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2014 ANNUAL REPORT
ANSALDO STS S.P.A.

Ansaldo STS
A Finmeccanica Company

2014 Annual Report
Ansaldo STS S.p.A.

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

Company bodies and committees

BOARD OF DIRECTORS
(for the 2014 - 2016 three-year period)

SERGIO DE LUCA
Chairman

DOMENICO BRACCIALARGHE
Deputy chairman *1

STEFANO SIRAGUSA
Chief executive officer

GIOVANNI CAVALLINI (1) (2)

GIULIO GALLAZZI (2)

ALESSANDRA GENCO

BRUNO PAVESI (2)

PAOLA PIERRI (1)

BARBARA POGGIALI (1)

GRAZIA GUAZZI
Board secretary

BOARD OF STATUTORY AUDITORS
(for the 2014 - 2016 three-year period)

GIACINTO SARUBBI
Chairman

RENATO RIGHETTI

MARIA ENRICA SPINARDI

SUBSTITUTE STATUTORY AUDITORS
(for the 2014 - 2016 three-year period)

FABRIZIO RICCARDO DI GIUSTO

GIORGIO MOSCI

DANIELA ROSINA

INDEPENDENT AUDITORS
(for the 2012 - 2020 period)

KPMG S.p.A.

1. Member of the risk and control committee.
2. Member of the appointments and remuneration committee.

*1 Position held by Luigi Calabria from 15 April 2014 to 1 October 2014. Appointed by the board of directors as of 1 October 2014 pursuant to article 2386 of the Italian Civil Code, Domenico Braccialarghe will remain in office until the next shareholders' meeting.

Directors' report at **31 december 2014**

Directors' report at 31 december 2014

Dear shareholders

Profit for 2014 totalled €32.7 million (€32.2 million in 2013) and equity came to €355.0 million (2013: €343.5 million).

In general, the company's performance was positive in 2014 and in line with forecasts, with higher orders than expected.
Actions carried out to ensure penetration into new markets enabled significant commercial successes, including the Lima metro in Peru, the new Light Rail Transit (LRT) in Aarhus, Denmark, the contract for constructing the metro system in Navi Mumbai in India and the finalisation of the contract for Line 4 of the Milan metro.
Moreover, the company's efficiency is confirmed by the activations of certain sections of metros such as Line 5 in Milan, Line C in Rome and the Ankara metro in Turkey, together with those related to the railway systems along the national network, including the activation of first stage of the North West Milan junction on the Turin-Padua section.
Internally, management implemented specific, pervasive action plans aimed at constantly boosting efficiency.
The new organisational structure became fully operational in January 2014 to respond to market requirements for efficiency and effectiveness.

In order to seize the strong sales opportunities arising in the Mass Transit sector, the directors resolved to set up a new company in Brazil in their meeting of 16 December 2013. Ansaldo STS do Brasil Sistemas de Trasporte Ferroviario e Metropolitano LTDA was thus set up on 5 February 2014, with registered office in Fortaleza, in the state of Ceará.

With respect to corporate structure, following the signing of a 35-year concession agreement with the Nuevo Métro de Lima consortium for the construction, operation and maintenance of line 2 and a section of line 4 of the Lima metro on 28 March 2014, Ansaldo STS took part in setting up the special-purpose entity Metro de Lima Linea 2 S.A. with an investment of 16.9% and opened the Peru branch given the significant amount of on-site work to be carried out.

On 16 December 2014, the board of directors resolved the early dissolution and liquidation of Ansaldo STS Ireland Ltd..

Finally, at the end of June, the Genoa tax police commenced a tax audit for 2012. Completed at the start of November 2014, the audit showed limited exceptions related to accruals-based accounting of certain costs. The company applied for the mutually-agreed assessment settlement procedure, the impact of which is not significant.

Key events of the year

The company's 2014 results were satisfactory from a commercial and productive point of view and exceeded expectations with regard to orders and profitability.

New orders totalled €1,315 million (€997 million in 2013), mainly characterised by acquisitions related to the construction of the Lima metro (roughly €513 million), Line 4 of the Milan metro (approximately €216 million) and the contract with the municipality of Aarhus (roughly €129 million) in Denmark.

The order backlog totalled €5,160 million at 31 December 2014 (€4,544 million at 31 December 2013).

Revenue increased to €691.9 million from €634.5 million in 2013 due to the roll-out of new contracts signed in the past few years, including Line 3 of the Riyadh metro and the Copenhagen Cityringen metro line.
Operating profit came to €48.0 million (€52.4 million in 2013), down on the previous year due to restructuring

costs incurred in 2014 (€6.0 million) as per the redundancy procedure signed at the beginning of the year with the trade unions.
The company's net financial position was €81.0 million (€82.9 million at 31 December 2013) and net cash outflow came to €1.9 million (€100.9 million in 2013). The significant improvement on the previous year included the partial repayment of the advance related to a contract in Libya (roughly €41.3 million). The net financial position includes the granting of dividends of €28.8 million (€28.8 million in 2013).

