August 2009). Three of RFI's officials are being investigated, in addition to the company itself for the alleged violation of Legislative Decree No. 231/01. At the hearing on 14 December 2017, the Court dismissed the case against all the subjects of the investigation, as the crime has become time-barred.
- In the criminal proceedings No. 1430/2014 in the general register of crimes with the public prosecutors' office at the Gela Court, RFI has been charged with administrative liability in connection with the accident resulting in the death of 3 maintenance employees of RFI occurred on 17 July 2014 between the stations of Falconara and Butera. The trial is on-going.
- Criminal proceedings No. 3566/2015 in the general register of crimes with the public prosecutors' office at the Rimini Court are pending in relation to the accident that occurred on 5 March 2015 in which an employee of A.T.S. Costruzioni was injured while working at OMC Locomotive in Rimini. Trenitalia has been charged with the administrative crimes covered by articles 5 and 25-septies, paragraph 3 of Legislative Decree No. 231/01, as the negligence that led to the injuries was allegedly committed in violation of anti-accident and health protection in the workplace legislation.
- Criminal proceedings No. 20765/2014 in the general register of crimes are pending before the Florence Court in reference to the operating accident that occurred on 12 January 2014 during rolling stock shunting operations. One employee working as a signalman at the watchtower at the entrance to where train carriages are kept lost his life in the accident. The preliminary hearing is being held against two managers and two employees of Trenitalia (charged with negligent manslaughter for violations of anti-accident legislation, and Trenitalia is also charged with administrative liability following a crime covered by articles 5, letters a) and b), and 25-septies of Legislative Decree No. 231/01. Following the request to send the case to trial filed by the public prosecutor in connection with the above mentioned natural persons and Trenitalia, the preliminary hearing phase of the proceeding has started. The judge of the preliminary hearing ruled to send all the defendants to a trial hearing held on 10 November 2017 in front of the I Criminal Section of the Florence Court. The trial is on-going.
- Criminal proceedings No. 1525/08 in the general register of crimes (the "Truck Center" case) relate to negligent manslaughter due to violations of anti-accident legislation. The first-level proceedings were concluded with certain Mercitalia Logistics S.p.A. (previously known as FS Logistica S.p.A.) officials found guilty, along with the company itself, for both third party liability and violations of Legislative decree no. 231/2001. The court ruling has been appealed. The Bari Court of Appeal has acquitted the Mercitalia Logistics S.p.A. and its employees as they did not commit the crime. As a result of this ruling, the €1.4 million administrative sanction issued by the first instance court against Mercitalia Logistics S.p.A. has been revoked. The decision of the court of appeal has been challenged by the public prosecutor before the Supreme Court.
- In the context of the criminal proceedings no. 5643/10 in the general register of crimes pending before the Sassari Court against RFI - for third party and administrative liability - and three of its employees relating to a fatal accident involving the driver of train 8921 when it hit an obstacle on the tracks after an exceptional, unexpectedly large mudslide, on 30 September 2017 the reasons for the ruling issued on 28 June 2017 by the Court were made available: in connection with the administrative liability of RFI claim, the Court has acknowledged that RFI has adopted and effectively implemented an organisational and management model adequate to prevent crimes similar to the one allegedly occurred, and has ruled out

any RFI's interest or economic advantage in connection with the alleged crime. In connection with the liability claims against the sentenced officers of RFI, the Court has ruled that the event occurred was foreseeable and avoidable through the adoption of required prevention measures. The RFI's officers sentenced have filed an appeal, while the ruling on the claim against RFI for administrative liability is final as it has not been appealed by the public prosecutor.

- Criminal proceedings no. 1933/2011 in the general register of crimes with the public prosecutors' office pending before the Latina Court were initiated following the fatal accident on 25 February 2011 involving an employee of an outside company on the Campoleone-Cisterna di Latina section of track. At the preliminary hearing held on 10 October 2017, RFI has been acquitted from the administrative liability pursuant to Legislative Decree No. 231/01 claim made by the public prosecutor, as the required elements of the company's interest or advantage from the crime have not been ascertained. The judge sent to trial the other natural persons defendant and the trial is on-going.
- Criminal proceedings no. 1758/2014 in the general register of crimes before the Milan Court relate to alleged violations of the legislative limits established for the drainage of industrial waste water in public sewers at an industrial plant in Milan. In these proceedings, charges have currently been lodged against one manager of Trenitalia and Trenitalia itself for liability under Legislative decree no. 231/01 in relation to the same alleged environmental violations. At the hearing held on 22 June 2018, the Court has acquitted both the manager of Trenitalia and Trenitalia itself because "there is no crime". Terms to appeal against the Court's ruling are pending for the Public Prosecutor.
- In the context of the criminal proceedings no. 16682/2014 in the general register of crimes pending before the public prosecutors' office of Palermo, a notice of conclusion of preliminary investigations was served in June 2018 on the chief executive director of RFI and on the RFI itself charged with administrative liability pursuant to Legislative decree no. 231/01. The offense claimed was organized activity for the illicit traffic of wastes (452-*quaterdecies* of the criminal code) where RFI was charged with the administrative violation pursuant to article 25-*undecies* paragraph 2 subsection f) of Legislative decree no. 231/01 in connection to the alleged illegally dispose of waste realized through its intermediary Ecosistem S.r.l. in November 2014 at the landfill located in Camastra (Agrigento), after RFI had carried out works on the platform under the bridge Petrace di Gioia Tauro (Reggio Calabria).
- In the criminal proceedings no. 6769/2015 in the general register of crimes with the public prosecutors' office pending before the Perugia Court, on 23 May 2017 the prosecutor issued the request to committal to trial notified to, *inter alia*, Busitalia in connection with the alleged administrative liability arising from the application of articles 5, 24 and 25 of Legislative decree no. 231/01 in connection with the crime set forth in article 640-bis of the criminal code. On 11 June 2018, the judge of preliminary hearing issued the notice sending all the defendants to trial. The judge of the preliminary hearing scheduled the first hearing to be held in January 2020 and retained the fact less serious than aggravated fraud against the State (pursuant to article 640, paragraph 2, no. 1 of the criminal code) which was originally alleged.
- Criminal proceedings no. 18773/2009 in the general register of crimes with the public prosecutors' office pending before the Bari Court involve Ferrovie del Sud Est e Servizi Automobilistici S.r.l. for alleged administrative liability pursuant to Legislative decree no. 231/01 in connection with the claim of international fraud (alleged to have occurred through the purchase in Poland of rolling stock at a price higher than its market value) against the former sole director of the company. Following the committal to trial of the natural persons involved and the company, the trial is on-going.
- Criminal proceedings no. 3651/18 in the general register of crimes with the public prosecutors' office pending before the Milan Court: on 25 January 2018, in Seggiano di Pioltello (near Milan), a railway accident occurred to the regional train no. 10452 managed by Trenord S.r.l., operating in the railway line between Cremona and Milan – Porta Garibaldi, resulting in the death of 3 passengers and injuries to other passenger. The Milan public prosecutor opened criminal proceeding involving as persons under investigation certain officers and employees of RFI: the chief executive director, the head of the Direzione Produzione, the head of the Direzione Territoriale Produzione (DTP) of Milan, the head of Unità Territoriale Linee Sud – DTP Milano, the head of the Unità Manutentiva (UM) Lavori Brescia and the Specialista Cantieri Armamento within the above mentioned Unità Manutentiva. In addition, the chief executive officer and the operations officer of Trenord S.r.l. are under investigation. The companies RFI and Trenord S.r.l. are drawn in the proceedings for administrative liability pursuant to Legislative decree no. 231/01. The public prosecutor claims against the natural persons are related to the crimes under

