Nuovo Trasporto Viaggiatori

INTERIM REPORT

for the nine months ended

30 September 2017

This document has been translated into English for the convenience of the readers. In the event of discrepancy, the Italian language version prevails.

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INCOME STATEMENT

(€)	Note	Nine months ended 30 September 2017	2016
Revenue from transportation services	7	304,759,939	251,398,037
Other operating revenues	8	24,281,305	9,977,853
Total operating revenues		**329,041,244**	**261,375,890**
Access and electricity costs	9	(86,012,808)	(80,489,895)
Train management costs	10	(38,512,201)	(38,537,649)
Personnel costs	11	(35,826,278)	(33,278,530)
Other operating costs	12	(53,886,843)	(44,853,675)
Operating profit/(loss) before amortisation, depreciation and gains (losses) on disposal of non-current assets		**114,803,114**	**64,216,141**
Amortisation and depreciation	13	(21,623,944)	(23,069,156)
Gains/(Losses) on disposal of non-current assets	14	(498,557)	(465,240)
Operating profit/(loss)		**92,680,613**	**40,681,745**
Net financial income (expenses)	15	(19,518,928)	(13,083,502)
Profit/(loss) before tax		**73,161,685**	**27,598,243**
Income tax	16	(22,001,481)	(7,707,893)
Profit for the period		**51,160,204**	**19,890,350**

STATEMENT OF COMPREHENSIVE INCOME

(€)	Note	Nine months ended 30 September	
		2017	2016
Profit for the period		**51,160,204**	**19,890,350**
Cash flow hedge reserve	26	790,540	703,210
Cash flow hedge reserve – tax effect	26	(189,730)	(390,643)
OCI items that will be recycled to profit or loss in subsequent years		**600,810**	**312,567**
Actuarial gain/(loss) on employee benefits	26,28	335,854	(2,062,765)
Actuarial gain/(loss) on employee benefits – tax effect	26	(108,548)	567,262
OCI items that will not be recycled to profit or loss in subsequent years		**227,306**	**(1,495,503)**
Total other comprehensive income/(loss)		**828,116**	**(1,182,936)**
Total comprehensive income/(loss) for the period		**51,988,320**	**18,707,414**

STATEMENT OF FINANCIAL POSITION

(€)	Note	30 September 2017	31 December 2016
Intangible fixed assets	17	6,133,516	4,226,643
Tangible fixed assets	18	667,183,842	645,070,892
Deferred tax assets	19	69,946,723	87,907,345
Other non-current assets	20	802,709	66,887
Total non-current assets		**744,066,790**	**737,271,767**
Inventories	21	14,035,733	8,789,456
Trade receivables	22	5,737,273	4,591,979
Other current assets	23	34,806,092	54,737,350
Short-term bank deposits	24	-	50,000,000
Cash and cash equivalents	25	200,372,501	77,430,642
Total current assets		**254,951,599**	**195,549,427**
Total assets		**999,018,389**	**932,821,194**
Share capital		57,207,884	57,207,884
Share premium reserve		48,000,000	48,000,000
Other reserves		(18,054,433)	(12,394,449)
Retained earnings/(accumulated losses)		90,323,626	32,675,322
Total equity	26	**177,477,077**	**125,488,757**
Non-current borrowings	27	662,410,550	655,555,584
Employee benefits	28	14,641,511	12,013,795
Non-current provisions	29	1,914,413	2,651,633
Other non-current liabilities	31	2,513,594	3,697,971
Total non-current liabilities		**681,480,068**	**673,918,983**
Current borrowings	27	16,071,700	10,067,930
Trade payables	30	85,777,316	84,811,666
Current tax payables		2,210,862	1,349,116
Other current liabilities	31	36,001,366	37,184,742
Total current liabilities		**140,061,244**	**133,413,454**
Total liabilities		**821,541,312**	**807,332,437**
Total equity and liabilities		**999,018,389**	**932,821,194**

STATEMENT OF CHANGES IN EQUITY

(€)	Share capital	Share premium reserve	Other reserves	Retained earnings	Total equity
At 31 December 2015	**57,207,884**	**48,000,000**	**(18,004,041)**	**620,379**	**87,824,222**
Profit for the period	-	-	-	19,890,350	19,890,350
Cash flow hedge reserve	-	-	312,567	-	312,567
Actuarial gain/(loss) on employee benefits	-	-	-	(1,495,503)	(1,495,503)
Total comprehensive income for the period	**-**	**-**	**312,567**	**18,394,847**	**18,707,414**
At 30 September 2016	**57,207,884**	**48,000,000**	**(17,691,474)**	**19,015,226**	**106,531,636**
At 31 December 2016	**57,207,884**	**48,000,000**	**(12,394,449)**	**32,675,322**	**125,488,757**
Profit for the period	-	-	-	51,160,204	51,160,204
Cash flow hedge reserve	-	-	600,810	-	600,810
Actuarial gain/(loss) on employee benefits	-	-	-	227,306	227,306
Total comprehensive income for the period	**-**	**-**	**600,810**	**51,387,510**	**51,988,320**
Loss coverage	-	-	(7,672,766)	7,672,766	-
Creation of legal reserve	-	-	1,411,971	(1,411,971)	-
At 30 September 2017	**57,207,884**	**48,000,000**	**(18,054,434)**	**90,323,627**	**177,477,077**

STATEMENT OF CASH FLOWS

(€)	Note	Nine months ended 30 September 2017	2016
Profit before tax		**73,161,685**	**27,598,243**
Adjustments for:			
Amortisation and depreciation	13	21,623,944	23,069,156
Provisions/(Releases from provisions) for the period	29	12,743	540,883
Net financial (income)/expenses	15	12,150,841	6,169,242
Other non-monetary items		3,696,339	3,534,436
Cash flow generated from/(used for) operating activities before changes in net working capital		**110,645,552**	**60,911,960**
Changes in inventories	21	(5,246,277)	(2,671,467)
Changes in trade receivables	22	(1,160,690)	(2,060,042)
Changes in trade payables	30	965,650	(8,500,723)
Changes in other assets/liabilities		16,585,427	10,951,488
Payments for employee benefits	28	(384,673)	(473,520)
Interest payments		(5,289,332)	(6,514,649)
Tax payments		(3,179,162)	(1,700,822)
Net Cash flow generated from/(used for) operating activities		**112,936,495**	**49,942,225**
Investments in tangible fixed assets	18	(42,206,935)	(54,694,603)
Investments in intangible assets	17	(3,935,383)	(2,832,177)
Disposals of tangible and intangible fixed assets	17,18	-	7,120
Change in short-term bank deposits	24	50,000,000	(10,000,000)
Interest collected		322,419	357,996
Net Cash flow generated from/(used for) investing activities		**4,180,101**	**(67,161,664)**
Increase in non-current borrowings	27	675,204,930	3,246,836
Repayments of non-current borrowings	27	(671,986,664)	(8,000,000)
(Decrease)/Increase current borrowings	27	2,606,999	2,468,564
Net Cash flow generated from/(used for) financing activities		**5,825,263**	**(2,284,600)**
Total changes in cash and cash equivalents		**122,941,859**	**(19,504,039)**
Cash and cash equivalents – opening balance	25	77,430,642	85,607,179
Cash and cash equivalents – closing balance	25	**200,372,501**	**66,103,140**

NOTES

1 General information

Nuovo Trasporto Viaggiatori S.p.A (hereinafter "NTV" or the "Company") is a joint-stock company, with registered office in Rome, Viale del Policlinico n.149/B, organised under the laws of the Republic of Italy.

NTV is the first and only private Italian operator in the European high-speed rail market.

2 Basis of preparation

The Interim Financial Report for the nine months ended 30 September 2017 have been prepared in accordance with IFRS and have been drawn up by the Company on a voluntary basis and in accordance with IAS 34 – Interim Financial Reporting.

IAS 34 permits the preparation of condensed interim financial reports, providing a level of disclosure considerably lower than that required by International Financial Reporting Standards (IFRS) as a whole, provided that a full IFRS-compliant financial report has been made available previously to the public. Accordingly, this Interim Report should be read in conjunction with the Company's financial statements at and for the years ended 31 December 2016, 2015 and 2014 prepared in accordance with IFRS as endorsed by the European Union.

The Interim Financial Report have been prepared on a going concern basis, insofar as the Directors have confirmed that there are no financial, operational or other nature of indicator that could point to a difficulty in the Company's ability to meet its obligations in the foreseeable future and in particular in the next twelve months.

This Interim Report has been prepared in euros, the currency used in the economies where the Company has its main operations. Unless otherwise indicated, all amounts in the financial statements and the notes are shown in euros.

3 Accounting policies

The accounting standards and the most significant policies used to prepare this Interim Report are briefly illustrated below.

Non-current assets

(i) Intangible fixed assets

They are assets without physical substance, controlled by the company and able to produce future economic benefits, as well as goodwill when acquired on a payment basis. Their identifiability is defined with regard to the possibility of separating the intangible asset acquired from the goodwill. This requirement is usually met when:

- the intangible assets arise from a legal or contractual right; or
- the assets are separable, or may be sold, transferred, rented or exchanged, either individually or as an integral part of other assets.

Intangible fixed assets are recognised at purchase or production cost including directly attributable accessory charges to bring it to working condition. No revaluations are permitted, even for the application of specific laws.

Intangible assets with a defined useful life are amortised systematically over the asset's useful life, meaning the estimated period for which the assets will be used by the company. Development costs are amortised over five years, with the exception of those in which no future benefit is envisaged, which are expensed in the income statement in the year in which they are incurred.

The estimated useful life of the main intangible fixed assets is as follows:

INTANGIBLE FIXED ASSETS	Useful life in years
Software	3-5
Licenses	5

(ii) Tangible Fixed Assets

Tangible fixed assets are recognised according to the cost criterion and recorded at the purchase price or at the cost of production including directly attributable accessory charges to bring it to working condition. No revaluations of tangible fixed assets are permitted, even for the application of specific laws.

Incremental costs for the improvement, modernisation and transformation of third party assets are recognised under assets when it is likely that they will increase the future economic benefits expected from the use of sale of the asset. They are:

- reclassified within the item of the asset they relate to;
- depreciated for the lesser period between the useful life of the improvements made and the term of the relative lease contract.

When measuring the term of the lease contract, the possibility of renewing it must be considered, in the event that this is substantially certain and therefore dependent on the will of the lessee.

