Annual Report
31 December 2014

Nuovo Trasporto Viaggiatori SpA
Registered office: Viale del Policlinico 149/B - 00161 Rome
Share capital: €148,953,918 fully paid-in
Rome Companies Register: 09247981005
R.E.A. Rome no.: 1150652
Tax code: 09247981005
VAT number: 09247981005

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CORPORATE BODIES

BOARD OF DIRECTORS[1] **- In office until approval of the financial statements for the year ended 31 December 2017**

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

BOARD OF STATUTORY AUDITORS – In office until approval of the financial statements for the year ended 31 December 2016

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

INDEPENDENT AUDITORS – Appointment until approval of the financial statements for the year ended 31 December 2016

Independent auditors	Deloitte & Touche SpA

(1) Elected by the General Meeting of 9 December 2015.
(2) Co-opted on 20 May 2016 following the resignation of Giovanni Punzo on 18 May 2016.

REPORT ON OPERATIONS

INTRODUCTION

Dear shareholders,

The Company ended 2014 with a loss for the year of €62,027,790.

Despite cost savings being in line with objectives, the Company's operating performance in 2014 was below expectations, above all in terms of revenue from ticket sales, which was lower than projected.

The revenue performance made it necessary to revise full-year projections and the Business Plan for the period from 2015 to 2018, in order to assess the timescale and initiatives required to reach breakeven and decide on the actions to be taken in order to put the Company on a sound financial footing.

In terms of capital, as a result of the further losses incurred during the year, the Company is in the situation provided for by article 2446 of the Italian Civil Code.

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

THE OPERATING ENVIRONMENT

Overview of the world economy[1]

In Europe, the fiscal and monetary policies adopted by the ECB and EU member states in 2014 were marked by extreme prudence, with the focus on reducing government deficits, resulting in higher unemployment and wage stagnation. Otherwise, the largest economies (USA and Japan) saw a solid economic recovery thanks to expansionary policies, based on increased public spending and lower interest rates.
The International Monetary Fund (IMF) has reduced its projections for global economic growth in 2015 and 2016. The IMF expects growth of 3.5% for the current year, compared with a projection of 3.8% in October. The revised figure reflects weak investment and the economic crisis in many countries, despite the positive impact of the falling oil price.

In Italy, economic activity was unchanged, with 2014 closing with a set of extremely poor data; estimated GDP growth down from +0.7/+0.6 in January 2014 to -0.5/-0.4 in December 2014.
Uncertainty caused by high unemployment remains, with the lack of jobs holding back wage growth and household consumption and depressing manufacturing capacity. 2015 may see early signs of an economic recovery, driven by initial interventions by the ECB, such as the euro's devaluation against the US dollar and a lowering of interest rates. As a result, EU member states should show early signs of a slow recovery, with the positive impact on employment and output resulting in increased internal consumption.

The market

Growth is expected in 2015, primarily due to the Expo in Milan. Growth is expected to be 1.1% in volume terms and 5.1% in value terms with respect to the previous year. As a result of economic growth and reduced journey times in the high-speed market (in particular, on the Rome-Bologna line) expected in 2016, the market is expected to grow by 3.1% in volume terms and 5.1% in value terms in the period

[1] Source: *IRDCEC (Istituto di Ricerca dei Dottori Commercialisti e degli Esperti Contabili) – Osservatorio Economico* - December 2014

2015-2018.

Future market growth is expected to be driven by planned development of railway infrastructure by the network operator (RFI), with the aim of increasing the quantity and quality of the Italian rail offering to aid in the process of rebalancing the mix of rail and road transport in Italy and facilitating integration with the European network. In fact, the Italian HS/HC system forms a key part of the Trans-European Networks – Transport (TEN-T) defined at the beginning of the 1990s by the European Commission, which since the end of 2011 has identified further development goals.

The network operator's strategic plans envisage construction of new railway lines and the upgrade of existing lines on the busiest routes from the north to the south of the country. This will be accompanied by a major reorganisation of transport and development in the surrounding areas: new stations, regional and urban rail services and specific routes for freight.

Further opportunities will be provided by the regulatory framework, partly following the Transport Regulator's determination 70/2014. The new method for paying for HS track access is expected to be announced in September 2015 (with a significant impact on the cost of HS track access, the duplication of routes and empty journeys).

OPERATING REVIEW

Key indicators for 2014[2].

Indicator	2014	2013	% change
Revenue from ticket sales (€m)	**260.3**	**239.0**	**+8.9%**
Passengers carried	**6,554,095**	**6,198,935**	**+5.7%**
Capacity in seat-km	**5,330,205,756**	**5,207,717,538**	**+2.4%**
Average journey (km)	**420**	**425**	**-1.0%**

Whilst satisfactory compared with the previous year, the volume of traffic in 2014 continued to be below expectations, essentially reflecting a decline in load factors.

This was apparent at the end of the first half, which recorded a less than satisfactory operating performance. The fall in revenue was offset by lower operating costs and by extraordinary income, described more fully below. These factors enabled the Company to beat expectations in the first half, despite still making a loss.

The reduction in operating costs was achieved both by negotiating with key suppliers and by focusing on procurement procedures, in order to make them more effective and efficient. The actions taken enabled the Company to achieve the targets set in the business plan of November 2013 by the end of the first half, with savings meeting the target for 2014 as a whole.

A major contribution to the operating result came from extraordinary income generated mainly as a result of the agreement with the network operator. Following the steps taken by the Company, with the involvement of Ministry of Infrastructure and Transport, aimed at promoting competition, this agreement enabled NTV to negotiate an agreement with RFI that has generated major financial benefits, reflected in the financial statements for 2014.

[2] Performance indicators are computed on the basis of the volume of revenue from ticket sales, after "Other revenue from transport", amounting to €1.2 million.

The results for the first half of 2014 led management to revise the projections in the Business Plan approved by the Board of Directors on 26 November 2013. In July, new revenue forecasts were thus included in the plan: a) lower projections for revenue for the current year and for future years, assuming that growth in the second half of the year will be in line with the performance recorded in the first half of 2014, compared with the previous year (up 11%), and average revenue growth of 6.2% for the period 2015-2018; and b) the introduction of revenue from the issue of energy efficiency certificates by the Ministry for Economic Development.

The estimates for the current year were further revised in December and the new figures approved by the Board of Directors on 2 December 2014.

In terms of capital, the Company is in the situation provided for by article 2446 of the Italian Civil Code. Shareholders' equity reflects the impact of further losses during the year, declining to €52.9 million, representing a difference of €46.4 million compared with the limit required by law.

With regard to the financial position, given the difficulties in generating sufficient cash flows to service the Company's debt, the Company has proposed a Stand-Still Agreement to its lenders, which will involve a suspension of repayments of principal and interest (on both the loan facility and the lease agreement) and payments relating to derivative contracts. This will enable the Company to reach agreement with its banks on the necessary financial initiatives to be taken in order to ensure long-term sustainability.

KEY EVENTS DURING THE YEAR

Shareholders completed payment in of the Contingent Equity in early January 2014. Following payment of the last tranche of €7.0 million, shareholders' equity was increased to the planned amount of €85.0 million.

As required under the loan agreement of January 2014, the Company submitted its revised Business Plan for the period 2014–2026, based on the guidelines set out on 26 November 2013.

On 5 March 2014, NTV and the labour unions (Cgil Cisl Uil, Ugl and Fast) reached agreement on almost a thousand solidarity contracts. The agreement, which has a duration of 12 months, provides for an average reduction of 1.5 working days a months and a commitment from the Company to use the lost hours for training, so as not to affect the quality of service provided to travellers.

On 6 March 2014, agreement was reached with Alstom on a VI Addendum to the train supply and maintenance contract, removing the activities involved in the validation service relating to the multiple configuration of trains from the contract. The value of the contract was thus reduced by €6.5 million.

On 3 April 2014, a Second Amendment to the Framework Agreement was signed with RFI. This has resulted in a number of changes. With regard to access to Rome Termini station and changes to network capacity, NTV has been granted use of two spaces at Rome Termini station (available from 15 May 2014 and 1 December 2014) and new slots on the non-stop Rome Termini–Milan and Rome–Venice routes. In terms of the request for the availability of space in order to conduct maintenance at the Milan Porta Garibaldi workshop, RFI has agreed to equip and pay for two tracks that are to be ready for use by NTV from the start of the new timetable for the period from December 2015 to December 2016.

The communication of KPIs, ratios, covenants and further reporting requirements contained in the loan agreement was temporarily suspended, in tacit agreement with the banks, from February 2014 On 9 April 2014, the Company informed the Agent Bank of its intention to seek to negotiate a Stand-Still Agreement, temporarily halting debt repayments. Fulfilment of the Company's reporting requirements recommenced from July 2014, as described below.

On 16 April 2014, agreement was reached with RFI regarding penalties for failure to contractually agree the time slots included in the timetable for the period from December 2011 to December 2012. Instead of the amount disputed by NTV (approximately €16.0 million), the agreement commits the Company to pay only 50% of this amount in 6 annual instalments from June 2015, and requires repayment of a further sum of €1.7 million paid by NTV as a penalty for failure to use time slots in the period 2011 to 28 April 2012.

On 22 May 2014, the Company formally notified the Agent Bank of its request for a Stand-Still Agreement, setting out its proposed terms, as endorsed by the Board of Directors on 27 May 2014. Following the resolutions adopted by the Board, on the same date, the Company initiated the formal process of requesting the agreement of all the banks in the pool.

Again on 22 May, the Company submitted a request to the Transport Regulator for a review of the track access charges paid. NTV's request set out the difficulties caused by the existing system and indicated the criteria – already provided for in the current industry regulations – to use in setting the new charges. In addition, with regard to the procedure launched by the Transport Regulator on 6 March 2014, with a view to adopting regulatory measures designed to ensure fair and non-discriminatory access to rail infrastructure, NTV submitted its observations on 22 May 2014.

On 27 May 2014, following the resignation of Giancarlo Scotti, the Board of Directors co-opted Roberto Odierna on to the Board.

On 30 May, Vincenzo Cannatelli informed the Company's Chairman and the Chairwoman of the Board of Statutory Auditors of his decision to resign as a member and as chair of the Supervisory Board with immediate effect.

On 15 June 2014, the through service for Rome Termini station was launched. Whilst waiting for the service to come into full effect in December, two non-stop, round-trip services were introduced. Heading north to south, the morning train departing from Milan Garibaldi at 7.03 (6.15 from Turin Porta Susa), arrived at Rome Termini at 10.15, before proceeding to Naples (11.36) and Salerno (12.26). A later southbound train then departed Milan Porta Garibaldi at 18.03 to arrive at Rome Termini at 21.15. The first northbound train of the day departed Rome Termini at 6.40, arriving at Milan Porta Garibaldi at 9.54, before continuing to Turin Porta Susa (10.44). A later northbound train then left Rome Termini at 14.40 to arrive at Milan Porta Garibaldi at 17.54 and at Turin Porta Susa at 18.44.

At a meeting on 7 July 2014, the Board of Directors decided to appoint Lazard Srl as the Company's financial advisor, with the role of assisting the Company as it renegotiated its bank debt.

In early July, the shareholders formally committed to support the Company up to a maximum of €10.0 million if, during the period of the Stand-Still Agreement, the Company should find itself without sufficient liquidity to meet its requirements.

On 14 July, all the banks in the pool formally agreed to the Stand-Still Agreement.

On 15 July, the General Meeting of shareholders approved the financial statements for 2013. The financial statements were approved on a going concern basis and with the consent of the Board of Statutory Auditors. The independent auditors issued their opinion on 14 July 2014, containing a going concern disclosure.

The same General Meeting re-elected the members of the Board of Statutory Auditors and re-appointed the independent auditors for a further three-year period. The Directors, Alberto Minali and Roberto Odierna, were also re-elected, having been co-opted on to the Board of Directors on 26 November 2013 and 27 May 2014, respectively.

The General Meeting of 15 July also approved the Directors' report prepared in accordance with article 2446 of the Italian Civil Code and the proposal contained therein. In view of the contents of the Business Plan presented in November 2013, the process of revising the plan and the financial package being negotiated with the Company's banks, the Board of Directors proposed that the shareholders conduct a further assessment of the situation before the end of 2014, so as to take into account developments in the Company's operating performance and financial position and following revision of the Business Plan. The Directors recommended that the shareholders delay any decision regarding further initiatives to be taken until this time.

On 18 July, based on the provisions of the Stand-Still Agreement, PricewaterhouseCoopers Advisory was appointed as the Independent Business Reviewer (IBR).

On 23 July, Lazard was appointed as Financial Advisor to assist the Company in the negotiations with its banks.

On 25 July, the Company recommenced regular compliance with the reporting requirements provided for in the loan agreement, providing the banks with its KPIs for the first and second quarters of 2014 and the Construction Report. Submission of this information had been temporarily suspended in tacit agreement with the banks.

On 30 July, the Board of Directors approved the Annual Budget for 2014 and the guidelines for the Business Plan for the period 2014-2018 (not included in the Financial Package), submitted to the banks on 31 July.

On 6 August, based on outline agreements already reached with its banks, the Company formally requested the banks to consider clause 4.1 (f) of the Stand-Still Agreement – requiring, among other things, submission of a revised Business Plan, including a financial package, to the Agent Bank - to have been fulfilled. The request was made despite the fact that not all the conditions in the Agreement had been met, given that the financial package had yet to be finalised. The Company's request was accompanied by a commitment to subsequently submit the revised Business Plan, including the financial package, following extension of the deadline, originally fixed for 31 August, for assurance of the revised Business Plan by the IBR. The Company's request was accepted by tacit consent.

On 8 August, the Business Plan Review Report was submitted to the Market Advisor (Steer Davies Gleave) and the Independent Business Reviewer issued, in accordance with the Stand-Still Agreement, its Short Term Cash Flow report.

On 20 August, Law 116 of 11 August 2014, which converted Law Decree 91 of 24 June 2014 (the so-called "Competitiveness Law Decree") into law, was published in the Official Gazette. This legislation has withdrawn the energy subsidies granted to the railway sector since 1963.

In early September, the Company submitted its business plan to the pool of banks. The plan included in-depth analysis and an update on the renegotiation process.

On 24 September, the preliminary financial package was presented to the Board of Directors by the Financial Advisor (Lazard). The package was then presented to the pool of banks during a meeting held at the Company's head office on 10 October 2014.

On 23 October, the Company was notified of a demand for additional stamp duty. The relevant tax office (Naples Department I - Naples 1 Local Office), having reclassified the sale to Alstom of shares in Manutenzione & Servizi Ferroviari srl on 29 June 2012, then determined that an additional sum of €4.0 million was payable as duty.
In the view of the consultants advising the Company, the demand and the reasons for it are without grounds, as they are based on an erroneous and improper classification of the nature of the transfer. For this reason, having attempted to resolve the situation by requesting a review, the Company lodged an appeal, appearing before the related tax tribunal in early 2015. Backed by the opinion of the Company's consultants, the Directors have adjudged the risk of a negative outcome to the dispute as "possible". On 7 July 2015, the Provincial Tax Tribunal for Naples published its ruling, which upheld NTV's appeal and awarded costs.

On 24 October, the Ministry for Economic Development announced that the proposed initiative regarding the "Creation of a new fleet of high-speed trains operating under the Italo – NTV brand" was eligible for inclusion in the White Certificates programme as a "Major Project", in accordance with article 8 of the Ministerial Decree of 28 December 2012.

In Determination 70 of 31 October 2014, published in the Official Gazette of 5 November 2014, the Transport Regulator has approved new measures designed to ensure fair and non-discriminatory access to rail infrastructure, and launched a procedure aimed at defining the criteria to be used in determining the charges for the use of railway infrastructure.

On 11 November 2014, a meeting was held in Milan with the Company's banks, with the aim of updating them on the Company's operating and financial performance – partly in view of recent development regarding White Certificates and the changes introduced by the Transport Regulator's Determination 70 – and sharing information on the progress of the refinancing. The meeting assessed the possibility of extending the Stand-Still Agreement until 31 March 2015, at the same time extending the shareholders' commitment therein, based on expected completion of the renegotiation of the loan agreement by this date.

On 18 November 2014, an updated business plan was submitted to the banks and then presented during a meeting held at the Company's head office in Rome on 21 November. The meeting also agreed on the steps to be taken in order to complete the renegotiation, bearing in mind the various approval procedures to be followed within each bank and the commitments of their decision-making bodies.

On 28 November 2014, Pierfrancesco Saviotti informed the Company's Chairman and the Chairwoman of the Board of Statutory Auditors of his decision to resign as a Director of the Company with immediate effect.

At a meeting held on 2 December, the Board of Directors followed the procedure provided for in art. 2386 of the Italian Civil Code and co-opted Flavio Cattaneo on to the Board. Mr Cattaneo will remain in office until the General Meeting called to approve the financial statements for the year ended 31 December 2014.

The same Board meeting approved the strategic guidelines formerly approved by the Board of Directors on 30 July 2014, having revised them in view of recent positive developments regarding, among other things, White Certificates and track access charges. The same meeting also approved the request for an extension of the Stand-Still Agreement to be put to the banks.

On 10 December 2014, the Company formally requested its banks to agree to an extension of the Stand-Still Agreement until 31 March 2015. The request was accepted by all the banks participating in the pool on 23 December 2014.

On 15 December, the new Timetable, referred to in the Second Amendment to the Framework Agreement between NTV and RFI, came into effect. This provides for 6 non-stop, round-trip services between Rome and Milan, arriving and departing from Rome Termini station.

On 24 December, in compliance with the Stand-Still Agreement, the banks were informed of the shareholders' renewed commitment to support the Company with up to a maximum of €10.0 million if, during the period of the Stand-Still Agreement, the Company should find itself without sufficient liquidity to meet its requirements.

FINANCIAL REVIEW

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

Operating results

Amounts in euros

Description	2014	2013	Increase/ (Decrease)
Net revenue	267,848,738	249,610,966	18,237,772
External costs	(235,480,469)	(233,346,593)	(2,133,876)
Added value	**32,368,269**	**16,264,373**	**16,103,896**
Personnel expenses	(46,107,103)	(50,725,153)	4,618,050
Gross operating profit/(loss)	**(13,738,834)**	**(34,460,780)**	**20,721,946**
Amortisation, depreciation, impairments and other provisions	(47,993,362)	(43,073,491)	(4,919,871)
Operating profit/(loss)	**(61,732,196)**	**(77,534,271)**	**15,802,075**
Financial income/(expenses)	(30,266,446)	(28,010,742)	(2,255,704)
Profit/(Loss) from ordinary activities	**(91,998,642)**	**(105,545,013)**	**13,546,371**
Extraordinary items, net	6,729,648	(296,868)	7,026,516
Profit/(Loss) before tax	**(85,268,994)**	**(105,841,881)**	**20,572,887**
Income tax expense	23,241,204	28,222,381	(4,981,177)
Profit/(Loss) for the year	**(62,027,790)**	**(77,619,500)**	**15,591,710**

The gross operating loss for 2014 amounts to a loss of €13.7 million, whilst the operating loss amounts to €61.7 million. After net financial expenses of €30.3 million, the loss from ordinary activities amounts to €92.0 million.
After extraordinary income, the loss before tax marks an improvement on the previous at €85.3 million, with the after-tax loss amounting to €62.0 million.
Added value is up €16.1 million on the previous year, marking an increase of €18.2 million (up 7% on 2013). This reflects revenue from transport services and a less than proportionate increase in operating costs (up 1%) following the implementation of cost efficiencies.
The reduction in personnel expenses (down 9%) enabled the Company to register an improvement of €20.7 million in the gross operating loss compared with 2013.