articles 430 and 449, paragraphs 1 and 2 of the criminal code (unintentional railway disaster), articles 589, paragraphs 2 and 3 and 590, paragraphs 2, 3 and 4 of the criminal code (unintentional manslaughter and unintentional injuring with violation of the rules on the prevention of work-related injuries) and article 71 of Legislative Decree 81/08 (violation of the duties of the employer). As to the companies, the public prosecutor claim their administrative liability under article 25-septies, paragraphs 2 and 3 of Legislative decree no. 231/01 in relation to sanctions, in case of unintentional manslaughter and serious injuries, due to violation of the rules on the prevention of work-related injuries. RFI has appointed its attorney and a technical adviser. In relation to the any liability that may arise, the Group has already triggered its insurance policies. The preliminary investigation phase is on-going.

Other significant criminal court proceedings

- Criminal proceedings no. 3034/2012 in the general register of crimes previously with the public prosecutors' office at the Rossano Court and subsequently transferred to the Castrovillari public prosecutors' office relate to a fatal accident in which a train hit a car with six people inside it at the private railroad crossing on the Rossano C. - Mirto Crosia section. The public prosecutor has request to send to trial RFI managers and employees (some of whom are pensioners) and non-FS Group parties charged with unintentional manslaughter and unintentional railway disaster. The preliminary hearing is on-going.
- Criminal proceedings no. 6765/2012 in the general register of crimes with the Brindisi Court refers to a claim relating to an accident involving the Freccia Argento train no. 9351 and a lorry on 24 September 2012 at the railroad crossing on the Bari - Lecce section near the Cisternino (BR) station. In these proceedings, RFI and Trenitalia have joined the criminal proceedings as a civil party claiming damages. The non-group defendant found guilty has appealed against the Brindisi Court ruling of 21 October 2014. On 4 April 2018, the Lecce Court of Appeals confirmed the conviction sentence issued in the first-level proceedings.
- Criminal proceedings no. 35874/13 in the general register of crimes with the Public Prosecutors' Office at the Rome Court originated from alleged violations of Legislative decree no. 81/2008 in connection with the introduction of the "single driver" module which, according to the accusations, allegedly weakened the measures in place to prevent risks in emergencies and/or first aid situations involving the train driver while the train is operating. The Rome Public Prosecutor directly summoned Trenitalia's former CEO and Director of Frecciarossa. At the hearing held on 26 June 2017, the court ruled in favour of the request for payment of a fine in lieu of the penalty made by the defendants: the court has ascertained that Trenitalia has adopted all care and has implemented an adequate system for the removal of risks connected to the presence of only one driver in the driving cabin. On 28 July 2017 the last hearing was held. The Court, following its deliberation in council chamber, has ruled on the extinguishment of the crimes for which a fine in lieu of the penalty has been paid and the acquittal for the remaining claims as the facts do not constitute crimes. The Court rejected the requests of the civil parties to be indemnified of the expenses borne to participate in the proceeding.
- Criminal proceedings no. 8790/2016 in the general register of crimes with the public prosecutor's office at the Court of Lecce are pending at the preliminary hearing phase before the judge of the preliminary hearings of the Court of Lecce, with charges of unintentional road homicide, pursuant to article 589-bis of the criminal code, and unintentional road personal injuries, pursuant to article 590-bis of the criminal code, lodged against an employee of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. for the accident occurred on 1 August 2016 while he was driving the company bus. In connection with such accident in which one man died and a second person was injured, FS has been sued for third party liability along with the insurance company. The defendant's attorneys have lodged a request for shorter trial procedure subject to experts' investigations, which are currently on-going.
- Criminal proceedings no. 6310/2017 in the general register of crimes with public prosecutor's office at the Court of Lecce are pending at the preliminary investigations phase relate to an accident occurred on 13 June 2017 between two trains of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. at the exit of Galugnano, within the Municipality of San Donato di Lecce, on the stretch of line between the main city of the Salento area and Otranto.