Tangible fixed assets are depreciated systematically on a straight-line basis over the asset's useful life, meaning the estimated period for which the asset will be used by the company. Said period starts from the month in which the asset starts to be used could have been used. When the intangible fixed asset is comprised by a number of significant components with different useful lives, depreciation is performed for each component. The amount to be depreciated is represented by the recognition amount less the presumed net sale value at the end of its useful life. Land is not depreciated, unless purchased jointly with a building, works of art, as well as tangible fixed assets held for sale. Any changes to the depreciation plan resulting from a revision of the useful life of the tangible fixed asset, of the residual value or the manner in which the economic benefits of the asset are obtained, are recognised prospectively.

The estimated useful life of the main tangible fixed assets is as follows:

TANGIBLE FIXED ASSETS	Useful life in years
Rolling stock	30
Buildings	10-30
Other tangible fixed assets	5-10
On-board telecommunications	5
Seat upholstery	6
Investments at railway stations	Contractual term

(iii) Financial expenses capitalised

The financial expenses sustained to purchase, build or produce an asset that justify capitalisation are included in the cost of the same asset. Said financial expenses are capitalised as part of the cost of the asset if it is likely that they will lead to future economic benefits for the company and if they can be reliably calculated.

The capitalisation of said financial expenses starts from the moment in which the company satisfies the following conditions:

- it has incurred the costs relating to the asset in question (costs for the purchase/production of the asset that led to the need to take out a loan);
- the activities required to prepare the asset for the use envisaged or for its sale are in progress.

The company must suspend the capitalisation of financial expenses:

- during prolonged periods in which the development/production of the asset that justifies its capitalisation is suspended;
- when all of the operations required to render the asset (that justify said capitalisation) in a condition to guarantee the envisaged use or the sale, have been substantially completed.

(iv) Leased assets

The definition of a contractual arrangement as a lease transaction (or containing a lease transaction) is based on the substance of the arrangement and entails assessing whether the fulfilment of said arrangement depends on the use of one or more specific assets or whether the arrangement transfers the right to use said asset. Whether an agreement contains a lease transaction or not is verified at the beginning of the same.

Assets owned by entering into finance leases, namely agreements by virtue of which all the risks and rewards incident to ownership are substantially transferred to the company are initially recognised as assets at their fair value or, if less, at the current value of the minimum payments due for the lease, including any fee for the exercise of a purchase option. The corresponding liability of the lessor is represented in the Interim Report under financial liabilities applying the amortised cost criterion.

After their initial recognition, assets held under finance leases are depreciated applying the criterion and the rates previously indicated, with the exception of the circumstance in which the term of the lease agreement is shorter than the useful life represented by said rates and there is no reasonable certainty that the lessee will obtain ownership at the end of the lease; in this case, the depreciation period will be represented by the term of the lease agreement.

Leases in which the lessor substantially maintains the risks and the benefits incident to the ownership of the assets are classified as operating leases. Operating lease instalments are recognised in the income statement on a straight-line basis over the term of the lease agreement.

(v) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are analysed to assess whether there is any indication that the same may be impaired. If events occur that result in the presumed impairment of the non-financial assets, their recoverability is assessed by comparing the carrying amount with the relative recoverable amount represented by the higher of the asset's fair value less costs of disposal and its value in use. The value in use is calculated on the basis of reasonable and demonstrable assumptions that represent the best estimate of the future cash flows that will be generated during the residual useful life of the asset, giving due importance to external indicators. When the recoverable amount of a single asset cannot be estimated, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. More specifically, the calculation is made for a single asset or for the smallest identifiable set of assets that generate autonomous incoming cash flows resulting from its use on a continuous basis (cash generating unit – "CGU"). The impairment is recognised in the income statement. If the reasons for the impairment no longer apply, the value of the assets is reinstated and the adjustment is recorded in the income statement as a write-back (reversal). The reversal is made at the lower of the recoverable amount and the carrying amount before the impairments made and reduced by the charges for amortisation that would have been made if no impairment loss been recognised. As of the date of this Interim Report, no indicators of impairment for non-financial assets were detected.

Current assets

(vi) Inventories

Final inventories of finished products are recognised at the lower between the purchase cost and net sale value represented by the amount that the Company expects to obtain from their sale during the normal course of business, net of ancillary sales costs. The cost of inventories is determined by applying the weighted average cost method, written down on the basis of market trends and the presumed lack of use of the same linked to obsolete or slow-moving goods.

(vii) White certificates

White certificates (EEC - Energy Efficiency Certificates) are awarded to the Company by the Ministry for Infrastructure and Transport, through the Gestore dei Servizi Energetici (Energy Services Operator) based on the achievement of energy savings through the application of efficient technologies and systems. White certificates are considered non-monetary operating grants and are recognised under warehouse inventories. White certificates are recognised on an accrual basis in proportion to the saving of TOE (Tonnes of Oil Equivalent) effectively recorded in the year. They are measured at the weighted market value for the energy year of the last available year on the reporting date of the Interim Report.

(viii) Government grants

Government grants, including non-monetary grants measured at fair value, are recognised when there is reasonable certainty that they will be received and that the company will meet all of the conditions envisaged for their disbursement.

(ix) Receivables and current financial assets

Trade receivables, other receivables and current assets and current financial assets are initially recognised at fair value adjusted by directly attributable transaction costs and subsequently recognised at amortised cost on the basis of the effective interest rate method (namely the interest rate that, at the time of initial recognition, renders the present value of future cash flows and the carrying amount equal), appropriately adjusted to take any write-downs into account, through the recognition of a provision for doubtful accounts. Receivables due from customers and other financial receivables are included in current assets, with the exception of those whose contractual expiry date is over twelve months from the reporting date, which are classified as non-current assets.

(x) Impairment of financial assets

At the end of each reporting period, all financial assets, other than those measured at fair value with a balancing entry in the income statement, are analysed to assess whether there is objective evidence that the same may be impaired. An impairment loss is recognised if and only if said evidence exists as a consequence of one or more events that occurred after its initial recognition, which have an impact on the expected future cash flows of the asset.

Objective evidence of an impairment loss includes observable indicators, such as:

- significant financial difficulty of the issuer or of the borrower;
- a default on the contract, such as non-fulfilment or failure to pay interest or principal;

- evidence that the borrower may be subject to insolvency proceedings or any other form of financial reorganisation;
- a significant fall in estimated future cash flows.

The losses that are considered to arise from future events are not recognised.

For financial assets recognised at amortised cost, when an impairment loss has been identified, the value of the same is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This amount is recognised in the income statement.

If the amount of an impairment loss recognised in the past decreases and said decrease can be objectively linked to an event that occurred after the recognition of the impairment loss, the same is recorded in the income statement.

(xi) Derecognition of financial assets and liabilities

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Company has substantially transferred all of risks and rewards related to the asset, transferring its rights to receive the cash flows from the asset or assuming a contractual obligation to pass the cash flows received to one or more beneficiaries by virtue of an agreement that meets the requirements envisaged by IAS 39 (pass through test);
- the Company has not transferred nor substantially maintained all of the risks and rewards related to the financial asset, but has transferred control.

The financial liabilities are derecognised when they are extinguished, namely when the contractual obligation has been met, cancelled or prescribed. An exchange of debt instruments with substantially different contractual terms, must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial variation of the contractual terms of an existing financial liability, even partial, must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

(xii) Offsetting financial assets and liabilities

The Company offsets financial assets and liabilities if and only if:
- there is a legally exercisable right to offset the amounts recognised in the Interim Report;
- there is an intention either to offset or to dispose of the asset and settle the liability at the same time.

(xiii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, together with financial assets whose maturity from the date of acquisition is equal to or less than three months, that can readily be convertible into cash, and that are subject to an insignificant risk of changes in value. The components of cash and cash equivalents are measured at fair value. Term deposits are not included in cash and cash equivalents as they do not meet the requirements of IFRS.

Short-term bank deposits whose original maturity is equal to or less than three months, which do not meet the requirements of IAS 7 are included in a specific item of current assets.

Collection transactions are recorded by date of the bank transaction, while payment operations also take into account the order date.

Current and non-current liabilities

(xiv) Financial liabilities and Trade Payables

Financial liabilities and trade payables are recognised when the company becomes a party to the relative contractual clauses and are initially recognised at fair value, adjusted by any directly attributable transaction costs.

They are later recognised at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the contractual rights to the relative cash flows lapse or when the financial liability is sold with the substantial transfer of all of the risks and rewards resulting from the ownership of the same.

(xv) Provisions for risks and charges

Provisions for risks and charges regard costs and charges of a specific nature, whose existence is certain or likely, for which at the closing date of the reference period, the amount and/or contingency date has not been established. Allocations to these provisions are recognised when:

- the existence of a current, legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the obligation will be fulfilled against payment;
- the amount of the obligation can be reliably estimated.

Provisions are recognised at a value that represents the best estimate of the amount that the company should reasonably pay to extinguish the obligation or to transfer it to third parties on the closing date of the period. When the financial impact of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the allocation is determined by discounting the expected cash flows taking the risks associated with the obligation into account; the increase of the provision related to the passing of time is recognised in the income statement under “Net financial income (expenses)”.

The costs that the company expects to incur to implement restructuring programmes are recognised in the year in which the programme is formerly defined and the interested parties have a valid expectation that the restructuring will take place.

Provisions are updated periodically to reflect changes in cost estimates, realisation timing and the discounting rate; revised estimates are recorded under the same income statement item that previously covered the allocation. Provisions for risks and charges are discounted if it is possible to reasonably estimate when the monetary outflow will take place. When the liability relates to tangible assets, the changes in estimates of the provisions are recognised in a balancing entry to the asset to which they refer within the limits of the recognition amounts; any surplus is booked to the income statement.

If it is envisaged that all expenses (or a part of the same) required to extinguish an obligation are repaid by third parties, the indemnity, when virtually certain, is recognised as a separate asset.

(xvi) Employee benefits

Short-term benefits are represented by salaries, wages, the relative social security contributions, compensated holiday leave and incentives paid in the form of a bonus payable over the twelve-month period from the end of the reporting period. These benefits are accounted for as personnel cost components for the period in which the employee works.