On 14 July 2014, as approved by the board of directors on 3 June 2014, the company carried out the fifth instalment of the bonus issue approved by the shareholders in their extraordinary meeting of 23 April 2010. Following the issue of this fifth and last instalment, the company's share capital now equals €100,000,000, comprising 200,000,000 ordinary shares of a nominal amount of €0.50 each.

Key performance indicators

The key performance indicators table below presents the key data relating to the company's financial position and results of operations.

(€'000)	**2014**	2013
New orders	**1,314,637**	997,219
Order backlog	**5,160,123**	4,544,192
Revenue	**691,895**	634,479
Turnover	**681,785**	603,332
Gross profit	**111,663**	109,759
Gross profit %	***16.1%***	*17.3%*
Operating profit (EBIT)	**48,001**	52,393
Adjusted EBIT	**53,971**	52,853
ROS	***6.9%***	*8.3%*
Profit for the year	**32,728**	32,175
Net financial position	**(81,043)**	(82,929)
Net cash flows	**(1,886)**	(100,922)
EVA	**7,349**	11,415
Headcount	**1,486**	1,541
Research and development	**17,248**	17,467

The above table shows good new orders and order backlog levels, while performance reflects the different mix of contracts and their impact on profit for the year and the basic equilibrium of the net financial position compared to the previous year.

Income statement

Reclassified schedules are presented by nature and function for 2014 and the previous year, in order to provide full disclosure on Ansaldo STS S.p.A.'s ("ASTS" or "Ansaldo STS") financial position and results of operations.

(€'000)	**2014**	2013
Revenue	**691,895**	**634,479**
Purchases and personnel expense (*)	(644,849)	(585,682)
Change in work-in-progress, semi-finished products and finished goods	(380)	(1,007)
Amortisation, depreciation and impairment losses	(12,024)	(9,444)
Other net operating income (**)	19,329	14,508
Adjusted EBIT	**53,971**	**52,853**
Restructuring costs	(5,970)	(460)
Operating profit (EBIT)	**48,001**	**52,393**
Net financial income (expense)	1,863	(1,768)
Income taxes	(17,136)	(18,450)
Profit for the year before discontinued operations	**32,728**	**32,175**
Profit (loss) from discontinued operations	-	-
Profit for the year	**32,728**	**32,175**

Notes to the reconciliation between the reclassified income statement and the income statement included in the separate financial statements:
(*) Includes the captions "Purchases", "Services", "Personnel expense" and "Accrual to (use of) the provision for expected losses to complete contracts" (net of "Restructuring costs"), and net of "Internal work capitalised".
(**) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs, impairment losses and accruals to (use of) the provision for expected losses to complete contracts).

2014 revenue totalled €691,895 thousand, up €57,416 thousand on 2013 (9%) due to the development of the important order backlog and, specifically, the progress made in work on projects in Saudi Arabia and Denmark.
Revenue earned on the Italian market totalled €325,465 thousand (€354,184 thousand in 2013) and €366,430 thousand on the foreign market (€280,295 thousand in 2013).
Total purchases and personnel expense increased €59,167 thousand due to greater volumes.
EBIT came to €48,001 thousand (6.9% as a percentage of revenue), compared to €52,393 thousand (8.3% as a percentage of revenue) in 2013.
Net financial income (€1,863 thousand) increased on net financial expense of €1,768 thousand in 2013, mainly due to the dividends collected by the associate International Metro Services S.r.l. (€2,450 thousand) and a lower impairment loss on the investment in Ansaldo STS UK (€755 thousand in 2014 compared to €1,399 thousand in 2013).
Income taxes equalled €17,136 thousand (2.5% as a percentage of revenue), compared to €18,450 thousand (2.9% as a percentage of revenue) in 2013; as a percentage of pre-tax profit, they came to 34.4% (2013: 36.4%). This 2% decrease is mainly due to the dividends collected by International Metro Service S.r.l. and the lower IRAP due following its deductibility on personnel expense.
Profit for the year totalled €32,728 thousand (4.7% as a percentage of revenue), compared to €32,175 thousand (5.1% as a percentage of revenue) in 2013.

The income statement reclassified by function is as follows:

(€'000)	**2014**	2013
Revenue	691,895	634,479
Operating expense	(580,232)	(524,720)
Gross operating profit	111,663	109,759
Gross operating profit as a percentage of revenue	*16.1%*	*17.3%*
Overheads	(66,337)	(64,670)
Net operating income	2,675	7,304
Operating profit (EBIT)	**48,001**	**52,393**

The increase in revenue over 2013 is mainly due to the progress in work on the new Riyadh project. Total average profitability was down on the previous year due to the different mix and profitability of contracts compared to the previous year.
Overheads increased €1,667 thousand due to higher sales and administrative overheads (€1,887 thousand), partially offset by lower research expense (€220 thousand).
Net operating income amounts to €2,675 thousand (2013: €7,304 thousand); the decrease is mainly due to higher restructuring costs, only partially offset by the use of the provision for risks following the favourable outcome of specific litigation (for additional information, reference should be made to the paragraph “Provisions for risks and charges and contingent liabilities”.