Arbitration proceedings with general contractors

- Giovi third railway crossing: RFI/COCIV arbitration. RFI appealed against the award, concerning the development of certain designs previously completed by the COCIV consortium, COCIV lodged a cross appeal. The proceedings are still pending (the hearing of conclusions was postponed to 24 May 2018). Reference should be made to the 2016 annual report for additional details.
- Sub-section AV/AC Novara-Milan: RFI-FCA arbitration. Following the appeal against the award which involves part of the reserves advanced by FCA in the course of work, the proceedings, which were commenced by FCA, are now pending before the Supreme Court following such appeal by RFI. Proceeding for revocation of judgement lodged by FCA before the Rome Court of Appeal is also pending (the hearing for clarification of the conclusions is postponed to 6 June 2018).

Civil and administrative proceedings

- Unionlog S.p.A. c/ RFI. On 28 March 2017 Unionlog S.p.A. commenced proceeding against RFI before the Civil Court of Rome in order to: (a) ascertain and seek a declaration in respect of RFI's pre-contractual liability concerning the opening of a rail link at Secugnago Station; (b) seek an order for RFI to pay Unionlog's damages for the conduct of RFI, quantified by the claimant for a total of €5,702,700.88 (€3,105,700.88 for loss of profit and €2,597,000 for emerging damage). The hearing indicated in the writ of summons, originally scheduled for 6 July 2017, has been postponed to 20 September 2017; RFI has provided for the constitution in court.
- K2 discount pursuant to Ministerial decree no. 44T/2000. With respect to what indicated in the annual report for the year ending on 31 December 2017, to which reference should be made for additional details, RFI filed a recourse before the Council of State against the decision no. 9381/2017 of the Lazio regional administrative court which rejected the proceedings filed by RFI against decisions no. 18/2006 and 83/2007. With respect to the appeal filed by the railway companies petitioning for compliance with the Council of State's decision cancelling DM 92T, on 26 September 2016, the ad Acta Commissioner's delegate issued a conclusive report on the outcome of the preliminary investigations on K2 discount, quantifying the individual amounts to be paid to the four railway companies affected by the order to comply (namely, Rail Traction Company, NordCargo, SBB Cargo and DB Schenker). Although the four railway companies have promoted a new legal proceeding before the Council of State for additional reasons in order to obtain clarification on the compliance with the decision in respect of the K2 discount matter (as of the date of this Base Prospectus, the hearing has not been scheduled), in December 2017 the four railway companies notified RFI four separate recourses for injunction in order to obtain the payment of the amounts identified by the ad Acta Commissioner in its conclusive report. Following such recourses, RFI paid the amount due to the four railway companies. As a consequence of RFI payments, the four railway companies filed a request for supervened lack of interest. The Council of State declared the legal proceeding for additional reasons inadmissible and the set-off of the expenses for the proceeding (decision no. 2518 of 26 April 2018). In relation to the civil proceeding filed by Trenitalia S.p.A., the first hearing originally scheduled on 16 May 2018, was deferred to 13 March 2019 following the decree issued by the civil court of Rome which consented to RFI to involve in such proceeding the Italian Ministry of Infrastructures and Transports and the Italian Ministry of Economy and Finance in respect of their guarantee and indemnity of any amounts which Trenitalia S.p.A. may receive as K2 discount. Therefore, RFI notified the documents of the proceeding to the Italian Ministry of Infrastructures and Transports and the Italian Ministry of Economy and Finance.
- Appeal against ART resolution no. 70/2014. Various FS Group companies (RFI, Grandi Stazioni S.p.A. and Centostazioni S.p.A.) lodged three extraordinary appeals with the President of Italy against ART resolution no. 70 of 31 October 2014 ("Regulation for fair and equal access to railway infrastructures and commencement of proceedings to define the criteria for the definition of the toll to use railway infrastructures"). Initially lodged with the Lazio regional administrative court, the appeals were then transferred to the Piedmont regional administrative court where RFI's and Grandi Stazioni S.p.A.'s cases were summarised. Trenitalia appeared in both proceedings on 5 May 2016. During the 15 March 2017 public hearing in front of the Piedmont regional administrative court, the court decided to hear and rule on only on RFI's appeal, and to postpone the hearing about Grandi Stazioni S.p.A.'s and NIV S.p.A.'s appeals to 28 June 2017, due to the need to carry out certain investigations by the ART and RFI, which have been completed within the time limits set forth. At the outcome of the aforementioned public hearing on 21 April 2017, with judgment no. 541/17, the TAR Piedmont partially rejected and declared partially inadmissible the extraordinary appeal with the President of Italy (then transposed in front of the TAR) brought by RFI against the ART resolution no. 70/2014. During the hearing held on 28 June 2017,

following the discussion of the case, Grandi Stazioni S.p.A.'s appeal has been put to the decision of the court, while NIV S.p.A.'s appeal has been adjourned to a hearing scheduled for 7 November 2017.