Financial position

Amounts in euros

Description	31 December 2014	% impact	31 December 2013	Increase/ (Decrease)
Net intangible fixed assets	25,556,528	3.73%	40,592,209	(15,035,681)
Net tangible assets	601,292,486	87.81%	632,323,675	(31,031,189)
Investments and other financial assets	66,887	0.01%	66,887	-
Fixed assets (A)	**626,915,901**	**91.55%**	**672,982,771**	**(46,066,870)**
Inventories	2,590,052	0.38%	2,762,472	(172,420)
Receivables due from customers	4,754,789	0.69%	4,755,599	(810)
Tax assets	30,664,298	4.48%	47,081,795	(16,417,497)
Deferred tax assets	109,419,628	15.98%	86,178,424	23,241,204
Other receivables	29,286,451	4.28%	36,832,920	(7,546,469)

Accrued income and prepayments	1,871,337	0.27%	2,947,133	(1,075,796)
Short-term assets (B)	**178,586,555**	**26.08%**	**180,558,343**	**(1,971,788)**
Due to suppliers	(76,262,810)	-11.14%	(111,544,818)	35,282,008
Advances	(45,120)	-0.01%	(129,391)	84,271
Tax liabilities and social security payables	(3,072,287)	-0.45%	(3,882,598)	810,311
Other payables	(2,824,513)	-0.41%	(4,642,668)	1,818,155
Accrued liabilities and deferred income	(23,885,661)	-3.49%	(10,245,303)	(13,640,358)
Short-term liabilities (C)	**(106,090,391)**	**-15.49%**	**(130,444,778)**	**24,354,387**
Net working capital (D) = (B+C)	**72,496,164**	**10.59%**	**50,113,565**	**22,382,599**
Post-employment benefits *(TFR)*	(5,491,285)	-0.80%	(4,074,128)	(1,417,157)
Tax liabilities and social security payables (after 12 months)	(74,833)	-0.01%	-	(74,833)
Medium/long-term payables due to suppliers	(6,672,113)	-0.97%	-	(6,672,113)
Other medium/long-term liabilities	(2,395,524)	-0.35%	(1,419,766)	(975,758)
Medium/long-term liabilities (E)	**(14,633,755)**	**-2.14%**	**(5,493,894)**	**(9,139,861)**
Invested capital (A+D+E)	**684,778,310**	**100.00%**	**717,602,442**	**(32,824,132)**
Shareholders' equity	52,880,650	7.72%	107,909,560	(55,028,910)
Net debt	631,897,660	92.28%	609,692,882	22,204,778
Shareholders' equity and net debt	**684,778,310**	**100.00%**	**717,602,442**	**(32,824,132)**

Invested capital of €684.78 million, which registered a reduction of €32.8 million with respect to the previous year, reflects an increase of €22.2 million in net medium/long-term debt and a reduction in shareholders' equity of €55.0 million (the loss for the year of €62.0 million has been offset by an increase in equity of €7.0 million following payments of Additional Contingent Equity during the year).

The main changes in assets and liabilities are described below.

- A net reduction in assets of €48.0 million.
  Fixed assets are down €46.1 million, primarily due to amortisation and depreciation (€43.8 million) of the assets purchased during the Company's start-up, which are now fully operational, and, to a lesser extent, the reduction in the carrying amount of rolling stock due to the agreements reached with Alstom and RFI.
  Receivables are down €2.0 million. The most significant changes regard: an increase in deferred tax assets recognised during the year (€23.2 million after uses, adjustments and releases) and a reduction in refundable VAT following refunds collected during the year (€19.1 million). Further details of changes in net working capital are shown in the statement of cash flows attached to the financial statements.
- A reduction in liabilities of €15.2 million.
  Within this item, there has been a reclassification of amounts from short to long term following the agreement with RFI, which has deferred the payment of penalties, and a reduction in lease liabilities following removal of the validation service relating to the multiple configuration of trains originally included in the value of the lease agreement (€6.5 million).
  Accrued liabilities and deferred income, relating to the value of transport services to be rendered in relation to tickets sold at the end of the reporting period, and to financial expenses on derivatives not paid under the Stand-Still Agreement, have increased compared with the previous year.

Analysis of net debt

Amounts in euros

The Company's net debt at 31 December 2014 is analysed below.

Description	31 December 2014	31 December 2013	Increase/ (Decrease)
Bank deposits	37,833,195	50,912,562	(13,079,367)
Cash on hand	1,317,758	722,311	595,447
Cash and cash equivalents and treasury shares	**39,150,953**	**51,634,873**	**(12,483,920)**
Bank borrowings (within 12 months)	(79,699,131)	(895,895)	(78,803,236)
Other borrowings (within 12 months)	(58,812,238)	(8,729,900)	(50,082,338)
Short-term borrowings	**(138,511,369)**	**(9,625,795)**	**(128,885,574)**
Net short-term funds	**(99,360,416)**	**42,009,078**	**(141,369,495)**
Bank borrowings (after 12 months)	(140,450,000)	(203,336,902)	62,886,902
Other borrowings (after 12 months)	(392,087,244)	(448,365,058)	56,277,814
Medium/long-term borrowings	**(532,537,244)**	**(651,701,960)**	**119,164,716**
Net debt	**(631,897,660)**	**(609,692,882)**	**(22,204,779)**

INVESTMENT

There was a significant reduction in investment compared with the past, in keeping with the Company development plan.

Investment in intangible fixed assets

Amounts in euros

Intangible fixed assets	Investment
Industrial patent and intellectual property rights	2,269,649
Concessions, licences, trademarks and similar rights	34,432
Fixed assets in progress and advances	131,739
Other	43,536
Total	**2,479,356**

A total of €2.5 million was invested in intangible assets, after transfers and reclassifications of amounts recognised in previous years and which, therefore, do not represent actual purchases during the period. Investment during the period primarily regarded technological infrastructure.

Investment in tangible fixed assets

Amounts in euros

Tangible fixed assets	Investment
Land and buildings	15,825
Plant and machinery	376,443
Other	1,673,995

Fixed assets in progress and advances	846,754
Total	**2,913,017**

Investment during the period amounts to €2.9 million, after transfers and reclassifications of amounts recognised in previous years and which, therefore, do not represent actual purchases during the period, and after the impact of accounting for the lease agreement using finance lease accounting. Investment primarily regards (€1.3 million) the purchase of equipment for use in providing catering and customer services and, to a lesser extent, rolling stock and the related components (snack and drink vending machines).

RESEARCH AND DEVELOPMENT

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

RELATED PARTY TRANSACTIONS

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

Details of related party transactions are provided in the notes.

RELATIONS WITH UNCONSOLIDATED SUBSIDIARIES, ASSOCIATED COMPANIES, PARENT COMPANIES AND AFFILIATES

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

TREASURY SHARES AND SHARES/EQUITY INTERESTS IN PARENT COMPANIES

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

RISK FACTORS

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

The Company is certainly exposed to a general risk resulting from the financial difficulties it faces. This risk is dealt with in detail in the section, "Going concern considerations".
A further general risk, referred to in previous years, is represented by the general economic situation which, having an impact on consumer spending, may weigh on the Company's earnings.

A survey aimed at determining risk factors and corporate uncertainty that might have an impact on the Company's situation in the foreseeable future, led to identification of those factors deemed to give rise to corporate risks.
An examination of the risks identified, together with the activities carried out to monitor them, is provided below.

Business risk

The HS/HC rail transport market is in a situation of stagnation, without showing clear signs of a turnaround. The competition brought about by deregulation has driven down fares. The capacity offered by competitors, which is increasing in the HS/HC network, has an impact on the Company's market share.

In this environment, the key risk factor for the Company remains the pricing policies adopted by competitors, resulting in fares that do not match the quality of the service offered and that do not enable the Company to earn a satisfactory profit.

In response to these pressures, the Company has embarked on a review of its business model, redefining the basis for its business plan, which focuses on expanding the offering.

A further risk factor regards the cost of energy, which must be considered together with the issue of track access charges, in that these two items, when combined, make up a significant portion of the cost of providing services and the pressure of such costs – if excessively high – could prejudice the Company's continued existence.

The increase in energy costs, following withdrawal of the subsidies granted to the railway sector since 1963 by the so-called "Competitiveness Law Decree", has added approximately €15 million a year to NTV's energy costs. Despite the Company's representations, warning the authorities of the negative impact of increased energy costs on rail transport, the decree became law in August 2014.

As regards track access charges, the Company, which was initially faced with a serious competitive disadvantage, started to raise its voice and to make public the true causes of its difficulties.
Partly as a result of the Company's to go public with its concerns, the relevant parties (the government, the regulator and RFI) have begun to respond to the issues raised. In this sense, Determination 70 of 31 October 2014, in which the Transport Regulator has approved new measures designed to ensure fair and non-discriminatory access to rail infrastructure, and launched a procedure aimed at defining the criteria to be used in determining the charges for use of the infrastructure.

A key role in managing business risk is played by the regulator. Given that a large part of this risk is dependent on external factors, it is, however, the Company's intention to take a proactive approach to advocating the importance of a fair market among the various bodies involved.

Operational risk

The Company provides its service using a fleet of 25 advanced passenger trains, equipped with sophisticated operating and control systems.
The main operational risk relates to maintenance of a high level of fleet performance in terms of reliability, in line with the operating schedule for trains and their availability.
In order to mitigate this risk and guarantee that scheduled services are delivered with available and adequately maintained rolling stock, the Company, together with the manufacturer and the maintenance provider, who are heavily involved in the operating process, has activated monitoring and reporting processes relating to the state of the fleet and the maintenance activities used for trains in commercial service.

Fare evasion risk

Fare evasion risk may put profitability at risk. This phenomenon, which is constantly monitored in order to assess its significance and identify and implement appropriate mitigation measures, does not currently represent a substantial risk.
To combat fare evasion, the Company has stepped up onboard checks, aimed at identifying and regularising the situation of passengers who do not have a valid ticket or whose ticket is not valid for the service used.

Fraud risk

Fraud involving e-money transactions is a major global issue, with negative effects in terms of image, confidence in the use of such instruments and the cost to the Company and the banking system (deriving from chargebacks, the cost of managing claims and the costs linked to the sanctions imposed by payment providers).

In the first half of 2014, the Company carried out the commercial launch of its own service by activating new sales channels, which do not use the 3D Secure security system for purchases using electronic money. This is has resulted in an increased exposure to fraud. In response, the Company, with the support of SETEFI, has implemented a series of initiatives designed to mitigate and combat such fraud. This has led to a reduction in the percentage impact of fraud from September 2014.

The reduction in fraud reported in the last quarter of 2014, as a result of the actions taken, is reducing the level of fraud to the market average and to below the threshold set by the security programmes used by payment providers, thus containing such incidents and ensuring continuity of the process.

Another issue that occupied the Company in 2014 is the illegal use of its trademarks by third parties. This phenomenon – significant in terms of the high number of events and the increasingly sophisticated and refined manner in which the fraud is committed – results in financial losses, in addition to damaging the Company’s image. In order to protect its trademarks and limit the related risks, NTV is working with companies that specialise in brand monitoring, so as to take the necessary action to combat such events, including reporting them to the authorities.

Data security

Data security assumes strategic importance for all organisations, of whatever kind and size, in order to respond to all the external factors that can impact their ability to achieve their objectives, particularly in relation to data security.

NTV has adopted its own general security principles in order to create and maintain a secure and efficient Data Security Management System, primarily aimed at having an appropriate level of protection for data and the components of the information system that manage them in compliance with current national and international legislation.

The lack of adequate levels of security, in terms of the confidentiality, availability, integrity, authenticity and non-repudiation of data could expose NTV to the risk of fines for violation of regulations, in addition to resulting, with regard to any of the Company’s activities, in a deterioration in the Company’s image, the failure to provide customer satisfaction and damage of a financial nature.
Data security is thus key to ensuring the reliability, effectiveness and efficiency of the services provided by NTV.

The management of data security primarily consists in risk analysis and mitigation. To do this, NTV has set up a specific organisation, with appropriate roles and responsibilities and rules, in addition to planning, the definition of guidelines, procedures, processes and resources in line with the related standards and legislation.

In defining and establishing these areas of intervention, NTV SpA draws on ISO 20000/27001/27005 standards, best practices (e.g. ITIL) and sectoral frameworks (e.g. COBIT), with particular attention paid to “obligatory” measures. At the end of 2013 and throughout 2014, NTV has conducted assessments and audits, the results of which have enabled it to identify specific initiatives broken down into those that are obligatory and those that are optional.

Loan agreement default events

The Company’s financial resources partly derive from the loan agreement, under which the Company must meet a series of obligations and reporting and performance requirements. The latter are based on certain contractually defined indicators.

The main default events in relation to the loan agreement are listed below:
- failure to pay any sum provided for in the loan agreement, if not remedied within three working days of the related deadline;
- non-compliance with Financial Covenants as assessed on a quarterly basis (LLCR from December 2012, FDSCR from December 2013, ADSCR from March 2014);
- failure to report to the agent bank as provided for in the loan agreement, if not remedied within the contractually requested deadline, following notification from the agent bank (for example, audited annual and half-year financial statements);
- failure to honour a debt repayment at maturity if in excess of €1 million;
- occurrence of circumstances whereby the Company is in the situation provided for under art. 2447 of the Italian Civil Code;
- failure to comply with the provisions of the Hedging Policy Letter, in terms of the required interest rate hedges if not remedied within ten working days of notification from the agent bank.

Signature of the Stand-Still Agreement (and its later renewal) has suspended the above default events for the period between 9 April 2014 and 31 March 2015.

Default events under the Stand-Still Agreement

The Stand-Still Agreement envisages the following default events, allowing the lenders to call in the loans (a decision that must be taken unanimously by all the banks and not by a majority alone) and require the Company to repay all amounts due and payable at the date the loan is called in.
- Failure to comply with one of the requirements provided for in the Stand-Still Agreement if not remedied within ten working days of the relevant deadline.
- Material misstatements in the information provided by the Company at the date of signing the agreement, including: being a company operating in accordance with Italian law, having all the powers and necessary authorities to execute the Stand-Still Agreement, that no default event had occurred at the date of signature, that all social security obligations had been met.
- The Company is subject to an Injunction requiring payment of a single amount in excess of €1 million and, in any event, of a total amount in excess of €2 million.
- Cash and cash equivalents, at any time during the Stand-Still Period, amounts to less than €1 million or the sum of cash and cash equivalents and any amounts to be paid in by shareholders in the form of additional contributions is less than €2.5 million, and the Company does not receive additional shareholder contributions within 15 working days of occurrence of the event or, if earlier, of the formal request from the Directors.
- Any event or circumstance that puts the Company’s financial stability, tangible assets or ability to operate as a going concern at risk.
- If there is a change of control.

LITIGATION RISK

Concluded legal actions

Concluded legal actions are described below.

Lawsuit brought before Lombardy Regional Administrative Court – On 8 April 2014, NTV filed an *ad adiuvandum* intervention in the action brought by Rete Ferroviaria Italiana SpA against Italy's electricity, gas and water regulator (the "AEEG") and the Ministry for Economic Development, requesting annulment, subject to precautionary injunction, of AEEG determination 641/2013/R/com of 27 December 2013, concerning "Revised tariff components, with effect from 1 January 2014, to cover general system costs and other components of the electricity and gas sector" and any other related, connected and/or consequential action. On 18 June 2014, Lombardy Regional Administrative Court issued judgement 1598, ruling that RFI's action challenging AEEG determinations 467/2013 and 641/2013 was inadmissible.

Lawsuit before the Civil Court of Rome - On 12 July 2013, NTV was notified of a challenge filed in accordance with art. 702bis of the Code of Civil Procedure, with the aim of prohibiting use of the trademark ".italo" and claiming damages for alleged illegal use of the name "Italo". NTV appeared before the court on 15 October 2013, requesting a preliminary ruling transferring the case to another court and contesting the merits of the claim. Following NTV's objections, on 27 January 2014, it was ruled that the ordinary court did not have jurisdiction and the case was transferred to the section specialising in corporate disputes. A subsequent ruling of 16 July 2014 then declared that the action was inadmissible, given the incompatibility of the interim proceedings for the disclosure of documents and the format of hearings before the section specialising in corporate disputes.

Lawsuit before the Civil Court of Rome - On 16 January 2012, Ferrovie dello Stato Italiane SpA and the acting Chief Executive Officer of the FS group notified NTV of an action requesting the Civil Court of Rome: (i) to confirm and declare that certain statements made to the national press by NTV have caused serious damage to the reputation of the acting Chief Executive Officer of the FS group and/or Ferrovie dello Stato Italiane SpA and constitute an act of defamation to the detriment of such parties and as a result (ii) to order NTV to pay an amount that the court deems fair as compensation for non-monetary damages, in addition to an adjustment for inflation and legal interest. On 30 January 2015, the court issued ruling 2267/2015, rejecting the above claims.

Pending legal actions

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

Appeal to the Campania Regional Administrative Court - NTV SpA appeared before the Campania – Naples Regional Administrative Court in the case brought by the "AssoCampaniaFelix" federation, the "Comitato per la Difesa dell'Agro Nolano", the "Associazione Eco-Culturale èidos" and other parties (hereinafter, jointly, the "plaintiffs") in order to obtain, among other things, cancellation of ruling 1203 of 30 December 2008 in which the President of the Campania Regional Authority approved the final project to build an NTV train maintenance depot. On 2 December 2009, Interporto Campano SpA (also called to appear in the aforementioned legal proceedings) reached an agreement with the plaintiffs to settle the pending action before Campania Regional Administrative Court and consequently to have it cancelled. As a result of this agreement, at a hearing on 3 December 2009 before the Regional Administrative Court the case was adjourned to a later date. On 26 January 2011, AssoCampaniaFelix and the Comitato per la Difesa dell'Agro Nolano waived their right of appeal. The action is still pending as a waiver has yet to be received from the other plaintiffs.

Lawsuit brought before the Civil Court of Rome – On 3 April 2013, Rete Ferroviaria Italiana SpA ("RFI") notified NTV SpA of a writ of summons requesting the Civil Court of Rome: to order NTV SpA to compensate financial loss and non-pecuniary damages incurred by said Operator, deriving from statements made by NTV SpA with reference to the "cage" built by RFI at Rome Ostiense station. At the hearing of 20 May 2015, following clarification of the pleadings, the court took the case under advisement.

Lawsuits brought before the Civil Court of Rome – On 28 February 2013, a supplier lodged a claim pursuant to art. 702-bis of the Code of Civil Procedure, requesting that NTV SpA be ordered to pay the sum of €226,200.00 for failure to pay an invoice. In a ruling issued on 14 May 2014, this lawsuit was combined with a case brought by the same supplier (claim pursuant to art. 702-bis of the Code of Civil Procedure, lodged on 17 October 2014), requesting that NTV SpA be ordered to pay the sum of €145,384.30 plus interest and legal costs for alleged modifications made to a contract awarded to the supplier. The case (converted to ordinary proceedings) was adjourned until 16 July 2015 for the preliminary evidence requested by the parties to be gathered.

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

Lawsuit brought before Lombardy Regional Administrative Court – On 25 February 2014, NTV notified Italy’s electricity, gas and water regulator (the “AEEG”) and the Ministry for Economic Development that it was filing a legal challenge requesting (i) annulment of AEEG determination 641/2013/R/com of 27 December 2013, concerning “Revised tariff components, with effect from 1 January 2014, to cover general system costs and other components of the electricity and gas sector” and any other related, connected and/or consequential action, and (ii) compensation for damages incurred. On 4 June 2014, NTV filed additional grounds in order to also obtain the annulment of AEEG determination 133/2014/R/com of 27 March 2013 [more correctly, 2014], containing “Revised tariff components, with effect from 1 January 2014, to cover general system costs and other components of the electricity and gas sector” and compensation for damages incurred.

Special appeal to the President of the Republic – On 21 February 2014, NTV notified the AEEG and the Ministry for Economic Development that it was filing a special appeal to the President of the Republic to request annulment (i) of AEEG determination 467/2013/R/eel of 24 October 2013, concerning “Initial application of the provisions relating to subsidies for general system costs payable to companies with a high levels of electricity consumption”; any other prior or subsequent related, connected and/or consequential action, and, in particular, (ii) the implementing guidelines in art. 39 of Legislative Decree 83 of 2012, referred to in the Ministry for Economic Development announcement of 24 July 2013.