In defined benefit plans, which include the post-employment benefits due to employees under art. 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to be paid to the employee can only be quantified when the employment ends, and is linked to one or more factors, such as age, years of service and pay; therefore, the relative charge is recognised in the relevant income statement on the basis of an actuarial calculation. The liability recognised in the interim report for defined benefit plans corresponds to the present value of the obligation on the date of the reporting period. The obligations for defined benefit plans are determined annually by an independent actuary using the Project Unit Credit method. The present value of a defined benefit plan is determined by discounting the future cash flows at a specific interest rate. The actuarial gains and losses resulting from the above-cited adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income.

Starting from 1 January 2007, the Italian 2007 Financial Law and relative implementing decrees introduced significant changes to post-employment benefits (TFR), including giving the employee a choice as to the destination of the accruing TFR. More specifically, the employee may address the new flows of TFR to pre-established pension funds or can maintain them in the company. If the employee opts for external pension funds, the company is only responsible for paying a defined contribution into the chosen fund and, from said date, the newly-accrued amounts are considered as defined contribution plans and are not subject to actuarial valuations.

The liabilities for obligations relating to other medium-long term benefits to employees, such as management incentive plans, are calculated on the basis of actuarial assumptions. The impact resulting from changes in actuarial assumptions or from adjustments based on past experience are recognised in the income statement.

(xvii) Fair value measurement

Fair value measurements and the relative disclosure are made or prepared applying IFRS 13 "Fair value measurement" The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the sale of the asset or transfer of the liability takes place in the principal market, namely the market with the greatest volume and level of transactions for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the company has access, namely the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is determined by considering the assumptions that market participants would use to set the price of the asset or liability, on the assumption that the same are acting according to their best economic interest. Market participants are informed, independent buyer or sellers, able to enter into a transaction for the asset or liability and motivated but not obliged nor induced to perform the transaction.

Measuring the fair value of financial instruments

The fair value of quoted financial instruments is measured by observing prices that can be directly accessed on the market, while for non-quoted financial instruments, by using specific measurement techniques that make the greatest use possible of inputs observable on the market. In the event in which this is not possible, the inputs are estimated by management, taking the characteristics of the instruments to be measured into account. Changes in the assumptions made in input data estimates could impact the fair value recognised in the financial statements for said instruments.

The fair values of financial instruments are shown below, classified on the basis of a fair value hierarchy which reflects the significance of the inputs used to measure the fair value (IFRS 13 "Fair value measurement").

- Level 1: Quoted prices (active markets): the data used in measurements is represented by quoted prices in markets in which assets and liabilities that are identical to those to be measured are traded;
- Level 2: Use of parameters observable on the market (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatilities provided by Reuters, credit spreads calculated on the basis of Credit default swaps, etc.) other than the quoted prices of level 1;
- Level 3: Use of parameters that cannot be observed on the market (internal assumptions, for example, cash flows, risk-adjusted spreads, etc.)

(xviii) Derivative financial instruments

Derivative instruments are considered as assets held for investment purposes and measured at fair value, with a balancing entry in the Income statement, with the exception of cases in which they are structured as effective instruments to hedge a specific risk relating to the underlying assets or liabilities or commitments undertaken by the company.
More specifically, the company uses derivative instruments in its hedging strategies with a view to neutralising the risk of changes in the fair value of financial assets and liabilities recognised in the interim report or of contractually-defined commitments (fair value hedges) or of changes in expected cash flows relating to contractually-defined or highly likely transactions (cash flow hedges).
The effectiveness of hedging transactions is documented and tested both at the beginning of the transaction and periodically (at least at each annual and interim financial statement reporting date) and is measured by comparing the changes in the fair value of the hedging instrument with those of the hedged element or, in the case of more complex instruments, through statistical analyses based on the change in the risk.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges and that qualify as such, are recognised, limited to the "effective" portion only, in the Statement of comprehensive income through a specific Equity reserve ("Cash flow hedge reserve"), which is then reversed to the Income statement at the time the underlying asset or liability impacts profit and loss. The change in the fair value relating to the ineffective portion is immediately recognised in the Income statement for the period. If the occurrence of the underlying transaction is no longer considered highly likely, the portion of the "Reserve for FV changes on derivatives - cash flow hedges" relating to the same is immediately reversed to the separate Income Statement. If, instead, the derivative instrument is sold, reaches maturity or no longer qualifies as an effective instrument to hedge the risk against which the transaction had been performed, the portion of the Cash Flow Hedge Reserve relating to the same is maintained until such time as the underlying contract materialises. The recognition of the hedge as a cash flow is terminated prospectively.

(xix) Revenues and costs

Revenues are recognised at the fair value of the amount received or to be received, net of returns, discounts, allowances and rebates, as well as any directly-related tax and to the extent to which the company receives the economic benefits and are reliably determined.

Revenues from transport services are recognised in the income statement at the time the passenger transport takes place, taking into account the value of any commercial discounts, rewards and customer loyalty programmes.

Train tickets sold, but for which the trip has not taken place are recognised as deferred revenues and recorded under current liabilities, considering the terms and conditions of the tickets, the regulations of the rail transport sector and an analysis of past trends.

Revenues from the provision of services are recognised when the service has been rendered, revenues from sales when the risks and the rewards associated with the ownership of the goods sold are effectively transferred.

Costs are recognised on an accruals basis when relating to services and goods purchased or consumed during the period or are systematically distributed, namely when the future usefulness of the same cannot be identified.

Operating lease instalments are recognised in the income statement over the term of the lease agreement.

The income and the expenses generated by the disposal or sale of non-current assets are recognised in a specific income statement item “Gains/(losses) on disposal of non-current assets”.

Financial income and expenses are recognised in the income statement over the course of the year in which they accrued.

(xx) Foreign currency transactions

The revenues and the costs relating to transactions in currencies other than the functional one, are recognised at the current exchange rate on the day on which the transaction is recorded.

Monetary assets and liabilities in currencies other than the functional one are converted into the functional currency by applying the current exchange rate on the reporting date of the financial statements, recognising the impact on the income statement. Non-monetary assets and liabilities expressed in currencies other than the functional one, measured at cost, are recognised at the exchange rate at the time of initial recognition; when the measurement is made at fair value, or at the recoverable or disposal amount, the current exchange rate on the date of said value is determined is adopted.

(xxi) Dividends

Dividends are recognised on the date on which the resolution of the Shareholders’ Meeting that established the right to receive the payment is approved, unless the assignment of the shares before the coupon is detached is reasonably certain.

The dividends approved by the Shareholders’ Meeting are represented as changes in shareholders’ equity in the year in which they are approved.

(xxii) Income Tax

Current taxes on income for the year, recognised under “Current tax payables” net of any advances paid, or under “Current tax assets” when the net balance is in credit, are calculated on the basis of an estimate of taxable income and in accordance with tax legislation in force. More specifically, said payables and receivables are determined by applying the tax rates envisaged by provisions in force on the reporting date.

Current taxes are booked to the Income statement, with the exception of those relating to items recognised outside of the Income statement, which are directly booked to shareholders' equity.

Deferred and prepaid income taxes are calculated on the temporary differences between the carrying amount recorded in the financial statements and the corresponding amounts recognised for tax purposes, by applying the tax rate in force on the date on which the temporary difference will be paid, determined on the basis of the tax rates envisaged by provisions in force on the reference date.

Deferred tax assets for all unused taxable temporary differences, tax losses or tax credit are recognised when their recovery is likely, i.e. when it is envisaged that future taxable income will be sufficient to recover the tax assets. The recoverability of deferred tax assets is re-examined at the end of each period. Deferred tax assets not recognised in the financial statements are re-analysed on each reporting date and are recognised to the extent to which it is likely that future taxable income will enable the deferred tax asset to be recovered.

Deferred and prepaid income taxes are booked to the Income statement, with the exception of those relating to items recognised outside of the Income statement, which are directly booked to shareholders' equity.

Deferred and prepaid income taxes, resulting from the application of legislation relating to the same tax authority, are offset if there is a legally exercisable right to offset current tax assets against the current tax liabilities that will be generated at the time of their payment.

Deferred tax assets are classified under non-current assets and are offset at individual tax jurisdiction level, if related to taxes that may be offset. The positive balance of offsetting is recorded under "Deferred tax assets".

(xxiii) Related parties

Related parties are considered those that share the same controlling entity as the company, companies that directly or indirectly control it, are subsidiaries, or are subject to joint control by the company and those in which the same holds an investment that enables it to exercise a significant influence.

In accordance with that regulated by IAS 24 "Related party disclosures", paragraph 26, the Company is exempted from the requirement to make the disclosures set forth in paragraph 18 (according to which the company must indicate the nature of the relationship with the related party, as well as providing information on said transactions and on outstanding balances, including commitments, necessary for users of interim report to understand the potential effect of said relationship on the interim report) in the event of relationships with another entity that is a related party because the same government has control over both the reporting entity and the other entity.

Recently-issued accounting standards

Accounting standards, amendments and interpretations not yet applicable and for which the Company has not opted for early adoption

As of the date of this Interim Report, the competent organs of the European Union have not completed yet the process necessary to endorse the following accounting standards and amendments:

Amendments to IAS 7 "Disclosure initiative"	These amendments to IAS 7 "Statement of cash flows", published by the IASB on 29 January 2016, introduce the obligation to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The document is part of a project entitled "IASB's Disclosure Initiative", which seeks to explore opportunities to improve financial statement disclosures. These amendments are effective for annual periods starting on or after 1 January 2017. Early adoption is permitted.
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"	These amendments to IAS 12 "Income taxes", published by the IASB on 19 January 2016, regard the recognition of deferred tax assets for unrealised losses and clarify the accounting treatment of deferred tax assets relating to debt instruments measured at fair value. These amendments are applicable retrospectively to periods starting on or after 1 January 2017. Early adoption is permitted.
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	This amendment, published by the IASB on 20 June 2016, clarifies the measurement of cash-settled share-based payments and the accounting treatment of modifications to an incentive plan that changes from cash-settled to equity-settled. The document also introduces an exception to IFRS 2, which will entail that an incentive plan must be entirely accounted for as an equity-settled plan when the employer is bound to pay the tax authority a withholding tax resulting from said plan and charged to the relative beneficiary employees. These amendments are effective for annual periods starting on or after 1 January 2018. Early adoption is permitted.
"Clarifications to IFRS 15 Revenue from Contracts with Customers"	This document, published by the IASB on 12 April 2016, contains clarifications regarding certain aspects relating to the implementation of IFRS 15 "Revenue from contracts with customers" (hereinafter "IFRS 15"). These amendments are effective for annual periods starting on or after 1 January 2018. Early adoption is permitted.
IFRS 16 "Leases"	On 13 January 2016, the IASB published IFRS 16 "Leases" (hereinafter "IFRS 16"), which replaces IAS 17 "Leases" and the relative interpretations. IFRS 16 eliminates the distinction between operating and finance leases for the purposes of the financial statements of the lessees; for all lease contracts with a term exceeding 12 months, the recognition of an asset, representative of the obligation to make the payments envisaged by the contract, is required. For the purposes of the financial statements of the lessors, instead, the distinction between operating and finance leases is maintained. IFRS 16 has extended the financial statements disclosure for both lessees and lessors. The provisions of IFRS 16 are effective from 1 January 2019. Early adoption is permitted, subject to the early adoption of IFRS 15.