- Appeal against ART resolution no. 96/2015. With an extraordinary appeal before the President of Italy, RFI, Trenitalia and the former Grandi Stazioni S.p.A. appealed against ART resolution no. 96 of 13 November 2015 containing the principles and criteria for determining the fees to access and use the railway infrastructure. Their appeals were transferred to the Piedmont regional administrative court. RFI also appeared in the proceedings pending before the Piedmont regional administrative court for the railway transport operator Nuovo Trasporto Viaggiatori S.p.A.'s appeal against the same ART resolution no. 96/2015. During the hearing of 15 March 2017, the judge postponed discussion of Trenitalia's appeal to the hearing scheduled for 28 June 2017. Since June 2016, while the FS Group companies' appeals were pending, the ART resumed adjusting the fees to access and use the railway infrastructures by passing resolutions no. 72/2016, no. 75/2016 and no. 80/2016. These resolutions were also appealed by Trenitalia and other railway transport companies. In particular, with a brief presenting additional grounds, in September 2016, Trenitalia appealed against resolutions no. 72 and no. 75/2016. The hearing to discuss the precautionary injunction was held on 11 October 2016 in which the panel suggested, considering the complexity of the matter, discussing the merits of the case and postponing the proceedings to the public hearing of 15 March 2017, when they were postponed again to 28 June 2017. As for resolution no. 80/2016, Trenitalia lodged its appeal individually before the Piedmont regional administrative court. During the first public hearing held on 15 March 2017, the Piedmont regional administrative court postponed the discussion of the appeal and the related documents to the hearing scheduled for 28 June 2017. At such hearing, NIV S.p.A. has informed that it has filed a new appeal under additional grounds against the ART resolution no. 96/2015, therefore the court has adjourned to a hearing scheduled for 7 November 2017 for the discussion of: (a) NIV S.p.A.'s appeal against the ART resolution no. 96/2015; (b) Trenitalia's appeal against the ART resolution no. 96/2015 and the additional grounds against ART resolution no. 75/2016. The appeals lodged by the freight railway companies against ART resolutions 75/2016 and 80/2016, without discussion of the cases, have been put to the decision of the court.
- On 27 January 2017, RFI was notified, as defendant, of proceedings brought before the TAR of Lombardy, Milan, by Serfer Servizi Ferroviari S.r.l. for the annulment, subject to the grant of monocratic precautionary measures and the suspension of the measures previously taken to carry out the competitive procedure that RFI had to establish on the basis of the resolutions adopted by the ART (Resolutions no. 70/2014 and 104/2015), aimed at identifying the sole manager of the Lecco Maggianico and Milano Segrate service facilities. The aforementioned competitive procedure ended on 28 November 2016 with the definitive award made in favour of both TS Traction & Service S.r.l. (the other party in the aforementioned appeal). By a decree published on 1 January 2017 the TAR of Lombardy - Milan has accepted the request submitted by Serfer Servizi Ferroviari S.r.l. to suspend the effects of the award decision in favour of TS Traction & Service S.r.l., ordering such party not to enter into any contract for rail transport services in the two service facilities of Lecco Maggianico and Milano Segrate until the end of the relevant precautionary hearing, for which the council chamber had been fixed for 23 February 2017. By way of a subsequent decision dated 21 April 2017, the TAR of Lombardy - Milan declared the appeal brought by Serfer Servizi Ferroviari S.r.l. inadmissible for late notification of the same, with a consequent order for costs, totaling Euro 3,000.00 plus legal expenses, in favour of each of the parties constituted, i.e. RFI and TS Traction & Service S.r.l. Such ruling has been appealed by Serfer Servizi Ferroviari S.r.l. in front of the Council of State.
- Through separate appeals, Consorzio Stabile Vitruvio (appeal notified on 15 May 2017, in front of TAR of Sicily – Catania) and CBL Insurance Europe Designated Activity Company (appeal notified on 19 April 2017, in front of TAR of Lazio – Rome with reference to two separate tender procedures) have challenged the FS Group's internal rules on the admissibility and/or approval criteria for the selection of the operators providing guarantees.
- Proceedings A/519. With a decision taken during the meeting held on 3 May 2018, the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*) has started an investigation against the Issuer, RFI and Trenitalia, to verify whether a breach of article 102 of the Treaty on the Functioning of the European Union (abuse of dominant position) has occurred. The allegedly abusive actions was committed by the Issuer as holding company through its subsidiaries RFI and Trenitalia, and allegedly consists in submitting to the Veneto Region a joint proposal of infrastructural improvements (*i.e.* electrification of part of the Veneto Regions' network, to be implemented by RFI) and investments in new rolling stocks by Trenitalia, which prompted the Region to change its initial decision of launching

a tender for bids and to directly award Trenitalia with a contract for the provision of railway services for an overall term of 15 years (the agreement was entered into on 11 January 2018). Upon serving the notice of start of investigation activities, inspections were carried out at the Rome offices of all companies involved, as well as at the Trenitalia's office in Venezia. As at the date of this Base Prospectus, investigations are expected to be completed by 30 May 2019.

- Appeal against ART's resolution no. 140/2017. By resolution no. 140/2017, ART has notified to RFI the yearly indications and recommendations regarding the "Network Statement 2019", the "Network Statement 2018" as well as on the drafting of the "Network Statement 2020". RFI has lodged an appeal against such resolution before the Lazio regional administrative court on 2 February 2018. In the precautionary hearing, Lazio regional administrative court has however declared to have no jurisdiction on the matter, claiming that the court having jurisdiction is regional administrative court of Piedmont. RFI has challenged such decision before the Council of State, asking the latter to decide on jurisdiction. The relevant judgment is still on-going.