Lawsuits brought before the Civil Court of Rome - On 29 July 2014, a supplier notified NTV SpA of a court order to pay an amount of €166,104.22 plus interest and legal costs, which the Company has challenged before the court. At the first hearing, the court rejected the claimant’s request for provisional enforcement of the above court order, adjourning the case until 16 September 2015.
The same supplier:

- notified the Company, on 9 April 2015, of another provisionally enforceable court order to pay an amount of €197,640 plus interest and legal costs and a corresponding writ of execution, which the Company has challenged; the first hearing will be held on 12 November 2015;
- notified the Company, on 9 April 2015 – under the above provisionally enforceable court order – of a garnishment pursuant to art. 546 of the of the Code of Civil Procedure, amounting to €300,272.25, which the Company has challenged;
- filed a bankruptcy petition on 21 April 2015. On 3 June 2015, the Company filed a defence brief, arguing that there were no grounds for the above petition. At the hearing held on 10 June 2015, the court reserved judgement. By order dated 8 July 2015, the court rejected the bankruptcy petition against NTV.

Lawsuit brought before the Lazio Regional Administrative Court – On 8 January 2015, NTV notified a challenge requesting annulment of the Transport Regulator’s determination 70/2014 dated 31 October 2014 and the related annex, and other related, connected and/or consequential action, as it regards the inclusion of capital investment in costs for the purposes of determining HS track access charges. On 12 March 2015, Rete Ferroviaria Italiana SpA notified a cross-appeal, requesting that the main challenge be turned down.

Lawsuit brought before the Lazio Regional Administrative Court On 4 March 2015, Rete Ferroviaria Italiana SpA notified NTV SpA of a special appeal to the President of the Republic challenging and consequently requesting annulment of (i) determination 70/2014 of 31 October 2014 and the related annex, (ii) determination 76/2014 of 27 November 2014 and the related annex, (iii) Presidential order 2015/2 of 6 February 2015, (iv) determination 16/2014 of 6 March 2014, (v) determination 24/2014 of 17 April 2014 and (vi) the Regulations, dated 16 January 2014, issued by the Transport Regulator and any other related, connected and/or consequential action. Following the challenge lodged by NTV SpA and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Rete Ferroviaria Italiana SpA transferred its appeal to a different jurisdiction, namely Lazio Regional Administrative Court. NTV SpA appeared before the court. Discussion of the appeal is scheduled for 18 November 2015.

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

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

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

Lawsuits brought before Justices of the Peace – NTV SpA is the defendant in lawsuits brought by certain passengers complaining about alleged damage, to property and otherwise, caused by delays to the train in which they were travelling or by accidents affecting them on board trains.

Lawsuits brought before the Labour Court – NTV SpA is the defendant in an action concerning a claim for establishment of a permanent employment relationship.

Potential court actions

A brief description of events that may result in legal action is provided below.

A number of trainees, some of whom through legal representatives, have claimed the establishment of a permanent employment relationship with NTV.

A number of apprentices, some of whom through legal representatives, have challenged cancellation of their apprenticeship agreement by NTV at the end of the apprenticeship period, requesting their reinstatement.

A number of employees, through legal representatives, have challenged their transfer, as communicated by NTV, to another workplace.

Provisions for risks and charges

The Company has allocated provisions for risks and charges, in order to cover potential losses it might incur in the event of unsettled legal disputes.
Provisions have been allocated in cases where potential losses have been deemed to be likely.
Provisions have not been allocated for risks and charges deemed to be remote or only possible.

FINANCIAL RISKS

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

Liquidity risk

At 31 December 2014, the Company's available funds amount to €39.1 million.

The Company's financial and cash position is continuously monitored by the relevant department.

To fund its start-up, the Company obtained financing from a pool of leading banks. The related loan agreement ("Financing for Nuovo Trasporto Viaggiatori SpA") envisages a maximum exposure of €732.0 million in secured and unsecured facilities.

The unused portions of lines of credit available to the Company in order to meet its liquidity requirements are revolving lines (B1 and B2). B1 was used in full in 2013 and, as this is a revolving line of credit, availability is progressively restored as the Company makes repayments.
Use of the B2 line was, instead, subject to shareholders' payment of all the Contingent Equity required under the Equity Contribution Agreement, amounting to €85.0 million ("Original Contingent Equity" and "Additional Contingent Equity"), which to date is fully paid up.

The Company did make use of the B2 line in 2014.

Interest rate risk

The Company is exposed to the risk of fluctuations in 3- and 6-month Euribor. Interest expense on use of its secured lines of credit (currently Facility A, Revolving B1 and VAT Facility C) is based on 3-month Euribor, with the rentals payable under the lease agreement also computed on the basis of 3-month Euribor.
In this regard, the Company has entered into four hedges with Efibanca - Banca Popolare di Lodi (now merged with and into Banco Popolare), MPS and Intesa Sanpaolo. The hedges, effective from 26 September 2008 and expiring on 31 December 2016, take the form of four zero-cost collars.
The transaction envisages a cap of 5%, a floor of 4.15% and a notional hedged amount that varies over time (rising in the period 2008–2012, falling in the period 2013–2016), totalling €320.0 million at 31 December 2014.
At 31 December 2014, the hedges have a negative fair value of €19.8 million. Further information on fair value and the operating results for the year may be found in the notes to the financial statements.

Credit risk

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

- payment for the services offered to customers is usually made before the service is used, as tickets are always purchased before journeys are made. An exception to this is the form of payment called "Agency Credit", introduced from June 2013. This allows travel agencies to transfer amounts collected on sales of tickets and services to the Company on a periodic basis defined in the relevant contracts, subject to providing a guarantee of payment in the form of a guarantee deposit or a surety (the Company's Management Committee has allowed certain travel agencies to replace the guarantee with a letter of credit);
- the sales channels and related payment methods offered to customers (electronic money, bank transfer, cash) guarantee the certainty of collection at the time of sale, except in the event of fraud.

As mentioned above, despite the low level of credit risk, the following should be noted:

- 2012 saw a high degree of fraud, above all regarding payments made using e-money, partially mitigated by the use of the "3-D Secure" system from May 2013 (for Visa and Mastercard branded cards) and the adoption of preventive measures based on analysis and the interception of fraud attempts;
- There is a risk linked to the failure to collect amounts due from passengers without a valid ticket.

EVENTS AFTER 31 DECEMBER 2014

Alberto Bombassei resigned his directorship with immediate effect on 9 January 2015.

On 29 January 2015, an application was submitted to GSE regarding allocation of Energy Efficiency Certificates (EECs) in advance for the period April 2013 – March 2014, which was approved by GSE on 14 April.

On 12 February 2015, the Company held talks with its lenders. During the meeting, the guidelines for the new development model to relaunch the Company were presented, and initial discussion of the way forward took place.

On 26 February 2015, Mr F. Cattaneo was appointed Chief Executive Officer.

At the same meeting, the Board of Directors approved the Company's new Business Plan.

On 6 March, the Company presented the new Business Plan and the related proposal for restructuring existing debt to its banks. Presentation of the proposed debt restructuring was accompanied by a Term Sheet setting out the key terms of the proposal.

On 2 April, following the failure to reach agreement with the labour unions, the Company began the procedure of making 246 excess staff redundant. On 17 April, following fresh talks with the unions, an agreement was signed with all the unions including a multi-year commitment regarding personnel expenses and a solidarity contract with a 24-month duration between 1 May 2015 and 30 April 2017. As a result, the redundancy process for excess staff has been halted.

At the date of approval of the financial statements for 2014, the Company's banks have completed the process of approving: (i) an extension of the Stand-Still Agreement whilst awaiting completion of all the financial documents; (ii) the principal terms and conditions of the debt restructuring.
A number of shareholders have also shown an interest in subscribing for new shares as part of the capital increase.

The Board of Directors made specific amendments to the financial statements for 2014 approved by the General Meeting of the Company's shareholders held on 17 July 2015, following receipt of additional and more detailed information relating to White Certificates.

With regard to this aspect, details of the accounting impact of which are provided in the notes, the following should be noted.

Via a Ministerial Decree of 1 December 2014, the Ministry for Economic Development authorised NTV SpA to benefit from white certificates in relation to the energy-saving measures implemented on its new fleet of high-speed trains for a five-year period from 1 April 2013.
In this regard, the Decree determined that, during the first phase, white certificates would be issued on the basis of energy savings reported by NTV SpA itself, and in any case prudentially equivalent to 80% of the minimum value of access to the mechanism (28,000 TOE per annum, equal to approximately 128,000 EECs per annum), in advance, subject to adjustment on the basis of the data recorded.
Consequently, the Company used the calculations and assessments provided by the manufacturer of the new fleet of high-speed trains.
Following the effective award of the white certificates after submission to the Ministry for Economic Development and GSE of the above report for the period April 2013–March 2014, the Company recognised the related amount in "Other income" in the income statement for 2014, totalling approximately €12.8 million.
The Decree also specified that reporting subsequent to the first occasion – and related further allocations of white certificates to the Company – would be based on measurements of actual energy consumption recorded by appropriate equipment installed on board high-speed trains.

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[3] This authorisation was granted on a "major project" basis, as defined by art. 8 of the Ministerial Decree of 28 December 2012, which grants access to the white certificate programme to entities that, among other things, invest in transport infrastructure with a technical life of over twenty years and that result in an estimated annual energy saving of 35,000 TOE.

Subsequent to 22 July 2015, and the necessary installation period, the first data recorded by the onboard measuring equipment were gathered by the Company. On this occasion, it emerged that the actual consumption of the new train fleet was above the levels specified by the manufacturer and communicated to the Ministry and GSE in the first report mentioned above.
The Company thus came into possession of significant additional information with a potential impact on the financial statements for 2014 following approval of the financial statements by shareholders.
On 11 February 2016, the Company (through an expert consultant) requested the GSE to postpone the launch of the reporting period to the year in which the equipment was installed and therefore to start from 1 January 2015 (the useful life of the installation will therefore cover the period from 1 January 2015 to 31 December 2019). Savings in 2015 have been estimated as 84,098 EECs (equal to approximately 21,000 TOE per annum), corresponding to around €8.7 million.
Subsequently, in a letter dated 23 February 2016, having noted the Company's request and the related reasons, GSE notified NTV SpA of its acceptance, in advance and subject to adjustment, of the EECs reported by the Company. With this Decision, GSE also stated that these EECs would not be issued to the proponent's account as they amounted to less than the amount of 128,000 EECs already recognised in advance with the first approved report.
As a result of GSE’s acceptance that the 84,098 certificates, representing the estimated energy savings for 2015, had been awarded to the Company in advance, the start of the reporting period for white certificates has thus been postponed until 1 January 2015, as expressly requested by the Company in its letter of 11 February 2016.

As a result of this additional information received after approval of the financial statements for 2014 and GSE’s decision – also following approval of the financial statements – to postpone the start of the reporting period for white certificates, NTV’s Board of Directors decided to amend the financial statements for 2014, with the aim of providing more accurate information regarding White Certificates.

To this end, the Company requested an expert consultant with extensive experience in the field to provide an opinion on the possibility for the Directors to make a number of amendments to the financial statements for 2014 already approved by the General Meeting of the Company’s shareholders held on 17 July 2015, following receipt of additional information relating to the recognition of White Certificates in the financial statements.

The opinion stated that the laws governing financial statements grant the Directors the option of amending financial statements already presented to shareholders at a general meeting, in order to ensure a true and fair view is provided of the Company’s financial position and results of operations.

The need to amend the financial statements may arise, for example, when (i) they contain material errors (e.g., omissions or miscalculations) or errors of substance (e.g., measurements that do not comply with the related standards or erroneous accounting treatments); (ii) estimates contained in the financial statements have been revised following receipt of additional information on which the estimates were based; (iii) the occurrence of “subsequent events”; (iv) a declaration that the resolution approving the financial statements is invalid (see articles 2377, paragraph 7 and 2434-*bis*, paragraph 3 of the Italian Civil Code).

Consequently, NTV’s Directors made a number of amendments to the financial statements for 2014, despite their previous approval by shareholders. The amendments are designed to present certain operating events and the resulting impact on the Company’s financial position and results of operations.
The changes were made in order to more effectively provide a true and fair view of the Company’s financial position and results of operations in the reporting periods affected by the issue of White Certificates.

The amendment of the financial statements for 2014 derives from the fact that the Company became aware of new information following approval of the financial statements for 2014, but prior to submission of the financial statements for 2015 to shareholders for their approval. This was a particular situation of an exceptional nature, which led the Directors to deem it necessary to change an existing accounting policy. This enabled them to take into account additional information received after receipt of the information on which the accounting treatment used in preparation of the financial statements for 2014 was based.

As a result of the above:

- NTV's Directors made a number of amendments to the financial statements for 2014, despite their previous approval by shareholders, in order to more effectively provide a true and fair view of the Company's financial position and results of operations;
- the lower effective energy savings achieved by NTV fleet of high-speed trains and GSE's decision constitute new circumstances arising after approval of the financial statements for 2014 and, as such, are deemed to result in a requirement for NTV's Directors to adjust the value of the white certificates in the income statement for 2014. This is needed to more effectively provide a true and fair view of the Company's position in the various reporting periods affected by the issue of white certificates, partly in view of the exceptional nature, from a timing viewpoint, of the matter in question. The Company only became aware of the actual amount of energy consumed by the new fleet of high-speed trains and of GSE's decision following approval of the financial statements for 2014, but prior to submission of the financial statements for 2015 to shareholders for their approval;
- the effective consumption of the trains, combined with GSE's decision, represent information not available to the Directors when measuring the value of the white certificates during preparation of the financial statements for 2014, given that this information emerged after approval of these financial statements. This means that the reason for the adjustment to the value of white certificates is classifiable as a change in estimates and not as an error;
- the adjustment to the estimated value of the white certificates is in line with the need to ensure continuity, and the resulting comparability, of the Company's financial statements with reference to measurement of the certificates over the full five-year period in which the certificates are issued by the Ministry for Economic Development and GSE. Otherwise, the value of the white certificates recognised in the financial statements for 2014 would not, in terms of their substance and on the basis of recent information, be strictly attributable to the period in question, given the content of GSE's decision;
- in the light of the regulations regarding the invalidity of financial statements, which also apply in this case, and as confirmed by the relevant practice, the Board of Directors has amended the financial statements for 2014, adjusting only those items affected by recognition of the benefit deriving from the white certificates, without the need to conduct a remeasure all the line items that make up the financial statements for 2014;
- the adjustments to the financial statements for 2014, although limited to individual items, must still be approved by a General Meeting of shareholders at the end of the same procedure required in respect of annual financial statements.

GOING CONCERN CONSIDERATIONS

As already reported in the previous year, and as fully described in the report on operations for 2013, the Company is experiencing financial difficulties.

The Company is undergoing a thorough restructuring, involving numerous areas: operational, organisational and financial.

The operating results in its initial years of operation have revealed the Company's inability to service its debt, with the resulting need to renegotiate the timing and method of debt repayments with the Company's banks.

The Company thus asked the banks to confirm their support by expressing their willingness to restructure the debt in such a way as to extend the term to maturity, in keeping with the Company's ability to generate sufficient earnings and cash flows, by restructuring its exposure.

To enable the Company to continue operating in the short term, and at the same time identify the steps it needs to take in the medium to long term, on 14 July 2014, the Company entered into a Stand-Still Agreement with its banks, based on the following terms.

- Temporary suspension (from 9 April to 31 December 2014) of all repayments of principal and interest under the secured loan agreement (Loan A, Loan B, VAT Facility C) and of repayments of interest on unsecured debt (Leasing and Guarantee Facilities Agreement), on the lease and on derivatives. Following extension of the Stand-Still Agreement on 23 December 2014, the suspension of repayments was extended until 31 March 2015. A further extension postponed repayments until 31 July 2015.
- The possibility of accessing remaining credit under the Lease Agreement and the Guarantee Facilities Agreement.

The Agreement also includes the following obligations:

- A prohibition on the assumption of new debt other than the debt agreed at the time of signature.
- Appointment of an Independent Business Reviewer (IBR) to assure the Business Plan and the financial package.
- Preparation of an updated Business Plan.
- Appointment of the banks' market advisor (Steer Davies Gleave) to review the Business Plan.
- Definition of a financial package.
- Negotiation of a debt restructuring agreement with the creditor banks.
- Compliance with the reporting requirements provided for in the loan agreement, requiring the periodic submission of financial information (Annual Budget, KPIs, Financial Ratios – excluding those relating to projected cash flows, in particular: FDSCR and LLCR - Financial Statements, Covenants, Construction Reports).
- Submission, each month, of a monthly Liquidity Plan to the independent reviewer starting from the month in which the agreement is approved and within the tenth working day of each month, covering a period ending on 31 December 2014, so that the consultant can assure the plan.
- Constant monitoring of cash and cash equivalents, promptly informing the independent reviewer if the related amount falls below €1 million or if the sum of cash and cash equivalents and any amounts to be paid in by shareholders in the form of additional contributions is less than €2.5 million.
- A commitment from shareholders to support the Company through to expiry of the Stand-Still Agreement (i.e. until 31 March 2015) and up to a cap of €10.0 million, should the Company find itself without sufficient liquidity to meet its requirements.
- A commitment from the parties that if, by 31 December 2014, a satisfactory agreement has not been reached, they will consider an extension of the Stand-Still Agreement and a concomitant extension of the shareholders' commitment (a provision applied with extension of the agreement until 31 March 2015 and 31 July 2015).

The Stand-Still Agreement was suspensively conditional on the shareholders formalising their commitment and became fully effective when, in July, the shareholders signed the related Commitment Letter and all the documents required under the agreement were presented. Other suspensive conditions in the Agreement regard the provision of documentation.

The Stand-Still Agreement was suspensively conditional on the failure to approve the financial statements for 2013 on a going concern basis and on the issue, by the independent auditors, of an adverse opinion on application of the going concern assumption. The financial statements for the year ended 31 December 2013 were approved on 15 July 2014 on a going concern basis. The independent auditors issued their opinion on 14 July 2014, containing a going concern disclosure.
A further suspensive condition is linked to the failure of shareholders to pay in additional contributions within 15 working days of the Company's request should there be a cash shortfall during the term of the Stand-Still Agreement. Under the Liquidity Plan prepared, which forms an integral part of the Stand-Still Agreement and the later extensions, the Company does not believe it will experience a cash shortfall before 31 July 2015.

Signature of the Stand-Still Agreement is the first step in the process of renegotiating the loan agreement with the banks. With the signature of the Stand-Still Agreement, the steps to be taken in order to put the Company on a sound financial footing have been identified and the necessary process has been embarked on.
To guarantee the necessary support during the talks, the Company has appointed an external financial advisor (Lazard).

In July 2014, the Company revised the guidelines on which its new Business Plan is based (not including the financial package). The Business Plan was approved by the Board of Directors on 30 July 2014.
The revised Business Plan was then submitted for examination by the market advisor (Steer Davies Gleave) appointed by the banks, with the aim of assessing the plan's sustainability in respect of the market, revenue and the operating cost structure.

At the same time, with the support of the financial advisor appointed by the Company (Lazard), the preliminary financial package to be reflected in the business plan was drawn up and, in early September, submitted to shareholders, partly to assess their willingness to provide support for the Company. The plan was then presented to the Board of Directors on 24 September and, on 10 October 2014, to the pool of banks.

Following the meeting with the banks, held on 10 October, the Company revised its Business Plan to include the impact of the views expressed by the relevant authorities (the Transport Regulator and the Ministry for Economic Development) regarding the cost of track access and the potential for extracting value from white certificates.

On 21 November 2014, a further meeting with the banks and the respective advisors was held. On this occasion, the Company presented its revised financial package. Agreement was also reached on the process of extending the Stand-Still Agreement to 31 March 2015, which was completed in December with the acceptance of all the banks and with the assurances of the IBR and the market advisor.
On this basis, the Company, its banks and the respective advisors agreed on 31 March 2015 as the deadline for completing preparation of the refinancing plan.

Since December, the Company has worked on a new business model, identifying new scenarios that have led to a radical change in strategic vision. This new development has led the Company and its banks, who were kept constantly updated on changes affecting the Company, to put off the meeting scheduled for January, at which the banks were to present their proposal for the financial package, received by NTV in October.