Amendments to IAS 40 "Transfers of Investment Property"	These amendments, published by the IASB on 8 December 2016, clarify that transfers to or from investment property must be justified by a change in use of the same. To understand whether a change of use of the investment property has occurred, it is necessary to determine whether the property meets, or ceases to meet, the definition of investment property. This change must be supported by evidence. These amendments are effective for annual periods starting on or after 1 January 2018.
Annual improvements 2014-2016	The amendments introduced by this document, published by the IASB on 8 December 2016, regard: – IFRS 1 "First-time adoption of International Financial Reporting Standards", effective for periods starting on or after 1 January 2018; – IFRS 12 "Disclosure of interest in other entities", effective retrospectively for periods starting on or after 1 January 2017; – IFRS 28 "Investments in Associates and Joint Ventures", effective for periods starting on or after 1 January 2018.
IFRIC 22 "Foreign currency transactions and advance consideration"	This interpretation, published by the IASB on 8 December 2016, addresses the accounting treatment of transactions denominated in foreign currencies or parts of transactions whose payment is denominated in a foreign currency. The interpretation provides guidance for circumstances in which a single payment/collection is expected, as well as cases in which a number of payments/collections are made. The aim of the interpretation is to reduce non-compliant behaviour. The amendments are effective for annual periods starting on or after 1 January 2018.
IFRS 17 "Insurance Contracts"	On 18 May 2017 the IASB issued IFRS 17 "Insurance Contracts" on the accounting treatment of insurance contracts sold and reinsurance contracts held. The provisions of IFRS 17, which superseded those of IFRS 4 "Insurance Contracts", are effective for annual periods starting on or after 1 January 2021.
IFRIC 23 "Uncertainty over Income Tax Treatments"	On 7 June 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", containing guidance on the accounting treatment of current and/or deferred tax assets and liabilities when there is uncertainty over a tax treatment. IFRIC 23 is effective for annual periods starting on or after 1 January 2019.

Accounting Standards, amendments and interpretations not yet adopted, but for which early adoption is permitted

As of 30 September 2017, the competent bodies of the European Union approved the adoption of the following accounting standards and amendments, for which the Company has not opted for early adoption.

IFRS 15 "Revenue from Contracts with Customers"	On 28 May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers" (hereinafter IFRS 15), which regulates the timing and the amount to be recognised of revenue arising from a contract with a customer, including contracts relating to work in progress. More specifically, IFRS 15 envisages that the recognition of the revenue is based on the following five steps: 1) identify the contract with the customer; 2) identify the contractual obligation to transfer goods and/or services (known as "performance obligation"); 3) determine the transaction price; 4) allocate the transaction price to the performance obligations identified on the basis of the stand-alone selling price of each good or service; and 5) recognise revenue when the relative performance obligation is met. In addition, IFRS 15 expands the scope of the disclosure to be made, regarding the nature, amount, timing and uncertainty of revenue and the relative cash flows. The new standard, endorsed by the European Commission with EU Regulation no. 2016/1905 of 22 September 2016, takes effect for annual periods starting on or after 1 January 2018. Early adoption is permitted.
IFRS 9 "Financial Instruments"	On 24 July 2014, the IASB completed the project to revise the standard on financial instruments with the issue of the full version of IFRS 9 "Financial Instruments" (hereinafter "IFRS 9"). The new provisions of IFRS 9: – change the model for the classification and measurement of financial assets; – introduce a new procedure for the impairment of financial assets, which takes expected credit losses into account; and – modify the provisions on hedge accounting. The provisions of IFRS 9, endorsed by the European Commission with EU Regulation no. 2016/2067 of 22 November 2016, are effective for annual periods starting on or after 1 January 2018.

The Company is assessing any impact that the future application of the above standards (IFRS 9, IFRS 15 and IFRS 16) and the revisions of, and amendments to, existing standards could have on its financial statements.

As regarding the adoption of IFRS 15, the Company is evaluating the applicability of the new standard to the outstanding contracts, as well as the related accounting effects.

As regarding the adoption of the new standards IFRS 9 and IFRS 16 the Company is carrying out a preliminary analisys.

4 Use of estimates

The preparation of the Interim Report requires the use of estimates, often based on complex and/or subjective assessments, based on past experience and assumptions considered reasonable and realistic with regard to the information known at the time of the estimate. The use of these estimates influences the carrying amount of assets and liabilities and the disclosure of potential assets and liabilities at the reporting date, as well as the amount of revenues and costs in the accounting period represented. Actual results may differ from estimated ones due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of any change are reflected in the income statement.

To better understand the Interim Report, the most significant estimates made during the preparation process of the interim report because they are substantially based on subjective opinions, assumptions and estimated relating to areas which, by their very nature, are uncertain, are illustrated below. Changes to the conditions underlying the opinions and assumptions adopted could have a significant impact on the subsequent results.

Impairment of assets

Assets are analysed to ascertain whether there is any impairment loss, recognised by means of a write-down, if there are indicators that lead to assumed difficulties in recovering the relative net carrying amount through its use. Verifying the existence of the above-cited indicators requires Directors to make subjective assessments based on information available within the Company and on the market as well as past experience. Furthermore, if it is decided that a potential impairment may have been generated, the Company measures the same using measurement techniques that are retained suitable. The correct identification of the elements indicating the existence of any impairment, as well as the estimates to determine the same, depend on factors that may change over time, influencing the measurements and the estimates made by the Directors.

As of the date of this Interim Report there are no indicators that suggest that difficulties should be expected in recovering the carrying amount of assets through their use.

Recoverability of deferred tax assets

Deferred tax assets are recorded in the interim report, mainly relating to the recognition of tax losses and financial expenses that may be used in future years and, to a lesser extent, to income components with deferred tax deductibility, for an amount whose recovery in future years is retained highly likely. The recoverability of the above-cited deferred tax assets is conditioned by the generation of future taxable income that is sufficient to absorb the aforesaid tax losses or up to the amount of the deferred taxes related to other deferred tax assets. Significant management judgement is required to determine the amount of deferred tax assets that may be recognised in the interim report on the basis of the timing and the amount of future taxable income.

Potential liabilities

The Company recognises a liability against legal disputes and risks resulting from lawsuits in progress when it believes that a financial disbursement is likely and when the amount of the liability may be reasonably estimated. In the event in which a financial disbursement becomes possible but the amount cannot be determined, this fact is reported in the notes to the interim report. The Company continually monitors the status of lawsuits underway and consults experts in legal and tax-related matters.

Employee benefits

The liabilities for employee benefits are measured using an actuarial method which requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discounting rate and the inflation rate curve.

5 Financial risk management

The Company's assets are exposed to the following risks: market risk (defined as foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's risk management strategy seeks to minimise potential negative effects on the Company's financial performance. Some types of risk are mitigated through the use of derivative instruments. Risk management is centralised in the Finance department, which identifies, measures and hedges financial risk in close collaboration with the Company. The Company's finance department provides indications to monitor risk management, as well as providing guidance in specific areas, regarding interest rate risk, foreign exchange risk and the use of derivative and non-derivative instruments.

FOREIGN EXCHANGE RISK

The Company operates in the Italian market and is substantially not exposed to foreign exchange risk.

INTEREST RATE RISK

As the Company has floating rate liabilities, it is exposed to interest rate fluctuations. In this regard, with regard to the existing hedging policy, hedging contracts have been entered into for "IRS" with settlements on quarterly and half-yearly basis.

As at 30 September 2017, the notional value of the derivative portfolio was Euro 370,000,000 (Euro 330,000,000 at 31 December 2016) with a negative fair value of Euro 975,188 (Euro 1,765,731 at 31 December 2016). For accounting purposes, these transactions qualify as cash flow hedges, in line with the risk mitigation strategy adopted by the Company.

CREDIT RISK

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

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

LIQUIDITY RISK

Liquidity risk is associated with the Company's ability to meet commitments originating mainly from financial liabilities. Prudent liquidity risk management as regards the Company's ordinary business activities implies maintaining an adequate level of cash and cash equivalents and the availability of funds that may be obtained through an adequate number of credit facilities.

The Company expects to be able to generate adequate operating cash flow to meet its requirements and pursue its planned objectives. On the date of the interim report, the Company therefore deems that it is not exposed to a significant level of liquidity risk.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Non-current financial liabilities and assets are settled or measured at market rates and therefore it is deemed that the fair value of the same is substantially in line with the current accounting values.

FAIR VALUE MEASUREMENT

The table below shows the derivative assets and liabilities that are measured at fair value at 30 September 2017 and 31 December 2016, on the basis of the level of inputs used to determine their fair value.

	30 September	31 December
(€)	**2017**	**2016**
Derivative assets	802,709	-
Derivative liabilities	(1,777,897)	(1,765,731)
Total	**(975,188)**	**(1,765,731)**

As the Company has floating-rate liabilities, it is exposed to interest rate fluctuation risks.

The fair value of these instruments is determined on the basis of level 2 methodologies. The Company uses internal evaluation models generally used in financial practice. In the period under review, there were no transfers between levels of the fair value hierarchy.

6 Segment reporting

IFRS 8 defines an operating segment as a unit (i) that engages in business activities from which it may earn revenues and incur expenses, (ii) whose operating results are reviewed regularly by the entity's chief operating decision-maker and (iii) for which separate financial information is available.

For the purposes of IFRS 8, the business activities performed by the Company are identified as belonging to a single business segment.

7 Revenue from transportation services

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Transportation revenues	304,759,939	251,398,037
Total	**304,759,939**	**251,398,037**

This item refers to revenue originating from transport services, including ancillary services, after returns, rebates and discounts and the amount of rewards related to customer loyalty programmes.