Proceedings before the Italian and EU authorities

- Antitrust Authority proceedings A/495. On 15 June 2016, the Antitrust Authority resolved to begin a preliminary investigation against Busitalia Veneto S.p.A. (Busitalia Veneto) and Busitalia Sita Nord S.r.l. (Busitalia SN), as well as against APS Holding SpA (APS), to ascertain whether there was a violation of article 102 of the Treaty on the Functioning of the European Union and article 3 of Law no. 287/1990 concerning the abuse of a dominant position. At the same time, the Authority authorised surprise inspections at the Busitalia SN's and Busitalia Veneto's Rome, Florence and Padua offices, which took place on 23 June 2016. The Antitrust Authority's initiative is part of the relevant government body/contracting station's preparation of documentation for the tender to assign urban and suburban car and tram services in the province of Padua. In the measure notifying the commencement of the preliminary investigation, the authority charged Busitalia Veneto, which manages the transport services subject to the future tender procedure, and its shareholders Busitalia SN and APS with using practices meant to delay the preparation of tender documentation, which included the omission of information and the delayed transmission of necessary data/pieces of information. The Authority also charged the companies with exerting allegedly undue pressure on the Padua provincial authorities to obtain authorisation to increase the prices of tickets sold electronically, i.e. SMS tickets. As for the first practice, the Antitrust Authority threatened to take, pursuant to article 14-bis of Law no. 287/1990, provisional precautionary measures against the parties in the proceedings. However, following the information and clarifications received, on 20 July 2016, the Authority resolved not to take precautionary measures against Busitalia SN and Busitalia Veneto (Antitrust Authority measure no. 26129 of 20 July 2016). On 14 December 2016, Busitalia SN and Busitalia Veneto proposed certain remedies in terms of conduct that, upon the outcome of the preliminary assessment of "no clear lack of grounds", were published on the Authority's website to enable the concerned third parties to submit any observations (i.e., market tests). Once the observations submitted in the market tests were considered, Busitalia SN and Busitalia Veneto proposed certain accessory changes to commitments. On 11 May 2017, the Authority has accepted the commitments proposed by Busitalia SN and Busitalia Veneto and the termination of the proceeding without ascertaining any infraction. The (mandatory) implementation of such measures will be notified to the Authority in accordance with the timeline determined by the final decision.
- Antitrust Authority proceedings PS/10578. On 15 November 2016, the Antitrust Authority informed Trenitalia of the commencement of preliminary proceedings, alleging that it breached Consumers' Rights Code regulations protecting against unfair business practices, and at the same time carried out inspections at Trenitalia's premises. In short, the Authority alleges that the section "Tutti i treni" of the search window on the website www.trenitalia.com (which is the default option) does not show all the trip options included in the specific windows "Frecce" and "Treni Regionali" and, when showing results, cheaper options represented by regional services are not showed therein. The Authority alleges that customers would then be induced to purchase more expensive options (for example, trip options with the "Freccia" trains), which would constitute an unfair business practice. In addition, the Authority alleges that the Trenitalia app and the automatic ticket booths would not allow customers the possibility to opt trains under the groups "Tutti i treni", "Frecce" and "Treni Regionali", as the latter is not shown as an option. The Authority alleges that such actions would impact the public service obligations imposed on Trenitalia in the regional transport segment and, partly in the medium and long haul transport segment. Specifically, it claimed that the practice was "aggressive" under articles 24 and 25 of the Consumers' Rights Code. Within the deadlines established in the proceedings, Trenitalia has: (i) filed petitions to obtain the

confidentiality of the documents that were gathered during the inspection, in order to protect any sensitive information from third parties; (ii) provided a response with respect to the Antitrust Authority's request for information when the preliminary proceedings began; and (iii) submitted briefs and documents to justify that its conduct was appropriate. Furthermore, with two notes dated December 2016 and January 2017, while confirming that its conduct was legitimate, Trenitalia formulated a series of commitments to remedy the practices that the Antitrust Authority deemed were improper in the preliminary evaluations when the proceedings began. With its resolution of 7 February 2017, the Antitrust Authority did not accept the company's proposed commitments, ordering the preliminary proceedings to continue. Following the conclusion of the preliminary investigation phase of the proceeding and the confirmation of the allegations raised at the commencement of the proceeding (in accordance with the communication of the Authority dated 23 May 2017), Trenitalia on 12 June 2017 has filed a defendant brief with the Authority in order to state the lack, in the specific case, of the elements constituting unfair business practices pursuant to the Consumers' Rights Code. Originally scheduled for 8 April 2017 and later extended, in the first instance, to 7 June 2017, and then to 22 July 2017, the Authority has taken its final decision on this case.

- EU cases SA 32179 and SA 32953. On 28 March 2014, the European Commission's Directorate-General for Competition notified Italy of a decision to begin a formal investigation in connection with two potential state aid programmes relating to:

- a) state aid measures under the forms of transfers of infrastructure assets (case SA 32179); and
- b) compensation for a public service obligation in the rail freight sector (case SA 32953).

The first aid measure being investigated relates to four asset allocation operations within the FS Italiane group, in which assets were allocated to Trenitalia S.p.A. and FS Logistica S.p.A., respectively. In particular, these transfers include assets that do not constitute railway infrastructure (they are mainly workshops) and are, in any case, no longer functional for the infrastructure operator. The second measure being investigated relates to the compensation by the Italian state to Trenitalia S.p.A. for the discharge of public service obligations in rail freight transport from 2000 to 2014 under three consecutive public service contracts. After 2015 and 2016, in which there were no further developments, near the end of 2017, the European Commission resumed the examination of both dossiers. Accordingly, considering the current stage of the cases and their complexity, and based on the opinions of independent legal experts, in line with previous evaluations, we believe that: 1) the effects of any negative development with respect to case SA 32179 would substantially relate to assets, due to the re-allocation of assets within the FS Italiane group; and ii) with respect to case SA 32953, it is still impossible to objectively identify a contingent liability or reliably estimate any amount that might be paid.