On 12 February 2015, the Company held talks with its lenders. During the meeting, the guidelines for the new development model to relaunch the Company were presented, and the following plan was agreed with the lenders: approval of the new business plan and the financial package during a Board of Directors' meeting at the end of February and preparation of the final financial package by the end of March, based on the new content of the business plan.

The Board of Directors approved the Company's new business plan on 26 February 2015.
The connected financial package contains the following key elements: a contribution from shareholders, the rescheduling of repayments (for both the lease agreement and the loan agreements, with the possibility for a further extension for both) and a reduction in the spread.

On 6 March, the Company presented the new Business Plan and the related proposal for restructuring existing debt to its banks. Presentation of the proposed debt restructuring was accompanied by a Term Sheet setting out the key terms of the proposal.

At the date of this report, the Company has met all its obligations under the Stand-Still Agreement and the new business plan has been approved by the market advisor and the IBR, who issued their reports on 11 March and 16 March 2015, respectively.

The assumptions underpinning the development plan continue to be highly subjective and exposed to significant risk. These assumptions continue to be subject to significant uncertainty, as they depend on implementing a process of change and a reorganisation of the Company. This relates above all to the following assumptions: (i) market growth; (ii) the growth of NTV's market share; and (iii) uncertainties linked to implementation of the overall financial plan.

The negative results that the Company continued to record in 2014, with losses putting the Company in the situation provided for by article 2446 of the Italian Civil Code, in addition to the risks linked to implementation of the financial package and the objectives forming the basis of the business plan, continue to show, as at the end of the previous year, that there is significant uncertainty giving rise to doubts about the Company's ability to continue operating in the foreseeable future, taking into account the risks connected with its business and the significant financial pressures.
The results for the first quarter of 2015 show a loss for the period, again putting the Company in the situation provided for by article 2446 of the Italian Civil Code, and entailing a further reduction of the share capital.

However, based on the initiatives set out by management in the restructuring plan and on the key assumption that the plan agreed with the banks will be implemented, and that the financial package will be carried out according to the agreed timetable and procedures, the Directors, in keeping with the view expressed with regard to the financial statements for the previous year, believe that the Company has adequate resources to continue operating in the foreseeable future, and therefore, deem it appropriate to apply the going concern principle in the preparation of the financial statements for.

This opinion was then confirmed, moreover, by positive developments regarding: (i) admission of the changes to the system for white certificates proposed by the Company; (ii) approval of the new regulatory measures regarding fair and non-discriminatory access to rail infrastructure, which has set in motion the procedure for defining the criteria for setting track access charges; (iii) the outcome of the renegotiation of the Company's debt with its banks; and (iv) the commitments to subscribe new shares expressed by a number of shareholders.

The above view is naturally based on a subjective opinion regarding the degree of probability that the above events will take place, as opposed to the likelihood that they will not.

Whilst obvious, it must, however, be stressed that the views underlying the Director's opinion may not be borne out by the facts, despite the Directors' diligence and reasonableness. This is either because events considered probable may not occur, or because events or circumstances that cannot currently be known about, or the impact of which cannot now be assessed, and which may be beyond the Directors' control, may threaten NTV's ability to operate as a going concern, in spite of fulfilment of the conditions on which the Directors have based their use of the going concern assumption.

Lastly, and as a final note of prudence, the Directors note that the factors on which they have based their analysis will be continuously monitored, in such a way as to take appropriate action should this prove necessary.

Finally, it should be noted that, in the above case, should the going concern principle no longer apply, the Company may incur losses or liabilities not currently foreseeable.

OUTLOOK

The next steps, which will be key to successfully completing the Company's reorganisation and its debt restructuring, regard the subscription in full of the capital increase, execution of the loan agreement with the banks and implementation of all the steps necessary in order to achieve the objectives in the business plan.
Shareholders are also expected to inject fresh capital into the Company, partly in order to boost the share capital for the purposes of article 2446 of the Italian Civil Code.

OPERATIONAL AND RAIL TRAFFIC SAFETY

As planned, on 28 February 2014, the Company complied with requests from Italy's Rail Safety Regulator following an audit conducted in 2013, regarding the elimination of a number of instances of non-compliance. As usual, the regulator then conducted a follow-up audit of the Safety Management System in May 2014 to check on the implementation and effectiveness of the commitments regarding non-compliance. Following the audit, new part A no. IT1120140011 and part B no. IT1220140023 safety certificates were issued on 29 May 2014. The certificates are valid for one year and expire on 31 May 2015.

On 30 October 2014, the Company applied for a revised part B Safety Certificate, extending the lines on which NTV intends to operate to include Fiumicino Airport station.

With regard to operational safety, on 14 March 2014, an AGV575, travelling from the sidings in Naples, hit the buffers at the end of track 24 in Naples Central station as it was about to enter service. The incident, caused by the driver's failure to apply the brake in time, did not result in injuries, but did cause damage to the train.

WORKPLACE HEALTH AND SAFETY

In addition to the normal training, risk assessment, auditing and health monitoring activities carried out during the year, the following information is provided.

In February 2014, the Head of the Prevention and Protection Service (PPS), acting as Head of Food Safety Self-assessment, responded to an inspection conducted by the Food Standards Agency (the *Nuclei Antisofisticazione*, a division of the Carabinieri) as part of checks on the implementation of food hygiene regulations and controls, following a complaint from a passenger.
The inspection concluded with no action taken, as NTV's food hygiene was assessed as substantially in compliance with the related regulations, as was that of its suppliers.

Again in February 2014, Rome's Provincial Department of Labour conducted an inspection of the train formation facilities at Rome Ostiense. The inspection focused on the work carried out by personnel employed by NTV and its contractors.
Following its inspection, the Department notified one of the Company's suppliers of the need to comply with certain requirements. This resulted in a number of changes to the facilities (the installation of new lighting and signage, etc.).

From April 2014, the PPS is part of a working group set up by RFI and the railway companies with the aim of meeting the requirements imposed on the companies by the health authority for the Province of Turin. These requirements regard the emergency procedures to be adopted when train drivers are taken ill whilst in the cab and operating a train and the related timing. A series of meetings was held in 2014 between the companies, the network operators and the "118" emergency services in Turin. The working group is still active. In December 2014, the working group approved new medical risk assessment procedures for drivers, to be included in the Risk Assessment Documents of every railway company.
In common with all the railway companies (passenger and freight service providers), NTV was required to comply with two requirements by Turin health authorities 1 and 3. NTV has met the requirements and was, therefore, allowed to pay the related fines in reduced form in order to close the matter.

From June 2014, the Safety Department has taken part in the working groups set up by the Prefecture in Milan and Lombardy Regional Authority in preparation for EXPO 2015, which will be held in Milan between 1 May and 31 October 2015.
NTV is part of Sub-group 2A "Safety of Transport Infrastructure – access", which was responsible for drawing up plans, measures and strategies for managing transport demand during the event.

Since October, work has taken place on planning and implementing the occupational stress risk assessment for all the Company's employees in 2014. The related procedure, carried out by an external provider, involved completion of an online questionnaire in order to subjectively assess the exposure of employees (operating and corporate personnel) to work-related stress.

An assessment of the biomechanical risks associated with the manual handling of loads by operating personnel (hostesses and stewards) was conducted in November. The assessment focused on the procedures involved in loading and unloading trolleys, the welcome service and passenger assistance, with particular attention given to the activities carried out by individuals.

During the period under consideration, no workplace deaths or serious accidents were reported. The Company incurred no charges for confirmed occupational diseases affecting employees or former employees of the Company, and no potential liabilities were reported for the Company regarding confirmed occupational diseases affecting employees or former employees of the Company deriving from harassment and related legal proceedings.

THE ENVIRONMENT

On 20 December 2013, Consul System SpA, a specialist engineering services company, acting on behalf of NTV presented the Ministry for Economic Development's Energy Department with a plan designed to enable NTV to obtain so-called "White Certificates".

The plan submitted is based on a technical comparison of the energy performance of NTV's new AGV575 fleet with the market average for long-distance rail passenger services. In view of the transport-related nature of the initiative, the estimated annual energy savings involved (above 35,000 TOE) and the fact that the technical life of the trains is in excess of 20 years, NTV believes that its initiative meets the technical requirements set out in the Ministry's decree of 28 December 2012 to qualify for assessment by the Ministry as a "Major Project".

As part of the technical and financial assessment required by the above decree, in early 2014, NTV and Consul System held talks with the entities involved in the assessment process (GSE, RSE and ENEA).

On 24 October, the Ministry for Economic Development announced that the proposed initiative regarding the "Creation of a new fleet of high-speed trains operating under the Italo – NTV brand" was eligible for inclusion in the White Certificates programme as a "Major Project".

On 1 December 2014, the Ministry for Economic Development and the Ministry of the Environment issued a decree setting out the procedures for accessing the white certificates programme as a major project, in relation to NTV's proposed creation of a new fleet of AGV575 trains.

In January 2015, the application for the issue of white certificates for the first reporting period was formally presented.

The following activities were also carried out during the year, in addition to those of an ordinary nature.
- The collection and processing of data in accordance with the Voluntary Agreement with the Ministry of the Environment and Land and Sea Protection signed on 20 December 2012. Since 2013, the Company has measured its carbon footprint (on the Rome-Turin route), with the aim of identifying ways of reducing the footprint.
- A feasibility study for the installation of devices for measuring the amount of energy absorbed from the network by NTV's AGV575 trains.
- A revision of the data for CO2 consumption to be included on tickets following a general increase in the load factor for trains.
- The collection and processing of data in accordance with the Voluntary Agreement with the Ministry of the Environment and Land and Sea Protection signed on 20 December 2012. Since 2013, the Company has measured its carbon footprint on the Rome-Turin route and, in the fourth quarter, the results were highly satisfactory and will be used in order to find a way of reducing the footprint, with support from the Ministry.
- Checks on the correct disposal/recycling of waste and the correct compilation of waste management documents.
- Consultation on the impact of noise pollution from the train formation facilities at Rome Ostiense, following a complaint from residents at via Bartolomeo Diaz 24. Appropriate measurements were taken on 27 and 28 May. The readings showed that the level of noise is within the limits established by law.

During the period under consideration, no cases of compensation for damage caused to the environment were reported.

HUMAN RESOURCES

At 31 December 2014, the Company's workforce numbers 992, which is down on the previous year. Details are provided in the notes to the financial statements.

Industrial relations

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

As a result of the financial pressures faced by the Company, on 4 March 2014, the Company agreed a solidarity contract and the redundancy of 80 excess staff. The contract involves an average 8% reduction in working hours across the entire workforce.

In September 2014, following publication of the alleged redundancy plan in Italy's leading newspapers, talks were held with the unions on the issue of revising the business plan.
In the same month, two meetings with management were held, at which the unions were given an overview of the new plan.

Periodic meetings were held through to December 2014, during which the Company was able to explain NTV's new service model to the labour unions, alongside its plans for streamlining the Company by reorganising work and personnel expenses.

Personnel management and development policies

Following adoption of the new Organisational Structure in the previous year, and the organisational changes involved, the Company has implemented specific initiatives designed to retain staff, reduce turnover and foster the loyalty of key personnel.

As part of the process of managing the redeployment of personnel in 2014, direct meetings were arranged with the staff concerned in order to foster a positive attitude towards the changes and identify any skills gaps. On this basis, the necessary training and development initiatives were put in place and the related career paths defined.

To encourage horizontal development, based on the identified needs of the various departments, a process of internal mobility was launched in the form of "Job Posting". This enabled the Company to identify personnel to be transferred to roles that are different from the ones they currently hold.

Career development opportunities were identified for staff on solidarity contracts, with the aim of giving them the skills to enable them to find alternative employment.

Technical, Compliance and Training department

The Technical, Compliance and Training (TCT) department is primarily responsible for the following two areas:
- "Technical Training", primarily for all NTV's operating personnel requiring safety expertise in order to carry out their duties during the operation of trains;
- "Compliance", ensuring compliance with all the guidelines and regulations issued by Italy's Rail Safety Regulator (the *Agenzia Nazionale per la Sicurezza Ferroviaria* or *ANSF)* and the network operator (RFI), and with the internal requirements and regulations issued by NTV and necessary in order to operate on the rail network in full compliance and in accordance with the safety and organisational regulations issued by NTV. This area of responsibility also includes a unit responsible for "AGV575 Technical Manuals", which is tasked, in collaboration with the Train Configuration unit and the manufacturer, Alstom, with the ongoing revision and development of the Operational Technical Manuals for the AGV575 (the Driver's Manual, the Breakdown Guide, the Train Manager's Manual, etc.).

The roles directly concerned with the department's work are the following:
- Drivers (requirements: Licence F-High-Speed or a European Train Driver's Licence with a type-B Complementary Certificate for driving AGV575 trains on NTV's network);
- Shunting yard operators (requirements: type-B driver's licence or a European Train Driver's Licence with a type-A Complementary Certificate for moving trains within shunting yards; Form FT-A for train formation);
- Train Managers (requirements: Form FT-A for train formation; Form AT for train guards);
- Train Specialist (requirements: Form AT-S for Train Manager assistants and Form FT-A for train formation in the process of being acquired);
- Alstom operators for the shunting of AGV575 trains within the Nola Maintenance Workshop (requirements: type-B driver's licence or a European Train Driver's Licence with a type-A Complementary Certificate for moving trains within shunting yards; Form FT-A for train formation);

- Alstom operators to operate the NX panel within the Nola Maintenance Workshop.

2014 also saw major changes to regulations as part of a review process that began in 2012. The aim is to apply the new regulations and requirements introduced following the Rail Safety Regulator's issue of Directive 1/2012 and Decree 4/2012 and European Commission Decision 2012/757/CE as it relates to Operational Directive 1/2014 issued by RFI, the network operator.

In addition to the above, personnel were trained in relation to implementation of the agreement with the railway company, Trenitalia, governing the shared operation of diesel locomotives used in the rescue of rolling stock on the HS network.

In addition, refresher courses were run in the form of both classroom courses (including practical application on trains) and on-the-job training for drivers and guards.

In December, the Train Simulator for drivers became fully operational. This is used to train drivers in how to respond to breakdowns and malfunctions that are unlikely to occur during daily operations (and even less likely to occur when accompanied by trainers).

School of Hospitality

The School of Hospitality trains front-line operating personnel in how to interact with passengers in stations, in Case Italo offices and onboard trains.
The School's role is to train and develop the technical and professional skills of employees, ensuring that all personnel operate in line with the culture of hospitality the Company wishes to adopt in order to differentiate its service.

Having trained all onboard and station personnel during the start-up phase, a programme of Recurrent Training was launched in 2013, designed to maintain and improve the skills already acquired and to add new expertise with regard to commercial and service-related aspects.

During 2014, the School of Hospitality worked closely with the Technical, Compliance and Training department, in keeping with the integrated training programme for 2014, drawn up and endorsed by both the organisational units at the end of 2013.

In the last quarter of 2014, a training day focusing on "service" was organised for all personnel, with a further day organised to focus on commercial aspects (revision of the contract of carriage) for Hostesses and Stewards.

OTHER INFORMATION

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

On 20 March 2014, the Board of Directors agreed the audit plan for 2014, which provides for analysis and checks of corporate processes and procedures, as well as assessment of the related internal risk controls. The 2014 audit plan was implemented in accordance with the relevant applicable principles and guidelines provided by the Italian accounting profession, the CONSOB, the International Standards on Auditing and the Italian Institute of Internal Auditors (AIIA).

The Organisation, Management and Control Model is the tool established by Legislative Decree 231/2001 to identify and map the risks to which the Company is exposed in conducting its operations and defines the organisational solutions to adopt in order to minimise such risks.
The Model, which NTV SpA adopted in 2011, is updated to incorporate organisational and regulatory requirements as they arise.

In line with the related Board of Directors' resolution, the Supervisory Board takes a collegiate form and

has two external members and one internal member. On 30 May 2014, Vincenzo Cannatelli informed the Chairman of the Board of Directors and the Chairwoman of the Board of Statutory Auditors that he was resigning from his role as a member and as Chairman of the Board with immediate effect.
The Board of Directors decided to retain the current members of the Supervisory Board until the end of 2014, and to defer any related decision until 2015.

The Supervisory Board has submitted a report on its activities in 2014 to the Board of Directors.

PLACES OF BUSINESS

The Company conducts its business at the following:
- office at Viale del Policlinico 149/b, Rome – Operating headquarters and registered office;
- offices located at Alstom's maintenance workshop in Via Boscofangone snc, Nola;
- local office in Milan, at Corso Como 15;
- local office at Rome Ostiense, Piazza 12 ottobre 1492;
- Staff Corner at Rome Tiburtina, Piazza Ipogea, Piazzale della Stazione Tiburtina;
- Staff Corner at Milan Porta Garibaldi, Piazza S. Freud 1;
- Staff Corner at Salerno, Piazza Vittorio Veneto 1;
- Casa Italo at Milan Porta Garibaldi, Piazza S. Freud 1;
- Casa Italo at Milan Rogoredo, Via G.B. Cassinis 83;
- Casa Italo at Naples, Piazza Garibaldi, Central Station;
- Casa Italo at Bologna, Piazza Medaglie d'Oro 1;
- Casa Italo at Rome Tiburtina, Piazza Ipogea, Piazzale della Stazione Tiburtina;
- Casa Italo at Florence, Piazza della Stazione 1;
- Casa italo at Rome Ostiense, Piazza 12 ottobre 1492;
- Casa Italo at Salerno, Piazza Vittorio Veneto 1;
- Casa Italo at Padua, Piazzale Stazione 1;
- Casa Italo at Venice Santa Lucia, Fondamenta S. Lucia;
- Casa Italo at Turin Porta Susa, Corso Bolzano 23;
- Casa Italo at Venice Mestre, Piazzale Favretti, 30;
- Casa Italo at Reggio Emilia, Via Città del Tricolore, 1;
- sales desk and helpdesk in the entrance to the Ticket Office at Rome Termini station, Piazza dei Cinquecento
- depot at Milan Porta Garibaldi, Via Giovanni Calvino 3;
- depot at Turin Lingotto, Via Caio Plinio, opposite 50 bis;
- depot at Bologna Ravone, Via Luigi Tanari 3;
- depot at Venice Mestre, Via Villabona (Marghera district) 6;
- depot at Rome Ostiense, Via Martin Alonzo Pinzon 1;
- depot at Naples FIF, Corso Arnaldo lucci (Metropark entrance).

APPROPRIATION OF LOSS

Dear shareholders,

The financial statements for the year ended 31 December 2014 report a loss of €62,027,790, with shareholders' equity of €52,880,650 and fully paid-up share capital of €148,953,918.

At 31 December 2014, therefore, the share capital has fallen by over a third due to the loss for the year, putting the Company in the situation provided for by article 2446 of the Italian Civil Code.

The Board of Directors intends to propose that the Annual General Meeting proceed to cover the total losses reported in the financial statements for the year ended 31 December 2014, amounting to €295,719,350, as follows:
- €199,646,082 by releasing a matching amount from the Company's distributable reserves at 31 December 2014 and, specifically via the release of €114,646,082 from the share premium reserve

which will, therefore, be reduced to zero, and by releasing €85,000,000 from other reserves, which will also be reduced to zero;

- the remaining €96,073,268 by reducing the Company's share capital.