The change refers mainly to the combined effect of the increase in the commercial offering, the load factor and the average price per Km compared to the same period of 2016.

8 Other operating revenues

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
White certificates	20,702,143	6,717,578
Royalties and advertising space	1,129,365	656,597
Chargebacks for services to third parties	951,736	949,500
Other income	1,498,061	1,654,178
Total	**24,281,305**	**9,977,853**

The increase of "White Certificates" refers to higher volumes of activities and to the increase of load factor, combined with generally higher EEC's sale prices to which the corrensponding sales have been accounted.

"Other income" includes mainly revenue from ancillary services to passenger transportation and to a lesser extent capital and revenue grants from public entities.

9 Access and electricity costs

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Access costs	70,389,010	64,919,086
Electricity costs	15,623,798	15,570,809
Total	**86,012,808**	**80,489,895**

This item refers to fees paid to the railway infrastructure operator for track access and traction energy for rolling stock. The increase in access costs is due mainly to the greater commercial offering for the year.

10 Train management costs

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Rolling stock maintenance	23,220,644	23,398,595
Nola plant maintenance	7,958,235	7,975,167
Train cleaning costs	5,882,045	5,726,636
Other train costs	1,451,277	1,437,251
Total	**38,512,201**	**38,537,649**

11 Personnel costs

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Wages and salaries	26,236,972	23,702,100
Social security and insurance contributions	7,470,804	7,283,085
Post-employment benefits (*TFR*)	1,734,415	1,525,053
Leaving incentives	75,950	498,500
Other personnel costs	308,137	269,792
Total	**35,826,278**	**33,278,530**

Post-employment benefits (*TFR*) include, in addition to the provisions made every year, the payments made to supplementary pension funds and for substitute taxes for the period ended 30 September 2017, amounting to €294,811 (€252,560 for the first nine months of 2016).

The following table shows the average number of Company employees in the periods in question and the actual number of employees on the closing date of each period:

	Average headcount for the nine months ended 30 September		Actual headcount at	
(in units)	**2017**	**2016**	**30 September 2017**	**31 December 2016**
Officers	16	14	17	16
Managers	56	58	56	55
Employees	810	782	829	770
Others	119	25	188	52
Total	**1,001**	**879**	**1,090**	**893**

12 Other operating costs

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Ticket sale commissions	12,317,913	9,322,670
Third-party services	11,594,957	7,037,051
Consulting services	5,168,415	4,631,502
Rental and lease payments	5,627,344	5,910,800
Other maintenance	3,564,983	2,317,982
Commissions to payment circuits	2,961,112	2,779,728
Travel expenses	2,108,644	1,734,312
Insurance services	2,695,552	2,777,133
Promotional expenses	2,046,550	2,785,174
Connectivity	1,923,543	2,122,853
Provisions (releases from provisions)	(2,653)	526,354
Allowance for doubtful accounts	15,396	14,529
Other operating costs	3,865,087	2,893,587
Total	**53,886,843**	**44,853,675**

"Third-party services" mainly includes the costs for the on-board care service, for the cash handling service for the automatic vending machines, for third-party transportation and for cleaning, safety and security services.

"Connectivity" includes the costs for on-board connectivity services and those at operating offices.

"Other operating costs" mainly includes meal voucher costs, indirect taxes and duties, utility costs, telephone expenses and other miscellaneous costs.

The increase of "Other operating costs" was due to mainly to higher ticket sale commissions determined by the rise in sales, expansion of the on-board care service and growth of the Italobus service as a result of enlargement of the network.

13 Amortisation and depreciation

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Depreciation of rolling stock	15,918,524	15,885,123
Depreciation of other fixed assets	3,976,535	4,946,680
Amortisation of intangible fixed assets	1,728,885	2,237,353
Total	**21,623,944**	**23,069,156**

14 Gains and losses

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Gains on non-current assets	-	-
Losses on non-current assets	498,557	465,240
Total	**498,557**	**465,240**

Reported losses refer largely to the replacement of seat upholstery for the AGV fleet, which began in August.

15 Net financial income (expenses)

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Interest on bank and post office deposit	58,346	968,749
Other interest income	759,613	699,484
Total financial income	**817,959**	**1,668,233**
Financial expense on derivative instruments	2,867,312	9,798,353

Interest expense on borrowings	2,968,351	1,408,630
Interest on leases	674,895	2,415,143
Commissions	844,310	623,124
Interest on notes issued	5,293,750	-
Interest expense on term loan	1,723,805	-
Interest on post-employment benefits (TFR)	103,157	108,654
Foreign exchange losses	-	-
Other financial expense	5,861,307	430,232
Change in fair value of financial instruments	-	(4,469,848)
Reversal of cash flow hedge reserve for derivatives	-	4,437,447
Total financial expenses	**20,336,887**	**14,751,735**
Total net financial income (expenses)	**(19,518,928)**	**(13,083,502)**

The item "Other financial expense" reflects, for the first nine months of 2017, the effects determined by the difference between the amount of the early repayment of financial debt, in connection with the refinancing transaction, and the carrying amount of such debt before repayment. For more details, reference is made to note 27 "Current and non-current borrowings".

16 Income taxes

The item in question breaks down as follows:

	Nine months ended 30 September	
(€)	**2017**	**2016**
Current income taxes	4,339,137	1,914,033
Deferred income taxes	17,662,344	5,793,860
Total	**22,001,481**	**7,707,893**

The following table shows the reconciliation of the tax charge based on the statutory tax rate and the effective tax charge for the nine months ended 30 September 2017 and 30 September 2016.

	Nine months ended 30 September	
(€)	**2017**	**2016**
Theoretical tax charge	17,558,804	7,589,517
IRAP (Italian regional business tax)	2,415,193	1,211,358
Other differences	2,027,484	(1,092,982)
Effective tax charge	**22,001,481**	**7,707,893**

17 Intangible assets

Movements in the item in question were as follows:

(€)	**Licences**	**Software**	**Intangible assets in progress**	**Total**
Balance at 31 December 2016	**44,368**	**3,299,706**	**882,569**	**4,226,643**
of which:				-

- historical cost	*153,814*	*31,138,808*	*882,569*	***32,175,191***
- accumulated amortisation	*(109,446)*	*(27,839,102)*	*-*	***(27,948,548)***
Reclassifications		417,379	(429,509)	**(12,130)**
Increases	-	2,481,817	1,453,570	**3,935,387**
Decreases	-	-	(287,500)	**(287,500)**
Amortisation	(12,199)	(1,716,685)	-	**(1,728,884)**
Balance at 30 September 2017	**32,169**	**4,482,217**	**1,619,130**	**6,133,516**
of which:				
- historical cost	*153,813*	*33,989,933*	*1,619,130*	***35,762,876***
- accumulated amortisation	*(121,644)*	*(29,507,716)*	*-*	***(29,629,360)***

Increases in "Software" and "Intangible assets in progress" refer mainly to investments in Customer Relationship Management (CRM) systems, the software to operate the control room and the operational staff and data centre upgrade.

18 Tangible fixed assets

Movements in the item in question were as follows:

(€)	Rolling stock	Tangible investments in progress	On-board telecommunications	Investments at railway stations	Land and buildings	Other tangible fixed assets	Total
Balance at 31 December 2016	**542,142,083**	**92,567,360**	**2,827,539**	**2,288,083**	**78,296**	**5,167,531**	645,070,892
of which:							
- historical cost	*635,896,539*	*92,567,360*	*11,370,078*	*7,587,246*	*132,465*	*14,126,558*	**761,680,246**
- accumulated depreciation	*(93,754,456)*	*-*	*(8,542,539)*	*(5,299,163)*	*(54,169)*	*(8,959,027)*	**(116,609,354)**
Reclassifications		*(292,754)*		*304,884*	*-*		**12,130**
Increases	-	40,845,361	584,000	19,585	-	757,991	**42,206,937**
Decreases	-	(25,000)			-	(186,057)	**(211,057)**
Depreciation	*(15,918,524)*	*-*	*(1,502,351)*	*(750,743)*	*(18,567)*	*(1,704,875)*	**(19,895,060)**
Balance at 30 September 2017	**526,223,559**	**133,094,967**	**1,909,188**	**1,861,809**	**59,729**	**4,034,590**	**667,183,842**
of which:							
- historical cost	635,896,539	133,094,967	11,954,078	7,911,715	132,465	13,975,328	**802,965,092**
- accumulated depreciation	(109,672,980)	-	(10,044,890)	(6,049,906)	(72,736)	(9,940,738)	**(135,781,250)**

In relation to the refinancing transaction, on 23 June 2017, the Company entered into an agreement with Mediocredito S.p.A. regarding early termination of the lease and purchase the AGV rolling stock.

In addition, on 28 October 2015, the Company signed an agreement with Alstom for the purchase of 12 new EVO trains, the delivery of which is expected between November 2017 and July 2018. The overall investment made was €255,944,620. The amount is recognised under "Tangible investments in progress" on the basis of the percentage of completion method. At 30 September 2017, the total investment amounts to €127,697,671, reflecting an increase of €38,057,142 in the first nine months of 2017.

In addition, the item "Tangible investments in progress" includes financial expense capitalised in assets under construction, totalling €2,330,397. The average capitalisation rate used to calculate the amount of financial expense eligible for capitalisation was 1.64%.

The increase in "Other tangible fixed assets" includes mainly the purchase of hardware components to expand the Company's data center.

19 Deferred tax assets

Movements in the item in question were as follows:

(€)	2017
Balance at 1 January	**87,907,345**
of which:	
- deferred tax assets	91,558,652
- deferred tax liabilities	(3,651,307)
Effect on income statement	(17,662,344)
Effect on statement of comprehensive income	(298,278)
Balance at 30 September	**69,946,723**
of which:	
- deferred tax assets	70,139,373
- deferred tax liabilities	(192,650)

During the periods in question, the Company recognised deferred tax assets mainly with relation to *ACE* (*Aiuto alla Crescita Economica*) tax relief, non-deducted provisions during the period, mismatches between book and tax amortisation and depreciation amounts and the allowance for doubtful accounts.

As regarding the deferred tax assets the Company evaluated their recovery in future years as probable, on the basis of the extimates included in the industrial plan.