- On 16 June 2016, the European Commission has published its decision to authorise the state aid regime, challenged against Greece in 2011, in relation to certain public support measures aimed at restructuring OSE SA – the company managing the Greek railway network – and Trainose SA – company operating the freight and passenger service in Greece. The European Commission stated that the measures taken are in line with EU state aid rules as they aim at preventing a serious disturbance of the Greek economy and providing better services to Greek passengers and customers.
- On 29 June 2016, the Court of Justice of the European Union has ruled on the case C-482/14 – European Commission against the Federal Republic of Germany in connection with the accounting separation of railways; Italy and Latvia intervened in the proceeding, supporting certain arguments of the German government. With respect to the four objections raised against the defendant, the Court of Justice of the European Union has ruled that the Federal Republic of Germany failed to fulfil its obligations only in connection with the conditions of account-keeping of the manager of the railway infrastructure which, by not accounting separately for the public grants received, does not allow a verification of compliance with the prohibition to transfer such subsidies to providers of transport services. However, the Court of Justice of the European Union has rejected the European Commission's allegations relating to the transfer of profits of the manager of the railway infrastructure to its parent company and the obligation to publish a separate accounting for each public service contract.

Recent events

Transfer of share capital of ANAS S.p.A. to the Group

Article 49 of Law Decree No. 50, regulates the transfer of the entire share capital of ANAS, a wholly-owned subsidiary of the MEF entrusted with the construction and management of the Italian national road network, from the MEF to the Group.

Pursuant to Law Decree No. 50, which also provides for certain conditions precedent to be satisfied in favour of the Issuer in order to complete the ANAS Transaction, the ANAS Transaction has been carried out through the following steps:

- (i) following the positive opinion of the Italian Antitrust Authority, on 29 December 2017 the shareholder's meeting of the Issuer resolved on a share capital increase through the issuance of new shares of the Issuer to be subscribed by the MEF; and
- (ii) the MEF subscribed for the new shares of the Issuer and, on 18 January 2018, in consideration thereof, contributed the entire share capital of ANAS into the Issuer.

Therefore, following the completion of the ANAS Transaction, the Issuer owns the entire share capital of ANAS, without any consideration paid by the Group.

In Italy, ANAS manages roads and motorways and recently started a recovery plan that will include the management of further regional and local roads. ANAS' mission is to strengthen Italy's strategic road infrastructure, improve access to urban centres and upgrade and develop intermodal connections. ANAS also aims at contributing to the digital transformation of Italy's road infrastructures, in order to provide services that facilitate mobility, comfort and the monitoring process of road works.

Due to the 2016-2020 Contratto di Programma entered into between ANAS and the Italian Ministry of Transport, the Issuer expects an increase of investment capacity and of the scheduled maintenance works which will have effects on renewal of viaducts, tunnels, paving and quality of the road network managed by ANAS. The adoption of the same processes of other FS Group's companies will facilitate the coordination in project designing and negotiating activities.

By entering in the FS Group, ANAS has begun the exit process from the Italian Public Administration to become a market player, therefore it should be able to activate a new plan which can envisage new hiring and new investments implementation in a faster and more efficient way.

Qbuzz was awarded the public transport services in DAV area and Groningen-Drenthe

On 23 February 2018 Qbuzz, wholly owned by Busitalia, was awarded the provision of local public transport (LPT) services in the Netherlands, specifically in the Drechtsteden, Alblasserwaard en Vijfheerenlanden (DAV) area, between Utrecht and Rotterdam. The concession, which is worth Euro 48 million per year and has an eight-year term, covers the management of the regional railway line between Geldermalsen and Dordrecht (the MerwedeLingelijn line) and the bus services in the DAV area. On 5 September 2018, Qbuzz was awarded the concession for public transport services in the Groningen-Drenthe area. The concession is worth around Euro 100 million per year for a duration of ten years (with a possible extension of five years).

Agreement between FS and Brescia Mobilità for the design and build of tram lines in Brescia

On 28 March 2018, FS and Brescia Mobilità S.p.A. entered into a cooperation agreement for the project financing of the construction and management of two new tram lines in Brescia. This agreement joins the two companies' effort to achieve the completion of the tram lines which represent a significant goal for Brescia's infrastructures, aiming to achieve sustainable mobility. By December 2018 the city administration of Brescia will apply for government funds by the Italian Ministry of Infrastructures and Transport in order to finance tramways and subways. The trams, which will serve the areas currently located far away from any underground route, would be fundamental to have a systemic and integrated presence, offering customers a mix of transportation choices able to completely satisfy a heterogeneous demand. FS is a strategic partner for the entire initiative, both for the skills and the technical experience, and for the commitment in the infrastructural work of the metropolitan areas and urban centres.

FS enters into a Euro 2 billion facility agreement

On 13 July 2018, FS entered into a committed revolving credit facility of up to Euro 2 billion (the "**Facility**"). The new Facility gathered interest from the banking system as it was full underwritten by a pool of 11 national and international financial institutions selected through a tender among 19 banks launched in April 2018 by FS and followed by a syndication. The Facility has three-year maturity and will be used for general corporate purposes, including capex for the new regional trains (mainly "*Rock*" and "*Pop*") as well as for infrastructure upgrading investments.

Shareholders' meeting appoints new BoDs

On 30 July 2018, the shareholders' meeting of FS appointed the new Board of Directors, whose members are Gianluigi Vittorio Castelli, Gianfranco Battisti, Flavio Nogara, Andrea Mentasti, Cristina Pronello, Francesca Moraci, Wanda Ternau. The Board of Directors will be in charge for the three-year period 2018-2020. The shareholders' meeting has then appointed Gianluigi Vittorio Castelli as Chairman of the Company. On 31 July 2018, the Board of Directors, appointed Gianfranco Battisti as Chief Executive Officer for 2018–2020.