Rome, 20 May 2016

The Chairman
of the Board of Directors
Andrea Faragalli Zenobi

FINANCIAL STATEMENTS

Amounts in euros

BALANCE SHEET - ASSETS	31 DECEMBER 2014	31 DECEMBER 2013	Increase/ (Decrease)
A) Unpaid subscribed capital	-	-	-
(called-up)	-	-	-
B) Fixed assets			
I. Intangible fixed assets			
1) Incorporation and expansion costs	14,754,474	21,150,423	(6,395,949)
2) Development costs	1,194,919	1,726,226	(531,307)
3) Industrial patents and intellectual property rights	5,390,573	10,560,539	(5,169,966)
4) Concessions, licences, trademarks and similar rights	383,394	410,847	(27,453)
5) Goodwill	-	-	-
6) Fixed assets in progress and advances	131,739	649,144	(517,405)
7) Other	3,701,429	6,095,030	(2,393,601)
Total intangible fixed assets	25,556,528	40,592,209	(15,035,681)
II. Tangible fixed assets			
1) Land and buildings	23,468	10,455	13,013
2) Plant and machinery	585,454,508	614,314,681	(28,860,173)
3) Industrial and commercial equipment	26,765	31,048	(4,283)
4) Other assets	14,940,991	17,622,724	(2,681,733)
5) Fixed assets in progress and advances	846,754	344,767	501,987
Total tangible fixed assets	601,292,486	632,323,675	(31,031,189)
III. Financial assets			
1) Investments in:			
a) unconsolidated subsidiaries	-	-	-
b) associated companies	-	-	-
c) parent companies	-	-	-
d) other companies	-	-	-
	-	-	-
2) Receivables due from			
a) unconsolidated subsidiaries			
- within 12 months	-	-	-
- after 12 months	-	-	-
b) associated companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
c) parent companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
d) others			
- within 12 months	-	-	-
- after 12 months	66,887	66,887	-
	66,887	66,887	-

3) Other securities	-		-
4) Treasury shares (total par value)	-	-	-
Total financial assets	66,887	66,887	-
Total fixed assets	626,915,901	672,982,771	(46,066,870)
C) Current assets			
I. Inventories			
1) Raw materials, consumables	2,177,549	2,317,012	(139,463)
2) Work in progress and semi-finished goods	-	-	-
3) Contract work in progress	-	-	-
4) Finished products and goods	412,503	445,460	(32,957)
5) Advances	-	-	-
Total inventories	2,590,052	2,762,472	(172,420)
II. Receivables			
1) Customers			
- within 12 months	4,754,789	4,755,599	(810)
- after 12 months	-	-	-
	4,754,789	4,755,599	(810)
2) Unconsolidated subsidiaries			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
3) Associated companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
4) Parent companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
4-bis) Tax assets			
- within 12 months	13,156,740	16,087,868	(2,931,128)
- after 12 months	17,507,558	30,993,927	(13,486,369)
	30,664,298	47,081,795	(16,417,497)
4-ter) Deferred tax assets			
- within 12 months	-	-	-
- after 12 months	109,419,628	86,178,424	23,241,204
	109,419,628	86,178,424	23,241,204
5) Other			
- within 12 months	18,569,262	25,730,286	(7,161,024)
- after 12 months	10,717,189	11,102,634	(385,445)
	29,286,451	36,832,920	(7,546,469)
			-
Total receivables	174,125,166	174,848,738	(723,572)

III. Financial assets not recognised in fixed assets			
1) Investments in unconsolidated subsidiaries	-	-	-
2) Investments in associated companies	-	-	-
3) Investments in parent companies	-	-	-
4) Other investments	-	-	-
5) Treasury shares (total par value)	-	-	-
6) Other securities	-	-	-
Total financial assets not recognised in fixed assets	-	-	-
IV. Cash and cash equivalents			
1) Bank and post office deposits	37,833,195	50,912,562	(13,079,367)
2) Cheques	-	-	-
3) Cash on hand	1,317,758	722,311	595,447
Total cash and cash equivalents	39,150,953	51,634,873	(12,483,920)
Total current assets	215,866,171	229,246,083	(13,379,912)
D) Accrued income and prepayments	1,871,337	2,947,133	(1,075,796)
- discounts on loans	-	-	-
- sundry	1,871,337	2,947,133	(1,075,796)
Total assets	**844,653,409**	**905,175,987**	**(60,522,578)**

BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES	31 DECEMBER 2014	31 DECEMBER 2013	Increase/ (Decrease)
A) Shareholders' equity			
I. Share capital	148,953,918	148,953,918	-
II. Share premium reserve	114,646,082	114,646,082	-
III. Revaluation reserve	-	-	-
IV. Legal reserve	-	-	-
V. Statutory reserves	-	-	-
VI. Reserve for treasury shares held	-	-	-
VII. Other reserves	85,000,000	78,001,120	6,998,880
VIII. Retained earnings /(accumulated losses)	(233,691,560)	(156,072,060)	(77,619,500)
IX. Profit for the year	-	-	-
IX. Loss for the year	(62,027,790)	(77,619,500)	15,591,710
Total shareholders' equity	52,880,650	107,909,560	(55,028,910)
B) Provisions for risks and charges			
1) Pensions and similar obligations	-	-	-
2) Taxes, including deferred tax liabilities	-	-	-
3) Other	2,395,524	1,419,766	975,758
Total provisions for risks and charges	2,395,524	1,419,766	975,758
C) Post-employment benefits (*TFR*)	5,491,285	4,074,128	1,417,157

D) Payables			
1) Bonds			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
2) Convertible bonds			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
3) Shareholder loans			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
4) Bank borrowings			
- within 12 months	79,699,131	895,895	78,803,236
- after 12 months	140,450,000	203,336,902	(62,886,902)
	220,149,131	204,232,797	15,916,334
5) Other borrowings			
- within 12 months	58,812,238	8,729,900	50,082,338
- after 12 months	392,087,244	448,365,058	(56,277,814)
	450,899,482	457,094,958	(6,195,476)
6) Advances			
- within 12 months	45,120	129,391	(84,271)
- after 12 months	-	-	-
	45,120	129,391	(84,271)
7) Suppliers			
- within 12 months	76,262,810	111,544,818	(35,282,008)
- after 12 months	6,672,113	-	6,672,113
	82,934,923	111,544,818	(28,609,895)
8) Debt securities			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
9) Due to unconsolidated subsidiaries			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
10) Due to associated companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
11) Due to parent companies			
- within 12 months	-	-	-
- after 12 months	-	-	-
	-	-	-
12) Tax liabilities			
- within 12 months	650,377	933,395	(283,018)

- after 12 months	-	-	-
	650,377	933,395	(283,018)
13) Social security payables			
- within 12 months	2,421,910	2,949,203	(527,293)
- after 12 months	74,833	-	74,833
	2,496,743	2,949,203	(452,460)
14) Other payables			
- within 12 months	2,824,513	4,642,668	(1,818,155)
- after 12 months	-	-	-
	2,824,513	4,642,668	(1,818,155)
Total payables	760,000,289	781,527,230	(21,526,941)
E) Accrued liabilities and deferred income	23,885,661	10,245,303	13,640,358
- premiums on loans	-	-	-
- sundry	23,885,661	10,245,303	13,640,358
Total shareholders' equity and liabilities	**844,653,409**	**905,175,987**	**(60,522,578)**

MEMORANDUM ACCOUNTS	31 DECEMBER 2014	31 DECEMBER 2013	Increase/ (Decrease)
1) Third party assets held by the Company	-	-	-
2) Third party commitments	162,354,897	171,563,607	(9,208,710)
3) Contingent liabilities	19,840,863	29,104,748	(9,263,885)
4) Reconciliation of accounting and tax regulations	-	-	-
Total memorandum accounts	**182,195,760**	**200,668,355**	**(18,472,595)**

INCOME STATEMENT	2014	2013	Increase/ (Decrease)
A) Value of production			
1) Revenue from sales and services	261,469,272	239,473,484	21,995,788
2) Change in inventories of work in progress, semi-finished and finished goods	-	-	-
3) Change in contract work in progress	-	-	-
4) Increases in fixed assets for internal work	-	1,664,700	(1,664,700)
5) Other income:	-	-	-
- other	6,090,093	8,173,575	(2,083,482)
- revenue grants	25,701	20,536	5,165
- capital grants (accrued portion)	263,672	278,671	(14,999)
Total value of production	267,848,738	249,610,966	18,237,772
B) Production costs			
6) Raw materials, consumables and goods	3,085,488	4,730,383	(1,644,895)
7) Services	220,952,778	216,435,445	4,517,333
8) Lease expense	9,532,856	9,996,784	(463,928)
9) Personnel:			

a) Wages and salaries	32,581,887	36,581,156	(3,999,269)
b) Social security contributions	9,247,865	10,314,197	(1,066,332)
c) Post-employment benefits (*TFR*)	2,265,852	2,363,157	(97,305)
d) Pensions and similar obligations	-	-	-
e) Other costs	2,011,499	1,466,643	544,856
	46,107,103	50,725,153	(4,618,050)
10) Amortisation, depreciation and impairments			
a) Amortisation of intangible fixed assets	17,715,410	16,193,190	1,522,220
b) Depreciation of tangible fixed assets	26,130,521	25,827,576	302,945
c) Other impairments of fixed assets	-	-	-
d) Provisions for doubtful accounts included in current assets and cash and cash equivalents	1,048,584	-	1,048,584
	44,894,515	42,020,766	2,873,749
11) Change in inventories of raw materials, consumables and goods	172,419	(429,572)	601,991
12) Provisions for risks	-	90,000	(90,000)
13) Other provisions	3,098,847	962,725	2,136,122
14) Other operating costs	1,736,928	2,613,553	(876,625)
Total production costs	329,580,934	327,145,237	2,435,697
Difference between value of production and production costs (A-B)	(61,732,196)	(77,534,271)	15,802,075
C) Financial income and expenses			
15) Income from investments:			
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- other	-	-	-
	-	-	-
16) Other financial income:			
a) from receivables recognised in fixed assets			
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- from parent companies	-	-	-
- from other	-	-	-
b) from securities recognised in fixed assets	-	-	-
c) from securities recognised in current assets	-	-	-
d) other income:			-
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- from parent companies	-	-	-
- from other	1,700,572	1,604,439	96,133
	1,700,572	1,604,439	96,133
17) Interest and other financial expenses:			
- from unconsolidated subsidiaries	-	-	-
- from associated companies	-	-	-
- from parent companies	-	-	-
- from other	31,958,179	29,613,688	2,344,491

	31,958,179	29,613,688	2,344,491
17-bis) Foreign exchange gains and losses	(8,839)	(1,493)	(7,346)
Total financial income/(expenses)	(30,266,446)	(28,010,742)	(2,255,704)
D) Adjustments to value of financial assets			
18) Revaluations:			
a) of investments	-	-	-
b) of financial assets recognised in fixed assets	-	-	-
c) of securities recognised in current assets	-	-	-
	-	-	-
19) Impairments:			
a) of investments	-	-	-
b) of financial assets recognised in fixed assets	-	-	-
c) of securities recognised in current assets	-	-	-
	-	-	-
Total adjustments to value of financial assets	-	-	-
E) Extraordinary income and expenses			
20) Income:			
- gains on disposals	380,090	-	380,090
- sundry	9,194,318	1,750,384	7,443,934
	9,574,408	1,750,384	7,824,024
21) Expenses:			
- losses on disposals	54,001	-	54,001
- income tax for previous years	-	-	-
- sundry	2,790,759	2,047,252	743,507
	2,844,760	2,047,252	797,508
Total extraordinary income and expenses	6,729,648	(296,868)	7,026,516
Profit/(Loss) before tax (A-B±C±D±E)	**(85,268,994)**	**(105,841,881)**	**20,572,887**
22) Current and deferred tax income and expense for the year			
a) Current tax expense	-	-	-
b) Deferred tax expense/(income)	23,241,204	28,222,381	(4,981,177)
23) Profit/(Loss) for the year	**(62,027,790)**	**(77,619,500)**	**15,591,710**

The Chairman
of the Board of Directors
Andrea Faragalli Zenobi

NOTES TO THE FINANCIAL STATEMENTS

Amounts in euros, unless otherwise indicated

INTRODUCTION

These financial statements regard the year ended 31 December 2014. The financial statements consist of balance sheet, income statement and these notes, to which the statement of cash flows is attached.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the laws related to financial statements (articles 2423 *et seq* the Italian Civil Code). They consist of:

- the balance sheet, prepared in accordance with the format under articles 2424 and 2424 *bis* of the Italian Civil Code;
- the income statement, prepared in accordance with the format under articles 2425 and 2425 *bis* of the Italian Civil Code;
- the notes, in which amounts are shown in euros and which include, where applicable, the disclosures required by article 2427 of the Italian Civil Code, Legislative Decree 127/1991 or other regulations, and additional information considered necessary to give the a true and fair view, even though it might not be required by any specific law. The purpose of the notes it to illustrate the various items in the financial statements, through analysis, explanation and the provision of details designed to provide a full, true and fair view of the Company's situation.

During preparation of the financial statements, reference was made to the lows governing financial statements, as amended by Legislative Decree 6/2003 ("Company law reform"), as interpreted and supplemented with the accounting standards issued by the Italian Accounting Standard Setter (the OIC) and applicable from the year ended 31 December 2014, unless otherwise indicated in the section, "Exemptions from Italian GAAP".

These financial statements include amounts for the previous year for comparative purposes, in compliance with the Italian Civil Code.
Amounts in the notes are shown in euros. The accounting standards and policies are unchanged with respect to those applied in the previous year.

No exceptional events occurred during the period requiring exemptions from the requirements of art. 2423, paragraph 4 of the Italian Civil Code.

The Board of Directors made specific amendments to the financial statements for 2014 approved by the General Meeting of the Company's shareholders held on 17 July 2015, following receipt of additional and more detailed information relating to the recognition and measurement of an item in the financial statements: income from White Certificates.

As a result of this additional and new information – more fully described in the report on operations – received only after the date of approval of the financial statements for 2014, and before approval of the financial statements for 2015, NTV's Board of Directors decided to amend the financial statements for 2014, with the aim of providing more accurate information regarding White Certificates.

To this end, the Company requested an expert consultant with extensive experience in the field to provide an opinion on the possibility for the Directors to make a number of amendments to the financial statements for 2014 already approved by the General Meeting of the Company's shareholders held on 17 July 2015, following receipt of additional information relating to the recognition of White Certificates in the financial statements.

The opinion stated that the regulations governing the preparation of financial statements grant the Directors the option of amending financial statements already presented to shareholders at a general meeting, in order to ensure a true and fair view is provided of the Company's financial position and results of operations.

The need to amend the financial statements may arise, for example, when (i) they contain material errors (e.g., omissions or miscalculations) or errors of substance (e.g., measurements that do not comply with the related standards or erroneous accounting treatments); (ii) estimates contained in the financial statements have been revised following receipt of additional information on which the estimates were based; (iii) the occurrence of "subsequent events"; (iv) a declaration that the resolution approving the financial statements is invalid (see articles 2377, paragraph 7 and 2434-*bis*, paragraph 3 of the Italian Civil Code).

Consequently, NTV's Directors made a number of amendments to the financial statements for 2014, despite their previous approval by shareholders. The amendments are designed to present certain operating events and the resulting impact on the Company's financial position and results of operations.
In this regard, a change to the income statement item to which income from White Certificates has been classified has enabled the Directors to take into account new circumstances that only arose following approval of the financial statements for 2014.
This change was made in order to more effectively provide a true and fair view of the Company's financial position and results of operations in the reporting periods affected by the issue of White Certificates.

The amendment of the financial statements for 2014 derives from the fact that the Company became aware of new information following approval of the financial statements for 2014, but prior to submission of the financial statements for 2015 to shareholders for their approval. This was a particular situation of an exceptional nature, which led the Directors to deem it necessary to change an existing accounting policy. This enabled them to take into account additional information received after receipt of the information on which the accounting treatment used in preparation of the financial statements for 2014 was based.

In the opinion of the Directors, the reason for the amendment is classifiable as a change in estimates. Moreover, the information arising following approval of the financial statements for 2014 certainly constitute new and additional information with respect to the information on which the Directors based their assessment of the impact of income form White Certificates on the financial statements for 2014. In fact, if the Directors had been aware of such a situation at the time of preparation of the financial statements for the year ended 31 December 2014, these circumstances would reasonably have resulted in a different assessment of the related impact on the financial statements.

In view of the above, the new information on White Certificates known after approval of the financial statements has been reflected in the amended financial statements for 2014. This information has resulted in a change to the assumptions on which income from White Certificates is presented, with a downward adjustment to revenue from energy efficiency certificates accounted for in the financial statements for the year ended 31 December 2014.

The decision to recognise income from White Certificates from 2015, by adjusting the item "Other income" in the income statement in the financial statements for 2014, is in line with the need to ensure continuity, uniformity and the resulting comparability of the Company's financial statements with reference to measurement of the certificates over the full five-year period in which the certificates are issued. Otherwise, the absence of such an adjustment could result in inconsistencies in the method of accounting for the item, which relates to a limited period of time in which the impact of their issue will have an effect.

Finally, the amendments solely regard items linked to measurement of the White Certificates, with the aim of taking into account the new information received. As a result, the Company has made simple adjustments and corrections, without remeasuring all the line items that make up the financial statements for the year ended 31 December 2014.

The adjusted items are the following:
- Deferred tax assets
- Receivables due from others
- Loss for the year
- Payables due to suppliers

- Other income
- Service costs
- Current and deferred tax income and expense for the year

EXEMPTIONS FROM ITALIAN GAAP

In exemption from accounting standard OIC 1, which was withdrawn on 5 August 2014 following a review of Italian GAAP and combined with accounting standard OIC 12, the lease agreement entered into with Mediocredito Italiano SpA (formerly Leasint SpA), regarding the purchase of rolling stock, is accounted for in the financial statements using finance lease accounting.

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

ACCOUNTING POLICIES

The measurements of items in the financial statements is based on the prudence and accruals principles and applied on a going concern basis, taking into account the economic function of the asset or liability concerned.

Application of the prudence principle has involved the individual measurement of separate assets or liabilities, in order to avoid any offsets of losses to be recognised against gains not be recognised as they are unrealised.

In compliance with the accruals principle, the effect of transactions and other events was been accounted for and attributed to the period in which the transactions and events relate, and not to the period in which the relevant inflows or outflows occurred.

For the reasons disclosed in the section of the report on operations, entitled “Going concern considerations”, to which reference should be made in full, these financial statements have been prepared on a going concern basis, continuing to recognise assets at book value and without recognising further impairments or provisions for costs that would be incurred if the going concern assumption should no longer apply.

Continuous application of the accounting policies over time is an essential condition for ensuring the comparability of the Company’s financial statements from one year to another.
The accounting policies used in preparation of the financial statements are described below.

Intangible fixed assets

Intangible fixed assets are recognised at historical cost, after adjustment for accumulated amortisation, dating from the time the asset is ready for use or begins to produce economic benefits, as required by accounting standard OIC 24.
Incorporation and expansion costs and research, development and advertising costs providing multi-year benefits are recognised with the consent of the Board of Statutory Auditors.
In addition, based on the Company’s Business Plan, these costs are certain to provide future economic benefits.
Research and development costs regard a specific, clearly defined project. They are identifiable, measurable and it is possible to demonstrate their direct role in the process for which the related costs

were incurred.
If the carrying amount of an intangible fixed asset is below the remaining cost to be amortised, the asset is written down by the relevant amount. If in the following years, the reasons for the impairment no longer apply, the original value of the asset is reinstated, after accumulated amortisation, as required by accounting standard OIC 9.
The useful lives of intangible fixed assets used as the basis for calculating amortisation are as follows:

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

Recurring additional costs for patents, trademarks and licences are expensed as incurred.

Tangible fixed assets

Tangible fixed assets are recognised at cost, including ancillary charges and direct costs attributable to the asset and other costs if significant and incurred in the period when the asset is produced, and after adjustment for accumulated depreciation. This cost is written down if there is indication of impairment. If in the following years, the reasons for the impairment no longer apply, the original value of the asset is reinstated, after accumulated depreciation, as required by accounting standard OIC 9.

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

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

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

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

Routine maintenance costs are expensed as incurred.

Financial assets

These assets are recognised at cost, less any accumulated impairments, which are reversed if the reasons for the impairment no longer apply.
This item includes securities and investments held to maturity, receivables due from associated companies, unconsolidated subsidiaries and parent companies and other receivables not resulting from trading or operations.