20 Other non-current assets

The item in question breaks down as follows:

	30 September	31 December
(€)	2017	2016
Derivatives instruments	802,709	-
Term deposit	-	66,887
Total	**802,709**	**66,887**

This item reflects the fair value of derivatives held in portfolio at 30 September 2017. The fair value of these derivatives was determined through valuation models commonly used in finance and market inputs as of the reporting date, as specified in the "Fair value measurement" section of the accounting policies.

Following the debt refinancing transaction in the first half of 2017, and in keeping with the hedging strategy adopted, the Company unwound the derivative contracts entered into to hedge the interest rate risk of the extinguished liabilities and entered into new contracts to hedge the cash flow risk of the new debt. The table below shows the derivative contracts outstanding at 30 September 2017:

Derivatives	Start date	End date	Notional amount
IRS (3-m Eur)	23/06/2017	01/06/2023	200,000,000
IRS (3-m Eur)	23/06/2017	01/06/2023	100,000,000
IRS (6-m Eur)	12/09/2017	23/06/2022	27,200,000
IRS (6-m Eur)	12/09/2017	23/06/2022	42,800,000

These derivatives call for the swap of quarterly and six-monthly cash flows (fixed-rate outflows and variable Euribor-based inflows) with a notional amount that covers part of the underlying debt.

The above derivatives are eligible for hedge accounting treatment and qualify as cash flow hedges of existing debt.

21 Inventories

This item refers solely to energy efficiency certificates (White Certificates or EECs) in relation to the TOE (Tonnes of Oil Equivalent) accrued at 30 September 2017 and 31 December 2016.

(€)	30 September 2017	31 December 2016
White Certificates (EECs)	14,035,733	8,789,456
Total	**14,035,733**	**8,789,456**

The increase of "White Certificates" refers to higher volumes of activities and to the increase of load factor, combined with generally higher EEC's sale prices to which the corrensponding sales have been accounted.

22 Trade receivables

The item in question breaks down as follows:

(€)	30 September 2017	31 December 2016
Receivables due from customers	9,103,891	7,948,062
Allowance for doubtful accounts	(3,366,618)	(3,356,083)
Total	**5,737,273**	**4,591,979**

The following table shows changes in the allowance for doubtful accounts:

(€)	Allowance for doubtful accounts
Balance 31 December 2016	**3,356,083**
Provisions	15,396
Uses	(4,861)
Balance 30 September 2017	**3,366,618**

23 Other current assets

The item in question breaks down as follows:

(€)	30 September 2017	31 December 2016
VAT tax receivables	13,890,187	32,459,056
Advances to suppliers	12,448,354	13,777,476
Advances to employees	240,530	235,361
Receivable from social security institutions	725,238	759,776
Deposits and guarantee deposits	799,568	690,218
Amounts receivable from card payment providers	3,185,187	2,069,665
Other assets	3,517,028	4,745,798
Total	**34,806,092**	**54,737,350**

The item "Other current assets" refers mainly to prepaid fees and insurance policy commissions and other prepayments.

The VAT tax receivables related to second-quarter 2017 for which refunds have been requested (Euros 48,000,000) has been transferred without recurse.

24 Short-term bank deposits

This item refers to short-term investments of the Company's cash. At 30 September 2017, the Company did not have any short-term bank deposits.

25 Cash and cash equivalents

The item in question breaks down as follows:

	30 September	31 December
(€)	**2017**	**2016**
Bank and post office deposits	197,815,715	75,032,335
Cash and other valuables on hand	2,556,786	2,398,307
Total	**200,372,501**	**77,430,642**

For a more detailed analysis of the movements in this item, reference is made to the statement of cash flows in this Interim Report.

26 Equity

The item in question breaks down as follows:

	Share capital	Share premium reserve	Other reserves		Retained earnings/ (accumulated losses)		Profit/ (Loss for the period	Total equity
(€)			Legal reserve	Other	Actuarial gains/(losses)	Retained earnings/ (accumulated losses)		
31 December 2016	**57.207.884**	**48.000.000**	**-**	**(12.394.449)**	**(720.371)**	**686.979**	**32.708.714**	**125.488.757**
Profit for the period	-	-	-	-	-	-	51.160.204	51.160.204
Appropriation of previous year's profit	-	-	1.411.971	(7.672.766)	-	34.500.214	(28.239.419)	-
Reclassification	-	-	-	-	-	4.469.295	(4.469.295)	-
Cash flow hedge reserve	-	-	-	600.810	-	-	-	600.810
Actuarial gains/(losses) on employee benefits	-	-	-	-	227.306	-	-	227.306
Net comprehensive income for the period	**-**	**-**	**1.411.971**	**(7.071.956)**	**227.306**	**38.969.509**	**18.451.490**	**51.988.320**
30 September 2017	**57.207.884**	**48.000.000**	**1.411.971**	**(19.466.405)**	**(493.065)**	**39.656.488**	**51.160.204**	**177.477.077**

Share capital

The Company's share capital at 30 September 2017 amounts to €57,207,884 and consists of 645,207,884 no-par ordinary shares.

The shares that make up the share capital do not entail any rights, constraints or obligations to distribute preference dividends or to make other preferential distributions.

The Company's shares have been pledged to the investors that purchased the "Senior Secured Floating Rate Notes" issued on 23 June 2017, maturing on 1 June 2023, to the banks party to the Senior Facilities Agreement of 19 June 2017 and to derivative counterparties. Reference is made to note 27 – Current and non-current borrowings – for further details.

On 29 June 2017, Peninsula Capital Partners LLC acquired an equity interest in the Company, while SCNF V.D. s.a.s. and Reset 2000 S.r.l. divested their interests.

Share premium reserve

The share premium reserve reflects the share premium paid by shareholders for the new shares issued in 2015.

Specifically, at the general meeting held on 17 July 2015 the shareholders approved a share issue of €60,000,000, fully subscribed and paid in by the shareholders between September and December 2015, with €12,000,000 allocated to share capital and €48,000,000 to the share premium reserve.

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

Legal reserve

The legal reserve amounts to €1,411,971 and has been established entirely in the first half of 2017, in accordance with the Italian civil code.

Other reserves and retained earnings/(accumulated losses)

"Retained earnings" includes the actuarial reserve for employee benefits, while "Other reserves" includes the cash flow hedge reserve. These movements in reserves break down as follows:

(€)	**Actuarial reserve**	**Cash flow hedge reserve**
Balance at 31 December 2016	**(720,371)**	**(1,341,955)**
Gain/(Loss) on cash flow hedges	-	790,540
Gain/(Loss) on cash flow hedges – tax effect	-	(189,730)
Actuarial gains/(losses) on employee benefits	335,854	-
Actuarial gains/(losses) on employee benefits - tax effect	(108,548)	-
Other comprehensive income	**227,306**	**600,810**
Balance at 30 September 2017	**(493,064)**	**(741,146)**

27 Current and non-current borrowings

The following table provides a breakdown of current and non-current borrowings:

(€)	30 September 2017	31 December 2016
Non-current portion of bank borrowings	124,395,688	241,598,713
Non-current portion of finance leases	-	413,956,871
Non-current portion of notes	538,014,862	-
Total non-current borrowings	**662,410,550**	**655,555,584**
Current portion of bank borrowings	14,521,006	8,522
Current portion of finance leases	-	10,059,408
Current portion of notes	1,550,694	-
Total current borrowings	**16,071,700**	**10,067,930**

The table below shows a breakdown of the current and non-current portions of borrowings at 30 September 2017 and 31 December 2016:

30 September 2017	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bank borrowings	14,521,006	124,395,688	-	138,916,694
Notes	1,550,694	-	538,014,862	539,565,556
Lease liabilities	-	-	-	-
Total	**16,071,700**	**124,395,688**	**538,014,862**	**678,482,250**

31 December 2016	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bank borrowings	8,522	-	241,598,713	241,607,235
Notes	-	-	-	-
Lease liabilities	10,059,408	77,615,900	336,340,971	424,016,279
Total	**10,067,930**	**77,615,900**	**577,939,684**	**665,623,514**

The table below shows a breakdown of the current and non-current borrowings by bank:

(€)			30 September		31 December	
Bank	**Notional amount**	**Interest rate**	*of which current*	**2017**	*of which current*	**2016**
Banca IMI, MPS, BNL and Banco popolare	203,336,902	1%+6-m Euribor	-	-	8,522	241,607,235
Banca IMI, MPS and Banco BPM	160,000,000	3%+6-m Euribor	14,521,006	138,916,694	-	-
Total	**363,336,902**		14,521,006	**138,916,694**	*8,522*	**241,607,235**
of which at a fixed rate				*-*		*-*
of which at a floating rate				*138,916,694*		*241,607,235*

In the first half of 2017, the Company refinanced its capital structure (with the simultaneous derecognition of the previous financial liabilities), to deploy more effectively the cash flow generated by the business, to improve operational flexibility, diversify funding sources and obtain full ownership of its strategic assets (i.e. the AGV train fleet). This refinancing was completed through: i) a €550 million notes issue; ii) a new €140 million term loan (both reported in the Interim Report at 30 June 2017); and iii) a €20 million revolving line (not yet utilised at 30 September 2017), as detailed below. On 23 June 2017, the Company issued Senior Secured Floating Rate Notes, maturing 1 June 2023, in the OTC market. The total nominal value of the Notes is €550,000,000 while interest is payable quarterly at a rate of 3.5% plus 3-month Euribor. The notes have a zero floor on the floating rate and are secured by a pledge on the Company's shares. The fair value of the notes is equal to €561,000,000.

The notes issue was offered solely to qualified investors outside the United States (pursuant to Regulation S under the US Securities Act of 1933, as amended) and to qualified institutional buyers, as defined by Rule 144A under the US Securities Act of 1933. The notes were admitted to listing on the Luxembourg Stock Exchange and on the Euro MTF of the Luxembourg Stock Exchange.

The terms and conditions of the notes issue provide that the main event of default is the missed payment of interest. In addition, under those terms and conditions, in case of a change of control all the holders will be entitled to demand full or partial reimbursement of the notes held at a buyback price of 101% of nominal value plus interest accrued thereon as of the buyback date.