FS was awarded Operation & Maintenance (O&M) services contract for Riyadh metro

On 18 September 2018, FS, as Member of FLOW consortium with Ansaldo STS and Alstom, was awarded by ArRiyadh Development Authority (ADA) for the Operation and Maintenance services contract of lines 3, 4, 5 and 6 of the Riyadh Metro (Saudi Arabia). The contract, which runs over 12 years, amounts to 2.9 billion USD (equal to 10,9 billion Saudi Arabian Riyals) considering as total value the maximum performance achievable from the consortium. FS's share is equal to 1 billion USD.

FLOW will provide a comprehensive range of O&M services for lines 3, 4, 5 & 6 of total length of 113 Km and 50 stations including 2 main station, 5 interchange stations and 3 depots, among others the services also include Metro Operation, Security, Passenger Assistance, Facility Management, Maintenance of Buildings (stations, Park & Rides, depots etc.) and the whole transit system, including Trains, Signalling, Telecommunication, Power Supply, Passenger Information.

Fitch's change in FS outlook

On 5 October 2018, Fitch released the annual assessment of FS credit profile, confirming the Issuer default rating at "BBB". Fitch also confirmed the Programme (and Notes issued thereunder) rating at "BBB". On such date, Fitch also changed the outlook from "Stable" to "Negative", mirroring the outlook change on the Republic of Italy of 31 August 2018, and confirmed the FS stand-alone assessment at "BBB".

Non-binding expression of interest on Alitalia

On 12 October 2018, FS submitted a non-binding expression of interest on Alitalia – Società Aerea Italiana S.p.A.

TAXATION

The following is a general description of certain Italian, US and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Taxation in the Republic of Italy

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by public entities transformed in limited companies, pursuant to specific law provisions.

For this purpose, bonds and debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value, with or without the payment of periodic interest, and which do not grant the holder any direct or indirect right of participation to (or of control of) the management of the Issuer or to the business in connection to which the securities were issued, nor to control the same.

Italian resident Noteholders

Pursuant to Decree 239, where the Italian resident Noteholder, who is the beneficial owner of the Notes, is:

- (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the "**risparmio gestito**" regime according to Article 7 of Italian Legislative Decree No. 461 of 21st November 1997, as amended ("**Decree No. 461**") — see under "*Capital gains tax*", below);
- (b) a non-commercial partnership;
- (c) private or public institutions (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes, accrued during the relevant holding period, are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the **Finance Act 2017**).

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest will not be subject to *imposta sostitutiva*, but must be included in the relevant

Noteholder's income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("IRAP")).

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, interests, premium and other income relating to the Notes, are subject to *imposta sostitutiva* and will be included in its relevant income tax return. As a consequence, interests, premium and other income will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an "**Intermediary**"). An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Intermediary paying Interest to a Noteholder or, absent that, by the Issuer.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), Law Decree No. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds and Italian real estate SICAFs, qualifying as such from a legal and regulatory perspective (the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds.

If the investor is resident in Italy and is an open ended or closed ended investment fund, a SICAV (an investment company with variable capital) or a SICAF (an investment company with fixed capital) established in Italy (the "**Fund**") and either (i) the Fund or (ii) their manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, as clarified by the Italian tax authorities through Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005, the "**Pension Fund**") and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the "Pension Fund Tax") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Finance Act 2017.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies **provided that** the non-Italian resident beneficial owner is either:

- resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities and listed in the Decree of the Minister of Finance dated 4th September, 1996, as amended and supplemented from time to time (the "**White List**"). According to Article 11, par. 4, let. c) of Decree 239, the White List will be updated every six months period. In absence of the issuance of

the new White List, reference has to be made to the Italian Ministerial Decree dated 4th September, 1996 as amended from time to time; or

- an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of Interest on the Notes and (a) deposit, directly or indirectly, the Notes, the receipts or the coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depositary, prior to or concurrently with the deposit of the Notes, a statement (*autocertificazione*) of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be resident, for tax purposes, in one of the above-mentioned White List states. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Noteholder.

Atypical Securities

Interest payments relating to Notes that are not deemed to be bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, currently levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax, on interest, premium and other income relating to the Notes if such Notes are included in a long term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Pursuant to Decree No. 461, where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity; (ii) a non-commercial partnership; (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva* on capital gains, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 ("**Decree 66**"), capital losses realized from 1st January 2012 to 30th June 2014 may be offset against capital gains of the same nature realized after 30th June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the "***risparmio amministrato***" regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and (b) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses realised from 1st January 2012 to 30th June 2014 may be offset against capital gains of the same nature realised after 30th June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so called "***risparmio gestito***" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, decrease in value of the managed assets registered from 1st January 2012 to 30th June, 2014 may be offset against any subsequent increase in value accrued as of 1st July 2014 for an overall amount of 76.92 per cent. of the same decrease in value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

Any capital gains realised by a Noteholder who is an Italian Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder which is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax.

Subject to certain conditions (including minimum holding period) and limitations, capital gains in respect of Notes realized upon sale, transfer or redemption by Italian Pension Fund may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, **provided that** the beneficial owner: (a) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy and listed in the White List, or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence. If non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirements indicated above.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale, early redemption or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale, early redemption or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives in law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; (ii) private deeds are subject to registration tax only in the case of use or voluntary registration.