Finance leases

As already noted, in exemption from accounting standard OIC 1, which was withdrawn on 5 August 2014 following a review of Italian GAAP and combined with accounting standard OIC 12, which requires the application of operating lease accounting, the Company accounts for finance leased rolling stock using finance lease accounting, as this is deemed more appropriate to a correct presentation of the Company's operating results and financial position. This approach is in line with international accounting standards, under which it is the only permitted treatment (IAS 17).

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

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

In determining the useful life of the train, the component analysis method is used to allocate the cost of the train across the various components, each of which, having a different lifecycle, is depreciated in the financial statements on a different basis.
The analysis was conducted in relation to:
- the useful life of the asset (trains), defined as the period in which the asset is expected to be used by the Company;
- maintenance and repair contracts;
- refurbishment and replacement programme.

As a result of the analysis, the train is divided into three main components, each with a different lifecycle and each depreciated on the basis shown above:
- rolling stock;
- train interiors (seat upholstery);
- telecommunications systems on board the train.

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

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

This approach has also been adopted in accordance with the requirements of paragraph 1 of art. 2423-*bis* of the Italian Civil Code, which states that *"the measurement of line items must be carried out … taking into account the economic use of the component…"* with reference to the principle of substance over form. Moreover, Italian accounting standard OIC 11 states that *"in order to produce financial* *statements that are useful to their users and provide a true and fair view of operating events, it is necessary to assess the substance of each event and not only its form",* thus reiterating the importance, in preparing financial statements, of giving precedence to substance over form.

Inventories

Inventories are recognised at the lower of purchase or production cost, including any ancillary charges, and realisable value, based on market value at the measurement date. Inventories are written down when their market value is lower than their carrying amount.

Receivables

Receivables are recognised at their expected realisable value. Receivables are offset, where necessary, by provisions for doubtful accounts, so as to reflect their expected realisable value.
A receivable is only derecognised when (i) the contractual rights to receive the cash flows from the receivable are extinguished and (ii) ownership of the contractual rights to receive the cash flows from the receivable are transferred and if substantially all the risks associated with the receivable are transferred.

Financial assets not recognised in fixed assets

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

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

Cash and cash equivalents

These items are recognised at their expected realisable value, which generally coincides with their nominal value, as required by the relevant accounting standard (OIC 14).

Payables

Payables are recognised at their nominal value.

Accruals and deferrals

These items are accounted for on an accruals basis.

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

Provisions for risks and charges

Provisions for risks and charges reflect the best possible estimate, on the basis of the available information, of specific liabilities and charges that are certain or probable, but whose amount or disbursement date cannot be determined, as required by accounting standard OIC 31.

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

Provisions that remain unused three years after they were initially made are recognised in income for the period. If, however, the loyalty programme expires after less than three years, the related unused provisions are recognised in income for the period in which the programme expires.

Post-employment benefits (*TFR*)

Post-employment benefits (*TFR*) reflect the effective liability to employees in accordance with art. 2120 of the Italian Civil Code and existing contracts of employment, considering all forms of remuneration of a continuous nature and in accordance with the requirements of the relevant accounting standard (OIC 31).
TFR corresponds to the amount that the Company would have to pay to employees if their employment was terminated at the end of the reporting period, less any advances paid in accordance with the law, and any amounts payable and paid to pension funds.

Guarantees, commitments, third party assets and risks

Commitments and guarantees are shown in the memorandum accounts at their nominal value, derived from the related documentation.
Risks that are likely to give rise to a liability are described in the notes and matching provisions made.
Risks that only entail the possibility for a liability to arise are described in the report on operations. Provisions have not been allocated for risks deemed to be remote.
More specifically, a specific section of the notes provides information on the fair value of hedging contracts at the end of the reporting period, as calculated at that date.

Cost and revenue recognition

Costs are recognised in accordance with the prudence principle and on an accruals basis. Revenue is recognised on an accruals basis. Revenue from the rendering of transport services is recognised as follows.
Revenue from the rendering of transport services is recognised in the income statement when the revenue is effectively realised, which coincides with expiry of the related ticket, normally when the service is rendered.
Fines imposed on customers in accordance with the Company's terms and conditions of carriage are recognised when realised.
Season ticket sales are recognised in the income statement on an accruals basis, in relation to the duration of the ticket.

Increases in fixed assets for internal work

"Increases in fixed assets for internal work" consist of capitalised costs accounted for as an increase in fixed assets, as permitted by accounting standard OIC 12.

Government grants

Government grants are recognised when there is the reasonable certainty that the conditions to receive the grant have been met and that the grant will effectively be disbursed. Government grants obtained to finance intangible assets (the cost of training operating personnel, recognised in incorporation and expansion costs as permitted by accounting standard OIC 24) are accounted for as deferred income and recognised in the income statement in "Other income" on a systematic, reasonable basis that allocates the grant over the useful life of the intangible asset to which it refers.

Income taxes

Income tax expense is recognised on an accruals basis, taking into account the related tax regulations.
Deferred tax assets are calculated on the temporary differences between the carrying amount and the

tax bases of assets and liabilities.
Deferred tax assets are recognised if there is reasonable certainty that they will be recovered. In particular, those relating to the carry forward of tax losses are recognised to the extent that there is reasonable certainty that future taxable income will be at least equal to the amount of the losses to be offset.
Those relating to non-deductible interest expense for the period, which may be carried forward for an unlimited period of time, are recognised to the extent that there is reasonable certainty that future taxable income will be at least equal to the amount to be recovered.
Deferred tax assets on undeducted provisions are recognised to the extent that there is reasonable certainty that they will be deducted in future periods.

The recoverability of deferred tax assets was assessed on the basis of projected income in the Business Plan.

WORKFORCE

The Company's workforce is as follows at 31 December 2014:

Workforce	31 December 2013	31 December 2014	Change
Directors	1	1	-
Managers	23	21	(2)
Supervisors	64	64	-
Operating staff	817	828	11
Consultants	15	4	(11)
Apprentices	150	68	(82)
Trainees	-	3	3
Interns	3	2	(1)
Journalist	1	1	-
Total	**1,074**	**992**	**(82)**

The Company applies the following national labour contracts:
- the "collective labour contract for transport workers";
- the "national collective labour contract for managers in the services sector";
- the "national collective labour contract for journalists and publicists".

In accordance with art. 2427 of the Italian Civil Code, the following table shows the average workforce, broken down by category, at 31 December 2014.

Average workforce by category	31 December 2014
Managers	22
Supervisors	66
Operating staff	844
Consultants	10
Apprentices	88
Trainees	1
Interns	1
Journalist	1
Total	**1,033**

ASSETS

B) Fixed assets

I. Intangible fixed assets

Total movements in intangible fixed assets

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Incorporation and expansion costs	21,150,423	-	-	(6,395,949)	14,754,474
Research, development and advertising costs	1,726,226	-	-	(531,306)	1,194,919
Industrial patents and intellectual property rights	10,560,539	2,269,649	446,644	(7,886,260)	5,390,573
Concessions, licences, trademarks and similar rights	410,847	34,432	-	(61,886)	383,394
Fixed assets in progress and advances	649,144	131,739	(649,144)	-	131,739
Other	6,095,030	43,536	402,872	(2,840,009)	3,701,429
Total	**40,592,209**	**2,479,356**	**200,372**	**(17,715,410)**	**25,556,528**

This item amounts to €25,556,528, marking a reduction of €15,035,681 compared with 31 December 2013. This reflects: purchases of €2,479,356, reclassifications resulting in an increase of €200,372 and amortisation of €17,715,410.

Reclassifications between items in intangible fixed assets, totalling €649,144, took place during the period, as follows:

- an increase of €446,644 in "Industrial patents and intellectual property rights", resulting from a transfer from "Fixed assets in progress and advances" after the entry into service of the related assets (the website and the implementation of software);
- an increase of €402,872 in "Other intangible fixed assets", including €202,500 from "Fixed assets in progress and advances" and €200,372 from "Other tangible fixed assets in progress and advances", relating to stations.

Both reclassifications were carried out before the entry into service of the assets and prior to the start of amortisation or depreciation. As a result, there was no adjustment to accumulated amortisation or depreciation.

The historical cost of intangible fixed assets and the related accumulated amortisation is shown below. Details of the various items are provided in the following pages.

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Incorporation and expansion costs	31,979,746	-	31,979,746
Accumulated amortisation	(10,829,324)	(6,395,948)	(17,225,272)
Carrying amount	**21,150,422**	**(6,395,948)**	**14,754,474**
Research, development and advertising costs	2,656,532	-	2,656,532
Accumulated amortisation	(930,306)	(531,307)	(1,461,613)
Carrying amount	**1,726,226**	**(531,307)**	**1,194,919**
Industrial patents and intellectual property rights	27,123,971	2,716,293	29,840,264
Accumulated amortisation	(16,563,431)	(7,886,260)	(24,449,691)
Carrying amount	**10,560,540**	**(5,169,967)**	**5,390,573**
Concessions, licences, trademarks and similar rights	529,286	34,432	563,718
Accumulated amortisation	(118,439)	(61,885)	(180,324)
Carrying amount	**410,847**	**(27,453)**	**383,394**
Fixed assets in progress and advances	649,144	(517,405)	131,739
Accumulated amortisation	-	-	-
Carrying amount	**649,144**	**(517,405)**	**131,739**

Other	9,103,696	446,408	9,550,104
Accumulated amortisation	(3,008,666)	(2,840,009)	(5,848,675)
Carrying amount	**6,095,030**	**(2,393,601)**	**3,701,429**
TOTAL	**40,592,209**	**(15,035,681)**	**25,556,528**

Composition of “Incorporation and expansion costs”

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

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Establishment costs	3,900	-	-	(1,200)	2,700
Consultants’ fees	3,525,790	-	-	(1,083,729)	2,442,061
Cost of borrowing	3,628,115	-	-	(1,116,343)	2,511,772
Capitalised personnel expenses	974,695	-	-	(299,906)	674,789
Selection and training of personnel	12,934,486	-	-	(3,869,098)	9,065,388
Other costs	19,491	-	-	(5,997)	13,494
Corporate expenses	63,946	-	-	(19,676)	44,270
Total	**21,150,423**	**-**	**-**	**(6,395,949)**	**14,754,474**

“Incorporation and expansion costs” include:
- the cost of establishing the Company, the historical cost of which is unchanged with respect to the previous year;
- fees paid to consultants who worked on the start-up of operations;
- costs connected with borrowings (arrangement fees, due diligence, consultancy, other ancillary expenses);
- the cost of personnel involved in the start-up of operations (capitalised using the indirect method until 30 June 2008);
- the cost of selecting and training personnel;
- other incorporation costs;
- corporate expenses linked to capital increases.

Composition of “Research, development and advertising costs”

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

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
“Telecommunications systems on board trains” project	283,306	-	-	(87,171)	196,135
Market surveys	913,249	-	-	(281,160)	632,089
Advertising costs	529,671	-	-	(162,976)	366,695
Total	**1,726,226**	**-**	**-**	**(531,307)**	**1,194,919**

The “Telecommunications systems on board trains” project refers to the cost of the feasibility study for “Telecommunications systems on board trains”, which aimed to equip trains with innovative broadband communications systems.

“Market surveys” primarily regards the cost of rail transport market surveys conducted in previous years.

“Advertising costs” include the cost of advertising and the study for the “railways campaign”.

Composition of “Industrial patents and intellectual property rights”

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

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Website	266,517	122,497	-	(117,068)	271,946
Software licences	1,487,238	103,443	-	(882,965)	707,716
Software implementation	8,806,785	2,043,709	446,644	(6,886,227)	4,410,911
Total	**10,560,539**	**2,269,649**	**446,644**	**(7,886,260)**	**5,390,573**

The item, “Website”, includes the cost of designing, developing, editing and restyling NTV’s website.

“Software licences” regard the cost of purchasing licences for the principal software used: SAP licences for the ERP system; Quintiq licences for the Fleet & Crew Management system; Oracle licences for the Customer Relationship Management (CRM) system; licences for Data Centre system software; licences for the customer messaging system; and other licences for minor programmes.

“Software implementation” regards the cost of implementing the software used in operations, as follows:
- ERP SAP, used in general accounting;
- SAP HCM, used in managing human resources;
- PITECO, used in treasury management;
- CRM, used by the Customer Relationship Management system;
- software used in the Operations Room;
- software for Ticket Vending Machines (TVMs);
- Share Point, used in managing the Company’s intranet.

This item rose €2,716,293 in 2014, primarily relating to an increases of €2,043,709 in “Software implementation”, reflecting investment during the period, and of €446,644 due to reclassifications from “Intangible fixed assets in progress”, following the completed implementation of IT systems and the resulting entry into service of the systems and the development of existing systems.

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

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

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Rail licence	72,655	30,032	-	(20,502)	82,186
NTV trademarks	254,025	-	-	(30,764)	223,261
Other concessions, licences, trademarks and other similar rights	84,167	4,400	-	(10,620)	77,947
Total	**410,847**	**34,432**	**-**	**(61,886)**	**383,394**

The increase during the year primarily refers to the cost of the rail licence.

Composition of “Intangible fixed assets in progress and advances”

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

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Other fixed assets in progress and advances	649,144	131,739	(649,144)	-	131,739
Total	**649,144**	**131,739**	**(649,144)**	**-**	**131,739**

“Other fixed assets in progress and advances” of €1,405,346 primarily consist of IT development projects that are still in progress, with further investment during the year. Reductions reflect the entry into service of assets and are reflected in matching increases in completed assets once they entered service.

Composition of “Other intangible fixed assets”

The composition of “Other intangible fixed assets” is shown below:

Description	Value at 31 Dec 2013	Purchases	Reclass.	Amort.	Value at 31 Dec 2014
Leasehold improvements – Head Office	263,964	-	-	(225,293)	38,671
Leasehold improvements – Stations	5,830,586	43,536	402,872	(2,614,476)	3,662,518
Hardware set-up	480	-	-	(240)	240
Total	**6,095,030**	**43,536**	**402,872**	**(2,840,009)**	**3,701,429**

“Leasehold improvements – Head Office” reflect the cost of work on renovation and non-routine maintenance of the head office premises in Viale del Policlinico, Rome.

“Leasehold improvements – Stations” primarily regards the cost of designing and installing the “Casa Italo” offices, with an increase of €43,536 reflecting further investment during the year, with the aim of completing the spaces used within stations, and an increase of €402,872 due to reclassifications from “Intangible fixed assets in progress and advances” and “Tangible fixed assets in progress and advances”, following the entry into service of assets.

Revaluations of intangible fixed assets

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

II. Tangible fixed assets

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Amort.	Adjustments to deprec.	Value at 31 Dec 2014
Land and buildings	10,455	15,825	-	-	(2,813)		23,468
Plant and machinery	614,314,681	376,443	-	(7,919,403)	(21,697,303)	380,090	585,454,508
Industrial and commercial equipment	31,048	-	-	-	(4,282)		26,765
Other tangible assets	17,622,724	1,673,995	144,395	(150,000)	(4,426,123)	75,999	14,940,991
Fixed assets in progress and advances	344,767	846,754	(344,767)	-	-		846,754
Total	**632,323,675**	**2,913,017**	**(200,372)**	**(8,069,403)**	**(26,130,521)**	**456,089**	**601,292,486**

This item amounts to €601,292,486 and is down €31,031,189 with respect to 31 December 2013, reflecting: purchases of €2,913,017, reclassifications resulting in reductions of €200,372, depreciation of €26,130,521, disposals €8,069,403 and adjustments to accumulated depreciation of €456,089.

Purchases reflect investment during the period.

The reclassifications of €344,767 reflect the transfer from fixed assets in progress to “Other tangible assets”, totalling €144,395, and the transfer of €200,372 to the matching items in intangible fixed assets.

The historical cost of tangible fixed assets and the related accumulated amortisation is shown below. Details of the various items are provided in the following pages.

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Land and buildings	12,300	15,825	28,125
(Accumulated depreciation)	(1,845)	(2,813)	(4,658)
Carrying amount	**10,455**	**13,013**	**23,468**
Plant and machinery	646,095,019	(7,542,960)	638,552,059
(Accumulated depreciation)	(31,780,339)	(21,317,213)	(53,097,552)
Carrying amount	**614,314,681**	**(28,860,173)**	**585,454,508**
Industrial and commercial equipment	35,687	-	35,687
(Accumulated depreciation)	(4,639)	(4,283)	(8,922)
Carrying amount	**31,048**	**(4,283)**	**26,765**
Other	23,831,759	1,668,390	25,500,149
(Accumulated depreciation)	(6,209,034)	(4,350,123)	(10,559,158)
Carrying amount	**17,622,724**	**(2,681,733)**	**14,940,991**
Fixed assets in progress and advances	344,767	501,987	846,754
(Accumulated depreciation)	-	-	-
Carrying amount	**344,767**	**501,987**	**846,754**
Total	**632,323,675**	**(31,031,189)**	**601,292,486**

Composition of "Land and buildings"

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2014
Light constructions	10,455	15,825	-	-	(2,813)	-	23,468
Total	**10,455**	**15,825**	**-**	**-**	**(2,813)**	**-**	**23,468**

This item regards prefabricated buildings located at the Nola maintenance workshop and used by the supplier responsible for cleaning the Company's trains when carrying out the related operations.
During the year, the Company purchased a prefabricated building installed at the Bologna Ravone workshop.

Composition of "Plant and machinery"

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2014
Telephone equipment	58,992	-	-	-	(25,058)	-	33,934
Other specific plant	491,930	-	-	-	(143,240)	-	348,690
Other plant	1,275,235	15,383	-	-	(352,612)	-	938,005
Leased rolling stock	612,488,524	361,060	-	(7,919,403)	(21,176,393)	380,090	584,133,878
Total	**614,314,681**	**376,443**	**-**	**(7,919,403)**	**(21,697,303)**	**380,090**	**585,454,508**

"Plant and machinery" is down €28,860,173, reflecting purchases of €376,443, depreciation of €21,697,303 and a reduction of €7,539,313 (after adjustment to accumulated depreciation) due primarily to the terms of the VI Addendum agreed with Alstom.
During the year, the Company entered into two agreements, one with Alstom and one with RFI, which led to a reduction in supplies.
"Plant and machinery" includes the following assets:
- telephone and LAN equipment with a carrying amount of €33,934, after depreciation of €25,058;
- specific equipment: train simulators and machinery used for moving and maintenance of trains with a carrying amount of €348,690, after depreciation of €143,240;
- general equipment: security systems and access control and time and attendance systems for personnel, with a carrying amount of €938,005, after increases of €15,383 and depreciation of €352,612;

- finance leased rolling stock: 25 trains with a carrying amount of €584,133,878, after increases of €361,060, depreciation of €21,176,393 and reductions of €7,539,313. Rolling stock is recognised at cost, including the related ancillary costs.

Composition of "Industrial and commercial equipment"

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2014
Sundry and minor equipment	31,048	-	-	-	(4,283)	-	26,765
Total	**31,048**	**-**	**-**	**-**	**(4,283)**	**-**	**26,765**

This item consists of sundry and minor equipment used in the maintenance of trains and other activities on board trains.

Composition of "Other assets"

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2014
Computers	690,443	27,522	-	-	(180,117)	-	537,847
Other	13,930	1,266,555	-	-	(2,229)	-	1,278,256
Furniture and fittings	2,666,106	14,775	-	-	(428,442)	-	2,252,440
Food vending machines	606,317	8,500	30,000	-	(180,933)	-	463,884
Ticket vending machines	3,176,173	76,643	65,395	-	(850,927)	-	2,467,283
Onboard telecommunications	8,375,657	280,000	49,000	(150,000)	(2,330,340)	75,999	6,300,315
Seat upholstery	2,094,098	-	-	-	(453,134)	-	1,640,967
Total	**17,622,724**	**1,673,995**	**144,395**	**(150,000)**	**(4,426,123)**	**75,999**	**14,940,991**

This item, which is up €1,818,390 (including purchases and reclassifications) after depreciation of €4,426,123, includes:
- computers and station monitors with a carrying amount of €537,847, after depreciation of €180,117 and purchases of €27,522;
- other tangible assets with a carrying amount of €1,278,256, after depreciation of €2,229 and purchases of €1,266,555;
- furniture and fittings for the head office, local offices and stations with a carrying amount of €2,252,440, after depreciation of €428,442 and purchases of €14,775;
- snack and drink vending machines (FVMs) with a carrying amount of €463,884, after depreciation of €180,933, reclassifications of €30,000 and purchases of €8,500;
- ticket vending machines with a carrying amount of €2,467,283, after depreciation of €850,927, reclassifications of €65,395 and purchases of €76,643;
- onboard telecommunications systems with a carrying amount of €6,300,315, after depreciation of €2,330,340, disposals of €150,000, reclassifications of €49,000 and purchases of €280,000;
- train seat upholstery with a carrying amount of €1,640,967, after depreciation of €453,134.