On 19 June 2017, the Company entered into a syndicated loan agreement – Senior Facilities Agreement – for a total of €160,000,000. The agreement calls for a "Facility A" of €140,000,000, which is partly amortising in six-monthly instalments and partly repayable with a bullet payment due on 23 June 2022, and a €20,000,000 revolving line of credit. Interest on Facility A are payable every six months at the rate of 6-month Euribor plus a spread. The loan agreement provides for a decrease of the applicable spread, starting from June 2018, as the Net debt to EBITDA ratio improves. This ratio will be calculated every six months, starting from 31 December 2017. In case of drawdowns, borrowings under the revolving line of credit will be charged the same spread as Facility A, but only a commission is applied in case the line is unutilised.

The proceeds from the placement of the notes and the new loan agreement, together with part of the cash available, have been used for the early repayment of the previous bank loan, to terminate the lease contract, with the resulting purchase of the AGV train fleet, and to pay for the commissions and expenses related to the refinancing transaction. This activity also included cancellation of the guarantee for the lease contract.

It is noted that in the periods in question, the Company is expected to comply with the related financial covenants and/or obligations to do or not to do, including the obligation not to establish secured or unsecured guarantees (i.e. negative pledges) and will be subject to cross-default provisions, as is customary for borrowers in international capital markets.

Examples of defaults provided for in the above arrangements include:

- Failure to pay any sum under the loan agreement, unless remedied by the time set out in the agreement;
- Failure to comply with the financial covenants;
- Failure to comply with the disclosure obligations under the loan agreement, unless remedied by the time set out in the agreement;
- Cross default in relation to the notes;
- Insolvency due to the inability to meet one's obligations or insolvency declaration pursuant to the law;
- Failure to comply with the Inter-Creditor Agreement and related agreements in the event of a Material Adverse Change, as defined therein.

The terms and conditions provide for the lenders and investors to accelerate repayment of the sums due upon the occurrence of certain trigger events. The occurrence of such events calls for certain pre-agreed materiality thresholds, except for carve-outs and guarantee period, or grace periods. In addition, there is a clause that calls for mandatory repayment in case of change of control or following the sale of all the Company's assets.

The table below shows the financial covenant thresholds provided for in the loan agreements, with the Company's ratios at 30 September 2017 and 31 December 2016, where applicable.

	Covenant	30 September 2017		31 December 2016	
		Contractual threshold	Ratio at this date	Contractual threshold	Ratio at this date
Debt Restructuring Agreement - DRA (August 2015)					
1	Leverage Ratio (Net Debt/EBITDA)	n.a	n.a	<15.50x	5.70x
2	ADSCR (Annual Debt Service Cover Ratio)	n.a	n.a	>1.05x	2.9x
3	FDSCR (Forecast Debt Service Cover Ratio)	n.a	n.a	>1.05x	4.7x
Senior Facilities Agreement (September 2017)					
4	Consolidated Net Leverage Ratio (Net Debt/EBITDA)	n.a	n.a	n.a	n.a
5	Fixed Charge Coverage Ratio (EBITDA/interest expenses)	n.a	n.a	n.a	n.a

With reference to the ratios provided for in the Senior Facilities Agreement, the first calculation will take place on the amounts at 31 December 2017 and every six months thereafter.

The following table shows the contractual cash flows relating to finance lease agreement and the implicit interest at 30 September 2017 and 31 December 2016.

(€)	30 September 2017	31 December 2016
Contractual cash flows		
Within 12 months	-	12,309,920
Between 1 and 5 years	-	85,809,248
Beyond 5 years	-	346,663,305
Sub-total	**-**	**444,782,473**
Implicit interest expense	-	(20,766,194)
Finance lease debt	**-**	**424,016,279**
of which current		10,059,408
of which non-current		413,956,871

As mentioned, following the refinancing of its capital structure, the Company used the proceeds from the placement of the Notes issued in June 2017 to repay its finance lease debt and to exercise the option to purchase the leased rolling stock which, accordingly, is now owned by the Company.

Details of the Company's net borrowings (cash) at 30 September 2016 and 31 December 2017 are provided below:

	30 September 2017	31 December 2016
A. Cash	2,556,786	2,398,307
B. Other cash and cash equivalents	197,815,715	75,032,335
C. Financial assets held for trading	-	-

D. Liquidity (A) +(B)+ (C)	**200,372,501**	**77,430,642**
E. Current financial receivables	-	50,000,000
F. Current bank borrowings	-	-
G. Current portion of non-current borrowings	14,521,006	8,522
H. Other current borrowings	1,550,694	10,059,408
I. Current financial indebtedness (F)+(G)+(H)	**16,071,700**	**10,067,930**
J. Net current financial indebtedness (cash) (I)-(E)-(D)	**(184,300,801)**	**(117,362,712)**
K. Non-current bank borrowings	124,395,688	241,598,713
L. Notes issued	538,014,862	-
M. Other non-current borrowings	-	413,956,871
N. Non-current financial indebtedness (K)+(l)+(M)	**662,410,550**	**655,555,584**
O. Net financial position (J)+(N)	**478,109,749**	**538,192,872**

28 Employee benefits

The item in question includes the provisions relating to post-employment benefits (*TFR*) for Company employees and the liabilities relating to medium- and long-term incentive plans intended for certain Company employees, as follows:

	30 September	**31 December**
(€)	**2017**	**2016**
Post-employment benefits (TFR)	10,428,721	9,606,487
Medium/long-term incentive plan	4,212,790	2,407,308
Total	**14,641,511**	**12,013,795**

Post-employment benefits (TFR)

Movements in post-employment benefits (TFR) break down as follows:

(€)	**Post-employment benefits (*TFR*)**
Balance at 31 December 2016	**9,606,487**
Interest on the obligation	103,157
Service costs	1,439,604
Uses and advances	(384,674)
Actuarial loss/(gain)	(335,854)
Balance at 30 September 2017	**10,428,721**

To determine the discount rate for all the period under review, the Iboxx Corporate AA with a duration of 10+ on the valuation date was used as reference.

The table below shows the sensitivity analysis of post-employment benefits (*TFR*) in relation to changes in the main actuarial assumptions for the period ended 30 September 2017.

	At 30 September
(€)	**2017**
Turnover rate + 1%	10,201,975
Turnover rate - 1%	10,700,542
Inflation rate + 0.25%	10,831,442
Inflation rate – 0.25%	10,046,093

Discount rate + 0.25%	9,952,321
Discount rate – 0.25%	10,938,400

Medium/long-term incentive plan

From 2016, the Company has had a three-year incentive plan for key personnel. The incentives are assigned when certain thresholds relating to the Company's future results are achieved.

The liability at 30 September 2017 has been calculated on the basis of the best estimate of the Company's future results and the benefits linked to the incentive plan, to be paid at the end of the period, has been determined on the basis of expected cash flows, as discounted to present value at the rate of 1.31%. To determine the discount rate, the Iboxx Corporate AA with a duration of 10+ on the valuation date was used as reference. The estimate of the liability is revised in subsequent years based on the results recorded and updated forecasts of the same, regardless of whether they are higher or lower than the original target.

Movements in the provision relating to the medium/long-term incentive plan (also long-term incentive plan or "LTI") for the nine months ended 30 September 2017 break down as follows:

(€)	**Long-term incentive plan**
Balance at 31 December 2016	**2,407,308**
Interest on the obligation	47,304
Provisions	1,758,178
Balance at 30 September 2017	**4,212,790**

29 Non-current provisions

Movements in the item in question break down as follows:

(€)	**Disputes with third parties**	**Disputes with employees**	**Other provisions**	**Total**
Balance at 31 December 2016	**1,475,983**	**820,100**	**355,550**	**2,651,633**
Provisions	12,203	19,669	-	31,872
Reclassifications	-	(608,828)	-	(608,828)
Releases	-	(34,526)	-	(34,526)
Uses	(2,488)	(122,935)	(315)	(125,738)
Balance at 30 September 2017	**1,485,698**	**73,480**	**355,235**	**1,914,413**

The item "Reclassifications" includes amounts due to employees which, for the purpose of providing a true and fair view, were classified as other current liabilities.

The following paragraphs provide a brief description of the main pending legal proceedings that the Company is involved in, for which it has recognised provisions at 30 September 2017, as shown in the above table.

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 S.p.A. be ordered to pay the sum of €226,200 for failure to pay an invoice, and to pay compensation for damages incurred of €898,030. 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 S.p.A. be ordered to pay the sum of €145,384 plus interest and legal costs for alleged modifications made to a contract awarded to the supplier and compensation for damages incurred. The proceedings (converted to ordinary proceedings) were adjourned until 29 November 2017 for examination of the report prepared by the court-appointed expert witness regarding the causes for the delay in completing the works and the fairness of the amounts charged by the supplier. NTV paid the amounts in the invoices in question and made provision for the remaining amounts claimed.

Lawsuits brought before the Civil Court of Rome - On 29 July 2014, a supplier notified NTV of a court order to pay an amount of €166,104 plus interest and legal costs, which the Company has challenged. At the first hearing, the court rejected the claimant's request for provisional enforcement of the above court order. The same supplier also notified the Company of the following: (i) on 9 April 2015, another provisionally enforceable court order to pay an amount of €197,640 plus interest and legal costs and a corresponding writ of execution, which the Company has challenged; (ii) on 28 January 2016, another court order to pay an amount of €244,000 plus interest and legal costs, also challenged by the Company. All the above challenges of the court orders have been combined with a previous lawsuit brought by NTV against this supplier - regarding termination for breach of the procurement contract awarded to the latter and consequent compensation for damages – and adjourned until a hearing on 5 April 2018 for admission of preliminary evidence. The Company has paid the sums related to the first two court orders and made provision for the remaining amount claimed.

Lawsuits brought before the Labour Court – NTV is the defendant in actions regarding the following matters: payment for duties above pay grade. Where quantifiable and if the risk of losing the case is deemed to be likely, specific provisions for risks and charges have been made.