Stamp duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October, 1972, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent. and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201 of 6 December 2011, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax monitoring obligations

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return) the amount of investments directly or indirectly held abroad. The disclosure requirements are not due if the foreign financial investments (including the Notes) are held through an Italian resident intermediary or are only comprised of deposits and/or bank accounts having an aggregate value not exceeding an €15,000 threshold throughout the year.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a "**participating Member State**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca Akros S.p.A. – Gruppo Banco BPM, Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank PLC, Bayerische Landesbank, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mediobanca, Banca di Credito Finanziario S.p.A., Merrill Lynch International, MUFG Securities EMEA plc, Morgan Stanley & Co. International plc, MPS Capital Services S.p.A., Natixis, NatWest Markets Plc, SMBC Nikko Capital Markets Limited, Société Générale, Unione di Banche Italiane S.p.A. and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 22 October 2018 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "**Non-Syndicated**" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "**Syndicated**", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed (and each further Dealer appointed under the Programme will be required to represent, warrant and agree) that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional Italian Securities Laws

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies to this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (the "Italian Banking Act"), Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 (in each case, as amended from time to time) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other Italian authority.

Selling Restrictions Addressing Additional French Securities Laws

Each of the Dealers and the Issuer has represented, agreed and warranted (and each further Dealer appointed under the Programme will be required to further represent, agree and warrant) that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or

indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to agree, represent and warrant that it has complied and will comply with all applicable laws and regulations in force in any country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus, any Final Terms or a Drawdown Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus, any Final Terms or a Drawdown Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus, any Final Terms or a Drawdown Prospectus or any related offering material, in all cases at their own expense.

Other than with respect to the admission to listing, trading and/or quotation by such one or more competent authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing and admission to trading

Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of Euronext Dublin and to be listed on the Official List of Euronext Dublin.

However, Notes may be issued pursuant to the Programme which are admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system as the Issuer(s) and the relevant Dealer(s) may agree or which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

The Central Bank of Ireland may at the request of the Issuer, send to the competent authority of another EEA Member State (i) a copy of this Base Prospectus; and (ii) an Attestation Certificate.

Authorisation

The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 17 April 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

Since 31 December 2017, there has been no significant change in the financial or trading position of the Issuer or the Group and since 31 December 2017 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries.

Auditors

The consolidated financial statements of the FS Group as of and for the years ended December 31, 2016 and December 31, 2017, incorporated by reference in this Base Prospectus, have been audited by KPMG S.p.A, independent auditors, as stated in their reports. On 4 November 2014, a shareholders' meeting approved the appointment of KPMG S.p.A. to act as the Issuer's external auditors, subject to the signing of a framework agreement, for the period 2014-2022.

KPMG S.p.A. has its registered office at Via Vittor Pisani 25, 20124 Milan, Italy. KPMG S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance, is registered under No. 13 on the special register of auditing firms held by the Italian Ministry of Economy and Finance and is registered under No. 70623 on the register of accountancy auditors (*Registro dei revisori legali*).

Documents on Display

Electronic copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the registered office of the Issuer and from the specified office of the Fiscal Agent for 12 months from the date of this Base Prospectus:

- (a) the constitutive documents of the Issuer;
- (b) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 31 December 2017;

- (c) the most recent annual consolidated financial information of the Issuer published from time to time, commencing with its audited annual consolidated financial statements as at and for the year ended 31 December 2017;
- (d) the 2017 Base Prospectus;
- (e) the Agency Agreement;
- (f) the Deed of Covenant;
- (g) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (h) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

Material Contracts

Neither the Issuer nor any member of the Group has entered into any contracts outside the ordinary course of business that is material to the Issuer's ability to meet its obligations in respect of the Notes.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Issue Price and Yield

Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Passporting

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the Republic of Ireland to be issued by the Central Bank of Ireland to the competent authority in any Member State.

Copy of 2006 ISDA Definitions

Investors should consult the Issuer should they require a copy of the 2006 ISDA Definitions.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "**affiliates**" includes also parent companies.

LEI

The Legal Entity Identifier of the Issuer is 549300J4SXC5ALCJM731.

REGISTERED OFFICE OF THE ISSUER

Ferrovie dello Stato Italiane S.p.A.

Piazza della Croce Rossa, 1
00161 Rome
Italy

ARRANGERS

Crédit Agricole Corporate and Investment Bank

12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

UniCredit Bank AG

Arabellastrasse 12
81925 Munich
Germany

DEALERS

Banca Akros S.p.A. – Gruppo Banco BPM

Viale Eginardo 29
20149 Milan
Italy

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milan
Italy

Banco Bilbao Vizcaya Argentaria, S.A.

Ciudad BBVA
Edificio ASIA, Calle Saucedo, 28
28050 Madrid
Spain

Banco Santander, S.A.

Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria
28660, Boadilla del Monte
Madrid
Spain

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Bayerische Landesbank

Brienner Strasse 18
80333 Munich
Germany

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstrasse 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

Crédit Agricole Corporate and Investment Bank

9 Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Mediobanca Banca di Credito Finanziario S.p.A
Piazzetta E. Cuccia
20121 Milan
Italy

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

MPS Capital Services S.p.A.
Via Leone Pancaldo, 4
50129 Firenze
Italy

Natixis
30, avenue Pierre Mendès-France
75013 Paris
France

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

SMBC Nikko Capital Markets Limited
One New Change
London EC4M 9AF
United Kingdom

Société Générale
29 boulevard Haussmann
75009 Paris
France

Unione di Banche Italiane S.p.A.
Corso Europa, 20
20121 Milan
Italy

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

FISCAL AGENT AND PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LISTING AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer, 1115 Luxembourg,
Luxembourg

LEGAL ADVISERS

To the Issuer as to English and Italian law:

Hogan Lovells Studio Legale

Via Santa Maria alla Porta 2
20123, Milan
Italy

Via Marche 1-3
00187, Rome
Italy

To the Dealers as to English and Italian law:

Clifford Chance Studio Legale Associato

Piazzetta M. Bossi, 3
20121 Milan
Italy

AUDITORS TO THE ISSUER

KPMG S.p.A.

Via Vittor Pisani, 25
20124 Milan
Italy