Purchases reflect investment during the period, primarily relating to customer service and catering services, having an impact on "Other tangible assets".
Reclassifications of €144,395 were from "Fixed assets in progress and advances", following the entry into service of assets.

Composition of "Fixed assets in progress and advances"

Description	Value at 31 Dec 2013	Purchases	Reclass.	Disposals	Depreciation	Adjustments to deprec.	Value at 31 Dec 2014
Other fixed assets in progress	279,372	708,561	(279,372)	-	-	-	708,561

Advances	65,395	138,193	(65,395)	-	-	-	138,193
Total	**344,767**	**846,754**	**(344,767)**	**-**	**-**	**-**	**846,754**

Purchases of fixed assets in progress, totalling €846,754, primarily regard the cost of designing station facilities, totalling €468,561, and security infrastructure, totalling €240,000, with the balance relating to advances.

Reclassifications regard transfers to completed assets, as described in the relevant notes above.

Revaluations of tangible fixed assets

In accordance with art. 10 of Law 72/1983 and art. 11 of Law 342/2001, there have been no revaluations of any tangible fixed assets accounted for in the financial statements or exemptions from the application of Italian GAAP.

III. Financial assets

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Receivables	66,887	-	66,887
Total	**66,887**	**-**	**66,887**

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

C) Current assets

I. Inventories

Total movements in inventories

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Raw materials and consumables	2,317,012	(139,462)	2,177,549
Finished goods and other goods	445,460	(32,957)	412,503
Total	**2,762,472**	**(172,419)**	**2,590,052**

Inventories of raw materials and consumables include spare parts for use in maintenance of rolling stock following damage caused by vandalism. The value represents inventories at 31 December 2014.
Finished goods and other goods regard stocks of products purchased for use in the refreshment services provided on board trains, held in storage at the supplier at 31 December 2014.
The item has not changed significantly with respect to 31 December 2013.

II. Receivables

Total movements in receivables

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Due from customers	4,755,599	(810)	4,754,789
Tax assets	47,081,795	(16,417,497)	30,664,298
Deferred tax assets	86,178,424	23,241,204	109,419,628

Due from others	36,832,920	(7,546,469)	29,286,451
Total	**174,848,738**	**(723,572)**	**174,125,166**

Total movements in provisions for doubtful accounts

Description	Value at 31 Dec 2013	Increases	Decreases	Value at 31 Dec 2014
Provisions for doubtful accounts	-	1,048,584	-	1,048,584
Total	**-**	**1,048,584**	**-**	**1,048,584**

The aging schedule for receivables is as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Due from customers	4,754,789	-	-	4,754,789
Tax assets	13,156,740	17,507,558	-	30,664,298
Deferred tax assets	-	23,910,602	85,509,026	109,419,628
Due from others	18,569,262	1,600,000	9,117,189	29,286,451
Total	**36,480,791**	**43,018,160**	**94,626,215**	**174,125,166**

"Receivables due from customers", totalling €4,754,789, include trade receivables resulting from invoices both issued and to be issued. They are due from travel agencies in relation to ticket sales, from customers for ancillary services (primarily royalties) and from suppliers for penalties due under supply contracts.

"Receivables due from customers" also includes amounts due from customers travelling without a valid ticket, amounting to €1,048,584. At 31 December 2014, it was deemed appropriate to write-off this receivable, at the same time making "provisions for doubtful accounts receivable from customers".

"Tax assets" include:

- refundable VAT of €29,912,790;
- IRES tax assets in the form of withholding tax paid, totalling €751,508.

"Deferred tax assets", amounting to €109,419,628, regard:
- €68,575,091 regarding the tax benefit obtainable in future years as a result of the potential use of accumulated tax losses for the purposes of IRES;
- €39,046,287 regarding the tax benefit obtainable in future years as a result of the carryforward of non-deductible interest expense for the purposes of IRES;
- €743,068 in temporary differences generated by provisions not deducted for the purposes of IRES and IRAP;
- €88,625 in temporary differences generated by the difference between charges for book amortisation and depreciation and tax amortisation and depreciation, for the purposes of both IRES and IRAP;
- €759,945 regarding the tax benefit linked to the *ACE* (*Aiuto alla Crescita Economica*) tax relief, reflecting capital contributions from shareholders;
- €206,612 in other temporary differences for the purposes of IRES and IRAP.

Deferred tax assets increased by a net €23,241,204 during the period, as shown below in "Income tax expense":
- an increase of €23,947,929 in deferred tax assets accruing during the year;
- a reduction of €716,468 following the use of €417,221 and the derecognition of deferred tax assets of €299,247 recognised in previous periods;
- an increase of €9,743 due to adjustment to amounts for previous years.

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

IRES	Value at 31 Dec 2013	Changes	Adjustments	Value at 31 Dec 2014
Tax losses carried forward	57,831,341	10,749,680	(5,930)	68,575,091
Non-deductible interest expense carried forward	27,522,530	11,526,508	(2,750)	39,046,288
Other temporary differences	770,143	906,804	8,680	1,685,627
Total	**86,124,014**	**23,182,992**	**-**	**109,307,006**

IRAP	Value at 31 Dec 2013	Changes	Adjustments	Value at 31 Dec 2014
Other temporary differences	54,410	58,212	-	112,623
Total	**54,410**	**58,212**	**-**	**112,623**

Total deferred tax assets	**86,178,424**	**23,241,204**	**-**	**109,419,628**

“Receivables due from others”, totalling €29,286,451, include:
- prepayments to RFI for track access charges, totalling €14,569,588;
- prepayments to Alstom Ferroviaria SpA for the maintenance of trains and the purchase of materials for repairs following vandalism, totalling €11,003,232;
- €1,885,956 in amounts to be collected in return for transport services rendered, in relation to tickets purchased using e-money solutions and for which the related amounts have yet to be collected from card payment providers at the end of the period;
- €1,442,679 in other receivables, primarily due from personnel as salary advances and advances on expense claims, and from INPS and INAIL.

The reduction of €7,546,469 during the year primarily reflects a reduction in prepayments to RFI, which are down €7,317,780.

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

Description	Within 12 months	After 12 months	After 5 years	Total
Belgium	2,121	-	-	2,121
France	623,299	-	-	623,299
Germany	11,406	-	-	11,406
Italy	35,029,101	43,018,161	94,626,214	172,673,476
UK	301,113	-	-	301,113
Spain	22,350	-	-	22,350
Switzerland	248	-	-	248
China	34,866	-	-	34,866
Denmark	165,400	-	-	165,400
Netherlands	22,213	-	-	22,213
USA	246,954	-	-	246,954
Hong Kong	12,946	-	-	12,946
Taiwan	8,773	-	-	8,773
Total	**36,480,790**	**43,018,161**	**94,626,214**	**174,125,166**

IV. Cash and cash equivalents

Total movements in cash and cash equivalents

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Bank and post office deposits	50,912,562	(13,079,367)	37,833,195
Cash on hand	722,311	595,447	1,317,758
Total	**51,634,873**	**(12,483,920)**	**39,150,953**

Bank deposits regard amounts held in bank current accounts. The change during the year reflects operating activities during the period.
Further information on movements in cash and cash equivalents is provided in the statement of cash flows attached to the notes.

The cash balance at 31 December 2014 consists of cash held by onboard personnel, in ticket vending machines and at station ticket offices.

D) Accrued income and prepayments

Total movements in accrued income and prepayments

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Sundry	2,947,133	(1,075,796)	1,871,337
Total	**2,947,133**	**(1,075,796)**	**1,871,337**

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

These items break down as follows:

Description	Value at 31 Dec 2014
Prepayments	1,871,337
Total	**1,871,337**

“Prepayments” primarily regard fees payable on sureties, insurance policies and other payments paid in advance for future periods.

No prepayments have a term to maturity in excess of 5 years.

The significant reduction of €1,075,796 primarily reflects the elimination from the supply contract with Alstom of pre-operational activities for rolling stock, with a total value of €620,000.

The impact of the above elimination is reflected in “Other borrowings”, which includes the lease liability to Mediocredito Italiano.

SHAREHOLDERS' EQUITY AND LIABILITIES

A) Shareholders' equity

Total movements in shareholders' equity

Description	Value at 31 Dec 2013	Increases	Decreases	Value at 31 Dec 2014
Share capital	148,953,918	-	-	148,953,918
Share premium reserve	114,646,082	-	-	114,646,082
Other reserves	78,001,120	6,998,880	-	85,000,000
Retained earnings /(accumulated losses)	(156,072,060)	-	(77,619,500)	(233,691,560)
Profit/(Loss) for the year	(77,619,500)	77,619,500	(62,027,790)	(62,027,790)
Total	**107,909,560**	**84,618,380**	**(139,647,290)**	**52,880,650**

Share capital at 31 December 2014 amounts to €148,953,918 and consists of 148,953,918 ordinary shares with a par value of €1.00 each.

The "share premium reserve" reflects the share premium of €114,646,082 paid by shareholders who acquired interests in the Company after the founding shareholders.
"Other reserves" consist of amounts paid in by shareholders in return for Original Contingent Equity (€50,000,000) and Additional Contingent Equity (€35,000,000).

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

Nature / Description	Amount	Potential use (*)	Distributable portion	Uses in the last 3 years to cover losses	Uses in the last 3 years for other reasons
Share capital	148,953,918	B	148,953,918	-	-
Share premium reserve (**)	114,646,082	A,B,C	114,646,082	-	-
Other reserves	85,000,000	A,B,C	85,000,000	-	-
Retained earnings /(accumulated losses)	(233,691,560)	-	-	-	-
Total	**114,908,440**	-	-	-	-
Undistributable portion	114,908,440	-	-	-	-
Remaining distributable portion	-	-	-	-	-

Key

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

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

The accounts for 2014 report a loss for the year of €62,027,790, putting the Company in the situation provided for by article 2446 of the Italian Civil Code.

At 31 December 2014, shareholders' equity totals €52,880,650, which is €46,421,962 below two-thirds of the share capital of €99,302,612.

B) Provisions for risks and charges

Total movements in provisions for risks and charges

Description	Value at 31 Dec 2013	Increases	Decreases	Value at 31 Dec 2014
Other	1,419,766	3,098,847	(2,123,090)	2,395,524
Total provisions for risks and charges	**1,419,766**	**3,098,847**	**(2,123,090)**	**2,395,524**

Provisions reflect the best estimate of liabilities based on the commitments assumed and the information available.
At 31 December 2014, provisions amount to €2,395,524 and relate to provisions for liabilities resulting from events deemed likely to occur. They break down as follows:
- €2,186,108 in provisions to cover potential losses that the Company may incur in specific disputes yet to be resolved and potential charges relating to damage to rolling stock not covered by insurance. A full description of the legal risk to which the Company is exposed is provided in the report on operations;
- €209,416 in provisions for probable losses on credit card transactions.

Provisions have fallen significantly (€2,123,090) compared with the previous year, primarily reflecting the release of provisions made in previous years to cover the cost of loyalty programmes, following expiry of the related points.

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

C) Post-employment benefits (*TFR*)

*Total movements in post-employment benefits (*TFR*)*

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Post-employment benefits (*TFR*)	4,074,128	1,417,157	5,491,285
	4,074,128	**1,417,157**	**5,491,285**

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

Provisions made and uses during the period are shown below.

Movements	Value
Opening balance	4,074,128
Provisions	2,265,852
Uses	(848,695)
Closing balance	**5,491,285**

D) Payables

Total movements in payables

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Bank borrowings	204,232,797	15,916,334	220,149,131
Other borrowings	457,094,958	(6,195,476)	450,899,482
Advances	129,391	(84,271)	45,120
Due to suppliers	111,544,818	(28,609,895)	82,934,923
Tax liabilities	933,395	(283,018)	650,377
Social security payables	2,949,203	(452,460)	2,496,743
Other payables	4,642,668	(1,818,155)	2,824,513
Total	**781,527,230**	**(21,526,941)**	**760,000,289**

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

Description	Within 12 months	After 12 months	After 5 years	Total
Bank borrowings	79,699,131	129,150,000	11,300,000	220,149,131
Other borrowings	58,812,238	161,082,697	231,004,547	450,899,482
Advances	45,120	-	-	45,120
Due to suppliers	76,262,810	5,339,448	1,332,666	82,934,923
Tax liabilities	650,377	-	-	650,377
Social security payables	2,421,910	74,833	-	2,496,743
Other payables	2,824,513	-	-	2,824,513
Total	**220,716,099**	**295,646,978**	**243,637,213**	**760,000,289**

"Bank borrowings" represent lines of credit granted to the Company and accrued interest and commission expense yet to be paid at the end of the reporting period.
There were no repayments and additional financing was not obtained during the period under review. The increase reflects the suspension of debt repayments following the Stand-Still Agreement entered into with the Company's lenders, covering unpaid financial expenses.

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

In line with the use of finance lease accounting to account for finance leases, “Other borrowings” include the liability to the leasing company in relation to the purchase of rolling stock and the financial expenses, again due to the leasing company, at the end of the reporting period, but not yet paid. The reduction is due to repayments of principal through to the effective date of the Stand-Still Agreement, which has suspended debt repayments.
The breakdown of “bank borrowings” and “other borrowings” reflects the impact of this agreement.

Moreover, to better present the amount due to the supplier, the item in question has increased as a result of a reclassification from “Payables due to suppliers”.

As fully described in the report on operations, which provides greater details, the Company is currently negotiating a debt restructuring agreement with its banks. In the meantime, the loan agreement between the Company and banks forming part of the pool has been suspended under the Stand-Still Agreement signed on 14 July 2014 (and subsequently extended), with the resulting temporary suspension (from 9 April 2014) of all repayments linked to the loan agreement and the lease (both principal and interest). Between February and August 2014, moreover, the communication of KPIs, ratios, covenants and any further reporting requirements contained in the loan agreement have been suspended in tacit agreement with the banks.

“Advances” of €45,120 regard advances from customers for transport services, in accordance with the terms of commercial offerings requiring payment in advance.

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

“Tax liabilities” only refer to tax liabilities certain to be incurred and of a determinate amount. This item solely regards withholding tax collected in December.

“Social security payables” total €2,496,743. The change compared with the previous year is in line with the workforce.

“Other payables”, amounting to €2,824,513, primarily regard amounts due to personnel for accrued compensation in the form of performance bonuses and accrued holiday pay and leave entitlements (€2,673,745). The remaining amount regards advances from customers who use the Company’s transport services and other smaller items.
The reduction of €1,818,155 in “other payables” primarily reflects a reduction in performances bonuses payable to NTV personnel for 2014, reflecting the Solidarity Agreement.

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

Description	Within 12 months	After 12 months	After 5 years	Total
Italy	218,165,420	295,646,978	243,637,213	757,449,611
Switzerland	50,596	-	-	50,596
Germany	428,502	-	-	428,502
Spain	4,615	-	-	4,615
France	1,016,763	-	-	1,016,763
UK	428,537	-	-	428,537
Netherlands	49,921	-	-	49,921
Hong Kong	158,182	-	-	158,182
USA	394,923	-	-	394,923
Ireland	450	-	-	450
Rep. of San Marino	413	-	-	413
Belgium	1,137	-	-	1,137
Vatican City	237	-	-	237
Japan	1,494	-	-	1,494
Israel	6	-	-	6

Taiwan	1,142	-	-	1,142
Turkey	140	-	-	140
China	13,308	-	-	13,308
Malta	61	-	-	61
Poland	13	-	-	13
Australia	114	-	-	114
Canada	86	-	-	86
Lebanon	26	-	-	26
Norway	9	-	-	9
Russia	3	-	-	3
Total	**220,716,099**	**295,646,978**	**243,637,213**	**760,000,289**

E) Accrued liabilities and deferred income

Total movements in accrued liabilities and deferred income

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Sundry	10,245,303	13,640,358	23,885,661
Total	**10,245,303**	**13,640,358**	**23,885,661**

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

These items break down as follows:

Description	Value at 31 Dec 2014
Accrued liabilities	14,014,463
Deferred income	9,871,198
Total	**23,885,661**

"Accrued liabilities" include loan repayments outstanding following the suspension of such payments under the Stand-Still Agreement. As a result of this agreement, this item is up €12,822,346.

"Deferred income" primarily regards the value of transport services to be rendered in relation to tickets sold at the end of the reporting period (€9,337,556). The remaining amount regards grants accrued at 31 December 2014, which will be recognised in the income statement from the date that depreciation of the project for which the grants were obtained begins, and other minor items.

No accrued liabilities or deferred income have a term to maturity in excess of 5 years.

MEMORANDUM ACCOUNTS

Total movements in the memorandum accounts

Description	Value at 31 Dec 2013	Change	Value at 31 Dec 2014
Third party commitments	171,563,607	(9,208,710)	162,354,897
Contingent liabilities	29,104,748	(9,263,885)	19,840,863
Total	**200,668,355**	**(18,472,595)**	**182,195,760**

Memorandum accounts are recognised at nominal value and consist of the following items.

Third party commitments

€162,354,897 relates to the off-balance sheet portion of the financial expenses payable to the leasing company, Mediocredito Italiano, based on the contractually agreed floating rate of interest (the original amortisation schedule).
Applying the updated interest rate curve to current market values of the remaining debt, the value of the remaining interest expense payable would be €27,770,183.

Contingent liabilities

The negative amount of €19,840,863 represents the fair value of hedging instruments. The following table shows the fair value disclosures required by art. 2427-*bis* of the Italian Civil Code.

Counterparty	Type	Category	Expiry	Fair value
Banco Popolare (formerly Efibanca)	Zero Cost Collar	Collar	31 Dec 2016	(1,349,179)
Banca Popolare di Lodi	Zero Cost Collar	Collar	31 Dec 2016	(1,349,179)
Banca Monte dei Paschi di Siena	Zero Cost Collar	Collar	31 Dec 2016	(5,118,942)
Banca Intesa Sanpaolo	Zero Cost Collar	Collar	31 Dec 2016	(12,023,563)
			Total	**(19,840,863)**

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

As required by accounting standard OIC 22, the value of guarantees provided by third parties securing the Company's debt is not shown below the balance sheet, although it is shown here in order to aid the reader in assessing the Company's financial position.

<u>Sureties from Generali Italia SpA</u>

These sureties have been provided in order to enable the Company to access the VAT refunds due from the tax authorities.