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

30 Trade payables

The item in question breaks down as follows:

(€)	30 September 2017	31 December 2016
Trade payables	56,157,793	41,558,726
Payables for invoices to be received from suppliers	29,619,523	43,252,940
Total	**85,777,316**	**84,811,666**

31 Other current and non-current liabilities

The item in question breaks down as follows:

(€)	30 September 2017	31 December 2016
Non-current derivative liabilities	-	-
Non-current liabilities for amounts settled	2,513,594	3,697,971
Other non-current liabilities	**2,513,594**	**3,697,971**
Deferred revenue from transportation services	21,465,375	24,549,925
Due to employees	6,815,460	6,746,643
Derivative liabilities	1,777,897	1,765,731
Current liabilities for amounts settled	1,221,450	1,236,488
Tax and social security payables	2,234,800	2,490,369
Financial charges related to derivatives	100,611	-
Other liabilities	2,385,773	395,586
Other current liabilities	**36,001,366**	**37,184,742**

32 Other information

(i) Remuneration of Directors and Statutory Auditors

The compensation approved for Directors and members of the Board of Statutory Auditors is shown below:

(€)	Nine months ended 30 September 2017	2016
Directors	2,500,000	720,000
Statutory Auditors	101,000	101,000
Total	**2,601,000**	**821,000**

(ii) Auditors' fees

Fees payable to the audit firm for the nine months ended 30 September 2017 amount to €635,000 (not including VAT and expenses incurred) and related, among others, to (i) the audits of the interim report for the quarter ended 31 March 2017, the 2014-2016 financial statements as restated in accordance with IFRSs, and the interim report for the nine months ended 30 September 2017; (ii) the controls performed in relation to completion of tax returns; and (iii) the activities performed in order to issue comfort letters in connection with the notes issue.

(€)	Nine months ended 30 September 2017
Audits	135,000
Tax attestation services	5,000
Other review services	495,000
Total	**635,000**

(iii) Guarantees

The guarantees given break down as follows:

(€)	30 September 2017	31 December 2016
Sureties to guarantee performance of lease contracts	1,388,206	1,398,475
Sureties to guarantee repayment of surplus VAT	76,664,832	67,946,392
Sureties in favour of RFI S.p.A for use of infrastructure	20,000,000	20,000,000
Other	168,200	50,653
Total	**98,221,238**	**89,395,520**

During the period in question, the Company did not grant any guarantees to third parties, nor are there any restrictions on the ownership of the Company's tangible fixed assets and intangible fixed assets guaranteeing liabilities.

(iv) Commitments

The main commitments made by the Company relate to purchases of new EVO trains, to maintenance contracts for the fleet of EVO/AGV trains and to leases relating to maintenance facilities.

The amount of payments envisaged for non-cancellable contracts at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017			31 December 2016		
(€)	Purchase of EVO trains	Train maintenance	Operating leases	Purchase of EVO trains	Train maintenance	Operating leases
Within 12 months	89,854,914	39,852,561	10,774,096	82,800,000	30,016,316	10,654,236
Between 1 and 5 years	38,391,600	198,885,020	44,317,259	83,500,000	192,711,131	44,072,118
Beyond 5 years	-	1,305,120,720	270,166,925	-	1,343,643,092	278,522,603
Total	**128,246,514**	**1,543,858,301**	**325,258,280**	**166,300,000**	**1,566,370,538**	**333,248,957**

(v) Contingent liabilities

The Company is a party to civil, administrative, labour and social security proceedings relating to its ordinary business operations. Based on information currently available, and considering risk provisions in place, the Company believes that the outcomes of said proceedings can be reasonably expected not to have a significant negative impact on the financial statements. On the other hand, no contingent liabilities have been recognised for proceedings which the Company does not expect to result in adverse rulings on the various reference dates. A brief description of these proceedings is provided below.

Lawsuit brought before Lazio Regional Administrative Court – On 11 February 2014, a consumers' association notified NTV 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. A date for the hearing has yet to be set.

Lawsuit brought before Lazio Regional Administrative Court – On 28 May 2015, a labour union notified NTV S.p.A. 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. A date for the hearing has yet to be set.

Lawsuit brought before Piedmont Regional Administrative Court – On 17 March 2016, Trenitalia S.p.A. notified NTV of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Trenitalia S.p.A. transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court. The appeal has been assigned case number 435/16.
In connection with the same appeal, on 28 September 2016, Trenitalia S.p.A. notified additional grounds, requesting annulment of the Transport Regulator's determination 72/2016 of 27 June 2016, relating to "Implementation of determination 96/2015 – procedures for application and extension of deadlines" and (ii) the Transport Regulator's determination 75/2016 of 1 July 2016, relating to "Tariff system 2016 – 2021 relating to the Minimum Track Access Package for national railway infrastructure. Compliance with the regulatory model approved with determination 96/2015, as amended" and any other related, connected and/or consequential action.
In connection with the same appeal, on 2 February 2017, Trenitalia S.p.A. notified additional grounds, requesting annulment of the Transport Regulator's determination 140/2016 of 30 November 2016, relating to "Indications and requirements in respect of the "2018 Network Statement", presented by the rail network operator, RFI S.p.A., and the "2017 Network Statement" in effect. Indications in respect of preparation of the "2019 Network Statement" and any other related, connected and/or consequential action, including – insofar as necessary – point 4.4.1.2 of 2018 Network Statement, in the version approved on 7 December 2016. Following the hearing on 7 November 2017, the appeal was taken under advisement.

Lawsuit brought before Piedmont Regional Administrative Court – On 18 March 2016, Rete Ferroviaria Italiana S.p.A. notified NTV of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV S.p.A., Trenitalia S.p.A. and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Rete Ferroviaria Italiana S.p.A. transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court. Following the hearing on 7 November 2017, the appeal was taken under advisement.

Lawsuit brought before Piedmont Regional Administrative Court – On 21 March 2016, Grandi Stazioni S.p.A. notified NTV of a special appeal to the President of the Republic challenging and consequently requesting annulment of the Transport Regulator's determination 96/2015 of 13 November 2015 and the related annex, and any other related, connected and/or consequential action. Following the challenge lodged by NTV S.p.A. and the Transport Regulator pursuant to art. 10, paragraph 1 of Presidential Decree 1199/1971, Trenitalia S.p.A. transferred its appeal to a different jurisdiction, namely Piedmont Regional Administrative Court. Following the hearing on 7 November 2017, the appeal was taken under advisement.

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

(vi) Related party transactions

The following paragraphs show the details of transactions between the Company and related parties, identified according to the criteria defined by IAS 24 "Related Party Disclosures", for the nine months ended 30 September 2017, for the year ended 31 December 2016 and for the nine months ended 30 September 2016.

In the following tables, related party transactions include the following in the periods shown:

- Shareholders: Generali Financial Holdings Fcp-Fis Sub-Fund 2, Intesa Sanpaolo S.p.A.
- Subsidiaries of shareholders: Generali Italia S.p.A., Mediocredito Italiano S.p.A. and Mercury Payment Services S.p.A. (formerly Setefi S.p.A.).

The following table summarises the impact of related party transactions on the income statement for the nine months ended 30 September 2017 and 2016 and on the statements of financial position at 30 September 2017 and 31 December 2016.

(€)	**Shareholders**	**Subsidiaries of shareholders**	**Financial statement item**	**Impact on financial statement item**
Impact of transactions on the income statement				
Other operating costs				
Interim Report ended 30 September 2017	-	(3,408,951)	**(53,886,843)**	**6.33%**
Interim Report ended 30 September 2016	-	(4,191,196)	**(44,853,675)**	**9.34%**
Net financial income (interests)				
Interim Report ended 30 September 2017	(4,458,749)	42,327	**(19,518,928)**	**22.63%**
Interim Report ended 30 September 2016	(7,451,318)	(1,250,416)	**(13,083,502)**	**66.51%**
Impact on statement of financial position				
Tangible fixed assets				
Interim Report ended 30 September 2017	-	-	**667,183,842**	**0.00%**
At 31 December 2016	-	542,059,504	**645,070,892**	**84.03%**
Other non-current assets				
Interim Report ended 30 September 2017	273,289	-	**802,709**	**34.05%**
At 31 December 2016	-	-	**66,887**	**0.00%**
Non-current borrowings				
Interim Report ended 30 September 2017	44,654,983	-	**662,410,550**	**6.74%**
At 31 December 2016	139,544,218	413,956,870	**655,555,584**	**84.43%**
Current borrowings				
Interim Report ended 30 September 2017	5,719,207	-	**16,071,700**	**35.59%**
At 31 December 2016	4,928	10,059,408	**10,067,930**	**99.96%**

Trade payables				
Interim Report ended 30 September 2017	-	694,547	**85,777,316**	**0.81%**
At 31 December 2016	-	317,381	**84,811,666**	**0.37%**
Other current liabilities				
Interim Report ended 30 September 2017	1,028,165	-	**36,001,368**	**2.86%**
At 31 December 2016	1,069,426	-	**37,184,742**	**2.88%**

Other operating costs mainly refer to:

- costs for premiums relating to insurance policies stipulated by the Company with Generali Italia S.p.A. and relating to rolling stock and facilities;
- commission charged by Mercury Payment Services S.p.A. relating to transactions made through card payment providers.

Net financial income (expenses) refers mainly to:

- interest expense on bank borrowings, guarantee commissions, differentials on derivative contracts charged by Intesa SanPaolo S.p.A.;
- financial expense relating to the lease contract until its termination, charged by Mediocredito Italiano S.p.A..

Tangible fixed assets refer to the rolling stock in connection with the lease contract entered into with Mediocredito Italiano S.p.A. and terminated in June 2017, with the purchase of the assets.

Current and non-current borrowings mainly refer to the payable for leases by Mediocredito Italiano S.p.A., the portion of the bank borrowings with Intesa Sanpaolo S.p.A., as well as the relative accrued interest as of the reference date.

Other current and non-current liabilities refer to the value of the derivative contracts signed by the Company with Intesa Sanpaolo S.p.A..

Trade payables mainly refer to adjusting balances on insurance premiums to be paid to Generali Italia S.p.A..

33 Subsequent events

On 20 October 2017, at an extraordinary session of the General Meeting, the shareholders approved an all-or-none private offering of newly-issued shares - to be completed in a single tranche and with the exclusion of pre-emption rights, pursuant to article 2441, paragraph 5 of the Italian Civil Code – to Partind S.r.l., an existing shareholder. The issue amounts to a total of €15,000,000, of which €2,972,116 to be allocated to share capital and €12,207,884 to be allocated to the share premium reserve. The share issue was fully subscribed and paid in.

On the same date, at the ordinary session of the General Meeting, the shareholders extended the term of office of the existing Board of Directors until the approval of the 2019 accounts.

On 23 October, the newly-appointed Board of Directors ratified the resolutions adopted in the previous meeting of 20 September, confirming the powers vested in Luca Cordero di Montezemolo, in his capacity as Chairman, and in Flavio Cattaneo, in his role as Chief Executive Officer.

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The Board of Directors

Chairman