Beneficiary	Brief description of underlying obligation	Expiry	Nominal commitment in euros
Tax authorities	VAT refund 3rd quarter 2010	5 June 2015	2,633,598.62
Tax authorities	VAT refund 2rd quarter 2010	5 June 2015	1,758,698.93
Tax authorities	VAT refund 2009	31 Dec 2014	8,075,599.58
Tax authorities	VAT refund 2010	31 Dec 2015	14,791,127.96
Tax authorities	VAT refund 2011	31 Dec 2016	8,542,903.54
Tax authorities	VAT refund 2nd quarter 2012	8 July 2017	2,500,408.76
Tax authorities	VAT refund 3rd quarter 2012	8 July 2017	3,623,619.02
Tax authorities	VAT refund 1st quarter 2013	28 Oct 2017	6,333,899.52
Tax authorities	VAT refund 2nd quarter 2013	24 Dec 2017	5,080,930.37
Tax authorities	VAT refund 3rd quarter 2013	24 Dec 2017	4,423,264.57
Tax authorities	VAT refund 1st quarter 2014	24 Dec 2017	4,960,762.20
RFI (**)	Contract for use of network infrastructure 2013-2014	12 June 2015	2,000,000.00
RFI (**)	Contract for use of network infrastructure 2013-2014	12 June 2015	2,000,000.00
	Total guarantees from Assicurazioni Generali SpA		**66,724,813.07**

Sureties from BNL BNP Paribas group

Beneficiary	Brief description of underlying obligation	Expiry	Nominal commitment in euros
Grandi Stazioni SpA	Casa Italo - Bologna Centrale	14 May 2018	66,887.17
Centostazioni SpA	Lease Milan Track 1	18 May 2021	36,336.00
Grandi Stazioni SpA	Casa Italo - Bologna Central - additional	14 May 2018	5,445.93
Grandi Stazioni SpA	Casa Italo - Venice Santa Lucia	28 Feb 2018	43,663.94
Grandi Stazioni SpA	Casa Italo - Bologna Central - additional	14 May 2018	1,815.21
		Total guarantees from BNL Paribas group	**154,148.25**

Sureties from Intesa Sanpaolo SpA

Beneficiary	Brief description of underlying obligation	Expiry	Nominal commitment in euros
RFI SpA	Framework Agreement for HS/HC infrastructure	12 Dec 2020	9,699,200.00
Centostazioni SpA	Casa Italo - Padua	26 Nov 2019	18,306.00
Centostazioni SpA	Casa Italo – Salerno	9 July 2020	22,506.00
Centostazioni SpA	Casa Italo - Milan Rogoredo	15 June 2020	12,166.00
Centostazioni SpA	Casa Italo - Milan Porta Garibaldi	15 June 2020	458,607.00
Grandi Stazioni SpA	Casa Italo - Naples Central	20 Nov 2017	51,216.31
Grandi Stazioni SpA	Casa Italo - Florence SM Novella station	20 June 2017	86,697.49
Centostazioni SpA	TVM space – Rome Ostiense	29 May 2018	6,545.65
Centostazioni SpA	TVM space – Milan Rogoredo	15 May 2018	6,545.65
Centostazioni SpA	TVM space – Milan Porta Garibaldi	22 May 2018	32,728.24
Grandi Stazioni SpA	Additional TVM space - Naples Central	20 Nov 2017	10,466.89
Grandi Stazioni SpA	Casa Italo - Florence SM Novella station - additional	20 June 2017	10,891.85
GEAL Srl	Lease agreement for Rome Ostiense	24 July 2015	540,000.00
Grandi Stazioni SpA	Lease of premises located at Venice Mestre station	27 May 2015	26,137.84
Centostazioni SpA	TVM space Padua	19 June 2019	6,755.10
Ministry for Economic Development (***)	"ITALO PIU' SPECIALE ESTATE" loyalty programme	31 Aug 2014	108,800.00
Centostazioni SpA	Lease of TVM space Salerno	24 Apr 2019	6,755.10
Ministry for Economic Development	"Più Amici più Vantaggi" loyalty programme	30 June 2015	5,600.00
Centostazioni SpA	Lease of TVM space Salerno	10 Feb 2023	19,000.00
Ministry for Economic Development	"Italo Più Natale" loyalty programme	31 Jan 2015	54,000.00
Panam	Lease of Head Office Viale del Policlinico	25 Oct 2015	237,500.00
Centostazioni SPA	Lease of space for SSTMs Rimini	8 June 2015	3,448.49
Centostazioni SPA	Lease of space for SSTMs Ancona	8 June 2015	3,448.49
Centostazioni SPA	Lease of space for SSTMs Pesaro	8 June 2015	3,448.49
Ministry for Economic Development	"Auguri Italo Passaparola" loyalty programme	31 Dec 2015	5,600.00
RFI SPA	Lease of premises and space Venice Marghera	9 Mar 2018	28,000.00
RFI SPA	Lease of premises and space Turin Lingotto	28 Dec 2017	15,167.07
RFI SPA	Lease of premises and space Rome Ostiense	30 Oct 2017	50,220.00
RFI SPA	Lease of premises and space Milan Porta Garibaldi	2 Oct 2017	21,028.00
Ministry for Economic Development	"Italo Più" loyalty programme	31 Dec 2017	40,000.00
RFI (GENERALI SPA) (**)	Contract for use of network infrastructure 2013-2014	12 June 2015	6,300,800.00
		Total guarantees from Intesa Sanpaolo SpA	**17,891,585,66**

(**) The guarantee for the use of HS/HC tracks by the hour for 2013-2014 was issued by GENERALI according to the following breakdown:

- a portion guaranteed by Intesa: €6,300,800
- a portion guaranteed by GENERALI: €4,000,000

(***) The guarantee for the "ITALO PIU' SPECIALE ESTATE" loyalty programme expiring on 31 August 2014 was released on 8 January 2015.

Unsecured Leasing & Guarantee Facility

The unsecured "Leasing and Guarantee Facilities Agreement" currently provided by Banca IMI SpA: this is an unsecured line of credit designed to guarantee, on the Company's behalf, its obligations to Mediocredito Italiano SpA under the lease agreement for the supply of 25 AGV trains manufactured by Alstom Ferroviaria SpA.

The total amount provided to NTV for this type of guarantee amounts to €478,000,000. At 31 December 2014, the amount effectively guaranteed is €437,932,893.

INCOME STATEMENT

A) Value of production

The value of production includes the following items:

Description	Value in 2013	Changes	Value in 2014
Revenue from sales and services	239,473,484	21,995,788	261,469,272
Increase in fixed assets for internal work	1,664,700	(1,664,700)	-
Other income	8,472,782	(2,093,316)	6,379,466
Total	**249,610,966**	**18,237,772**	**267,848,738**

"Revenue from sales and services" regards revenue from transport services rendered, including ancillary services. The increase reflects the increase in train kilometres due to availability of NTV's entire fleet (in 2013, the ramp-up was completed in March) and increased capacity in terms of daily frequencies.

The "Increase in fixed assets for internal work" amounts to zero. No costs were capitalised using the indirect method during the period.

"Other income" consists of items other than those above and capital and revenue grants. This item primarily consists of: contingent assets relating to expiry of the points programme for the period 2012-2014, totalling €1,183,063, fines imposed on customers in accordance with the Company's terms and conditions of carriage, totalling €1,163,904, other ordinary contingent assets of €986,544, penalties on supply contracts, totalling €855,110 and income from royalties, totalling €532,762.

B) Production costs

The following table shows a breakdown of production costs:

Description	Value in 2013	Changes	Value in 2014
Raw materials, consumables and goods	4,730,383	(1,644,895)	3,085,488
Services	216,435,445	4,517,333	220,952,778
Lease expense	9,996,784	(463,928)	9,532,856
Personnel expenses	50,725,153	(4,618,050)	46,107,103
Amortisation, depreciation and impairments	42,020,766	1,825,165	43,845,931
Provisions for doubtful accounts included in current	-	1,048,584	1,048,584

assets and cash and cash equivalents			
Change in inventories of raw materials, consumables and goods	(429,572)	601,991	172,419
Provisions for risks	90,000	(90,000)	-
Other provisions	962,725	2,136,122	3,098,847
Other operating costs	2,613,553	(876,625)	1,736,928
Total	**327,145,237**	**2,435,697**	**329,580,934**

Cost of raw materials, consumables and goods

The most important item is represented by the purchase of goods used in the provision of onboard refreshments (€2,446,812). The remaining amount regards materials used in repairing damage caused by vandalism and technical equipment for trains, printers, advertising materials and uniforms for personnel.

Cost of services

The main items included in the "Cost of services" are as follows:

- €101,703,486 for track access charges paid to the network operator;
- €39,621,864 for maintenance, primarily of trains;
- €15,286,139 in commissions and fees charged by banks;
- €9,261,256 for technical consultants;
- €9,253,687 in sales commissions;
- €8,188,945 in promotional costs, magazine and newspaper inserts and advertising posters;
- €7,060,269 for cleaning (premises and trains), primarily for the cleaning of trains;
- €6,394,884 paid to external providers of transport (primarily for logistics relating to customer services and onboard catering);
- €6,191,628 for utilities;
- €5,485,867 for outsourced services;
- €4,864,516 in insurance expenses;
- €2,198,618 in travel expenses for personnel;
- €2,092,536 for security and surveillance.

Lease expense

"Lease expense" of €9,532,856 primarily regards the lease of properties, totalling €4,157,544 (including €3,136,786 relating to the lease of space within stations and operating equipment), the cost of hiring IT equipment and of software licences (€3,964,062) and the cost of leasing rolling stock used in operations and for the movement of trains (€1,270,362).

Personnel expenses

This item includes the cost of employees, including merit salary increases, promotions, cost-of-living increases, the cost of unused holiday entitlement and provisions required by law and collective labour contracts.
Personnel expenses are down €4,618,050 compared with the previous year, reflecting the benefit deriving from income support provided under the solidarity agreement signed on 4 March 2014, which resulted in (i) a reduction in the costs incurred by the Company and (ii) a reduction in bonuses and benefits.

Amortisation and depreciation

Charges for amortisation and depreciation are calculated on the basis of the useful life of the asset and its use in operations and, in any event, in accordance with the rules set out in art. 102 of Presidential Decree 917/1986, as described above.

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

This item reflects the impact of the impairment of doubtful accounts receivable from customers due to the non-payment of fares (see the section, "provisions for doubtful accounts").

Change in inventories of raw materials, consumables and goods

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

Other provisions

This item, totalling €3,098,847, consists of the following:
- provisions to cover potential losses that the Company may incur in specific disputes yet to be resolved, totalling €2,008,508;
- provisions for loyalty programmes, totalling €880,923;
- provisions for probable losses on e-money transactions as assessed at the end of the reporting period, totalling €209,416;

Other operating costs

"Other operating costs" consist of expenses of a different nature from those described above. They primarily regard:
- ascertained losses on e-money transactions, totalling €770,048;
- non-deductible VAT on invoices issued, totalling €374,229, whilst non-deductible VAT on invoices paid is recognised as an increase in the purchase cost, as required by the relevant accounting standard;
- ordinary contingent liabilities, totalling €222,560;
- penalties resulting from the contract for the use of railway infrastructure, totalling €71,567.

C) Financial income and expenses

Financial income and expenses consist of the following:

Description	Value in 2013	Changes	Value in 2014
From investments	-	-	-
Other income	1,604,439	96,133	1,700,572
(Interest and other financial expenses)	(29,613,688)	(2,344,491)	(31,958,179)
Foreign exchange gains/(losses)	(1,493)	(7,346)	(8,839)
Total	**(28,010,742)**	**(2,255,704)**	**(30,266,446)**

Other income

Description	Parent companies	Unconsolidated subsidiaries	Associated companies	Other	Total
Interest on bank and post office deposits	-	-	-	688,080	688,080
Interest on guarantee deposits	-	-	-	6,352	6,352
Other interest income	-	-	-	1,006,140	1,006,140
Total	**-**	**-**	**-**	**1,700,572**	**1,700,572**

"Other interest income" consists of interest on refundable VAT and other interest.

Interest and other financial expenses

Description	Parent companies	Unconsolidated subsidiaries	Associated companies	Other	Total
Interest on borrowings	-	-	-	7,731,121	7,731,121
Interest on leases	-	-	-	11,404,250	11,404,250
Other interest expense	-	-	-	12,822,808	12,822,808
Total	**-**	**-**	**-**	**31,958,179**	**31,958,179**

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

E) Extraordinary income and expenses

Extraordinary income and expenses consist of the following:

Description	Value in 2013	Changes	Value in 2014
Gains on disposals	-	380,090	380,090
Sundry gains	1,750,384	7,443,934	9,194,318
(Losses on disposals)	-	(54,001)	(54,001)
(Sundry losses)	(2,047,252)	(743,507)	(2,790,759)
Total	**(296,868)**	**7,026,516**	**6,729,648**

The difference compared with the previous year reflects the following exceptional events.

Gains on disposals

The gain of €380,090 derives from adjustments to rolling stock recognised in fixed assets, described in the notes tangible fixed assets, and represents the value of depreciation charged in previous years.

Sundry gains

This item primarily regards contingent assets resulting from the agreement with RFI, amounting to €8,276,593, as described in the report on operations.

Sundry losses

This item primarily includes charges deriving from the debt restructuring (€1,406,188).

INCOME TAX EXPENSE

Income tax expense for the period is shown below:

Description	Value in 2013	Changes	Value in 2014
Current tax expense:	-	-	-
IRES	-	-	-
IRAP	-	-	-
Withholding tax	-	-	-
Deferred tax expense/(income):	-	-	-
IRES	28,209,927	(5,026,888)	23,183,039
IRAP	12,454	45,711	58,165
Total	**28,222,381**	**(4,981,177)**	**23,241,204**

Deferred tax liabilities and assets

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

Deferred tax assets have been recognised on tax losses, non-deductible interest expense, undeducted provisions during the period and on the difference between book and tax amortisation and depreciation.

The recognition of deferred tax assets is subject to meeting the conditions required by the relevant accounting standards for the recognition of future tax benefits. This primarily regards the existence of reasonable certainty that the Company's future taxable income will be at least equal to the amount of the accumulated tax losses or interest expense to be offset.

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

Description	Value at 31 Dec 2014	
	Temporary differences	Taxation
Deferred tax assets:		
Impairments of tangible fixed assets	-	-
Impairments of intangible fixed assets	-	-
Tax losses	39,089,745	10,749,680
Non-deductible interest expense	41,914,575	11,526,508
Other temporary differences for purposes of IRES	5,533,517	1,521,717
Other temporary differences for purposes of IRAP	3,112,520	150,023
Total deferred tax assets	**89,650,357**	**23,947,928**
Deferred tax liabilities :		
Accelerated amortisation and depreciation	-	-
Tax amortisation and depreciation	-	-
Impairments of receivables	-	-
Total deferred tax liabilities	-	-
Total deferred tax liabilities/(assets)	**89,650,357**	**23,947,928**
Adjustments to IRES		(614,866)
Adjustments to IRAP		(91,858)
Reconciliation of deferred tax liabilities /(assets) recognised in the financial statements		**23,241,204**

In general, adjustments result from the use of provisions made in previous periods and reflect the reversal of temporary differences resulting in the recognition of deferred tax assets in previous periods. They are primarily linked to loyalty programmes, following the distribution of awards to customers that have released the matching undeducted provisions for loyalty programmes, and the release of provisions following expiry of the programme.

The following adjustments were made when assessing income tax for 2014 (details are provided in "Deferred tax assets):

Type	Uses	Additions	Releases	Total
IRES	(383,100)	8,297	(240,063)	(614,866)
IRAP	(34,121)	1,446	(59,184)	(91,859)
Total	**(417,221)**	**9,743**	**(299,247)**	**(706,725)**

The following tax rates were used to calculate deferred tax assets:
- IRES 27.50%
- IRAP 4.82%

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

Description	Taxable income	Taxation
Profit before tax	**(85,268,994)**	-
Tax charge applying statutory rate (27.5%)	-	**(23,448,973)**
Differences that will not reverse in future periods:	-	-
Increases (non-deductible charges and expenses)	4,458,112	1,225,981
Reductions (tax-exempt components of profit or loss)	(5,726,955)	(1,574,913)

Total	**(1,268,843)**	**(348,932)**
Temporary differences deductible in future periods:	-	-
Non-deductible interest expense	41,914,575	11,526,508
Undeducted provisions	2,834,571	779,507
Differences between book and tax amortisation and depreciation	65,420	17,990
Other temporary differences	2,633,527	724,220
Total	**47,448,093**	**13,048,225**
Taxable income	**(39,089,745)**	-
Effective tax charge (27.5%)	-	**(10,749,680)**

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

Description	Taxable income	Taxation
Profit before tax	**-**	
Tax charge applying statutory rate (4.82%)		**-**
Differences that will not reverse in future periods:		
Increases (non-deductible charges and expenses)	-	-
Reductions (tax-exempt components of profit or loss)	-	-
Total	**-**	**-**
Temporary differences deductible in future periods:		
Undeducted provisions	3,098,847	149,364
Differences between book and tax amortisation and depreciation	13,673	659
Total	**3,112,520**	**150,023**
Taxable income	**3,112,520**	
Effective tax charge (4.82%)		**150,023**

FINANCE LEASES

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

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

The impact of use of finance lease accounting on the financial statements is as follows:

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

OTHER INFORMATION

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

Category	Annual compensation
Directors	270,000
Board of Statutory Auditors	101,000

As required by art. 37, paragraph 16 of Legislative Decree 39/2010 and letter 16-*bis* of art. 2427 of the Italian Civil Code, the total annual fee paid to the Independent Auditors in 2014 for their audit of the annual accounts totals €110,000.

RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction
Assicurazioni Generali group	Insurance for trains, equipment and stations
Intesa Sanpaolo Spa group	Loan agreement (financing for NTV)
Mediocredito Italiano Spa	Lease agreement
Rail Solutions SaS	Commissions on sales
SETEFI	Commissions on payment services

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

Impact of related party transactions	31 December 2014				
	Costs	Revenue	Investment	Receivables	Payables
Assicurazioni Generali group	2,827,416	-	-	-	-
Intesa Sanpaolo Spa group	18,707,486	-	-	-	127,319,643
Mediocredito Italiano Spa	11,404,250	-	510,409,053	-	450,899,482
Rail Solutions SaS	3,679,770	-	-	-	573,029
SETEFI	3,407,798	-	-	-	-
Total	**40,026,721**	**-**	**510,409,053**	**-**	**578,792,154**

Trading with the above related parties is conducted on an arm's length basis, in accordance with the principles set out in the regulations adopted by the Company.
The amount shown under "Investment" represents the value on recognition before the related amortisation and depreciation at 31 December 2014.

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

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

The Chairman
of the Board of Directors
Andrea Faragalli Zenobi

STATEMENT OF CASH FLOWS

Amounts in euros

A. Statement of cash flows (indirect method)	
Profit/(Loss) for the year	**(62,027,790)**
Income tax expense	(23,241,204)
Interest expense/(interest income)	30,257,607
1. Profit/(Loss) for the year before taxation, interest, dividends and gains/losses on disposals	**(55,011,387)**
Adjustments for non-cash items that have not had a matching effect on net working capital	
Provisions	5,364,699
Amortisation and depreciation of fixed assets	43,845,931
Provisions for doubtful accounts	1,048,584
2. Cash flow before changes in net working capital	**(4,752,173)**
Changes in net working capital	
Decrease/(increase) in inventories	172,420
Decrease/(increase) in receivables due from customers	(1,047,774)
Increase/(decrease) in payables due to suppliers	(43,179,483)
Decrease/(increase) in accrued income and prepayments	1,075,796
Increase/(decrease) in accrued expenses and deferred income	7,105,958
Other changes in current assets	46,146,866
Other changes in current liabilities	(2,637,904)
3. Cash flow after changes in net working capital	**2,883,706**
Other adjustments	
Interest collected/(paid)	(6,964,302)
Use of provisions	(2,971,785)
4. Cash flow after other adjustments	**(7,052,380)**
Cash flow from/(for) operating activities (A)	**(7,052,380)**
B. Cash flow from/(for) investing activities	
(Purchases of tangible fixed assets)	(2,913,017)
(Purchases of intangible fixed assets)	(2,479,356)
Cash flow from/(for) investing activities (B)	**(5,392,373)**
C. Cash flow from/(for) financing activities	
Lease repayments (principal)	(14,490,833)
Increase/(decrease) in borrowings	7,452,786
Increase/(decrease) in reserves	6,998,880
Cash flow from/(for) financing activities (C)	**(39,167)**
Increase (decrease) in cash and cash equivalents (a ± b ± c)	**(12,483,920)**
Cash and cash equivalents at beginning of period	51,634,873
Cash and cash equivalents at end of period	39,150,953
Increase (decrease) in cash and cash equivalents	**(12,483,920)**

The statement of cash flows is shown after the impact of non-cash items deriving from the application of finance lease accounting in order to account for the finance lease agreement.

The Chairman
of the Board of Directors
Andrea Faragalli Zenobi