Statement of financial position

The company's statement of financial position as at 31 December 2014 and corresponding previous year figures are set out below:

(€'000)	**31.12.2014**	31.12.2013
Non-current assets	297.417	282.010
Non-current liabilities	(32,763)	(31,236)
	264,655	**250,774**
Inventories	80,022	83,564
Contract work in progress (net)	170,326	160,558
Trade receivables	556,717	543,572
Trade payables	(302,451)	(313,813)
Progress payments and advances from customers (net)	(497,557)	(471,656)
Working capital	**7,057**	**2,224**
Provisions for risks and charges - current portion	(1,851)	(5,988)
Other current assets, net (*)	4,058	13,526
Net working capital	**9,264**	**9,763**
Net invested capital	273,919	260,537
Equity	**354,961**	**343,466**
Net financial position	**(81,043)**	**(82,929)**

Notes to the reconciliation between the reclassified statement of financial position and the statement of financial position included in the financial statements:
(*) Includes “Tax assets”, “Other current assets” and “Derivative assets”, net of “Tax liabilities”, “Other current liabilities” and “Derivative Liabilities”.

The net amount of non-current assets and liabilities (€264,655 thousand) increased by €13,881 thousand due to the investment made in the special-purpose entities Metro de Lima Linea 2 S.A. and SPV Linea M4 S.p.A. and the advances granted to the investee Metro 5 S.p.A..
Net working capital remained basically unchanged on the previous year (2014: €9,264 thousand; 2013: €9,763 thousand).
The rise in progress payments and advances from customers net of the change in work in progress and inventories is more or less offset by the reduction in trade payables and the increase in trade receivables.
Other current assets, net, decreased due to higher deferred remuneration to employees.
The €11,495 thousand increase in equity mainly follows the recognition of profit for the year of €32,728 thousand, the payment of €28,800 thousand in dividends for 2013 and the decrease in a translation reserve by €5,097 thousand.

Net financial position

The company's net financial position at 31 December 2014 and 2013 is set out below:

(€'000)	**31.12.2014**	31.12.2013
Current loans and borrowings	1,973	2,464
Cash and cash equivalents	(179,381)	(94,305)
Bank loans and borrowings	**(177,408)**	**(91,841)**
Related party loan assets	(42,163)	(83,417)
Other loan assets	(28,443)	(30,046)
Loan assets	**(70,606)**	**(113,464)**
Related party loans and borrowings	166,971	122,375
Other loans and borrowings	-	-
Loans and borrowings	**166,971**	**122,375**
Net financial position	**(81,043)**	**(82,929)**

The company's net financial position of a positive €81,043 thousand at 31 December 2014 compares with a positive €82,929 thousand at prior year end.
Specifically, of the loan assets of €70,606 thousand at 31 December 2014 (31 December 2013: €113,464 thousand), €10,709 thousand represents a short-term loan granted to the associate S.P. M4 S.c.p.a. and joint current accounts with the subsidiaries, Ansaldo STS USA Inc., Ansaldo STS Malaysia SDN BHD and Ansaldo STS UK LTD (with the latter fully impaired).
Loans assets include the Euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya and deposited in a local bank (€28,443 thousand).

Net financial position includes the €29,345 thousand (31 December 2013: €70,643 thousand) remainder of the advance received from the Russian customer, Zarubezhstroytechnology (ZST), for the project signed in August 2010 and suspended as from 21 February 2011, for the development of signalling, automation, telecommunication, power supply, security and ticketing systems on the Sirth to Benghazi section in Libya. Proceedings commenced in the second half of the year with ZST for the enforcement of the advance payment bond. At the end of November, the Milan Court authorised Credit Agricole to release part of the advance (€41.3 million), confirming that ZST has the right to partial repayment thereof. Reference should be made to the section on litigation for further information.

The company's reclassified *statement of cash flows* for 2014 is presented below, with corresponding prior year figures.

(€'000)	2014		2013	
Opening cash and cash equivalents	**94,305**		**73,771**	
Gross cash flows generated by operating activities	62,311		63,530	
Changes in other operating assets and liabilities	(14,524)		(43,837)	
Funds from operations		**47,787**		**19,693**
Change in working capital	(4,833)		(82,621)	
Cash flows from/(used in) operating activities	**42,954**		**(62,928)**	
Cash flows used in ordinary investing activities	(8,630)		(5,721)	
Free operating cash flow		**34,324**		**(68,649)**
Strategic transactions	(7,410)		(3,473)	
Dividends from consolidated companies				
Cash flows used in investing activities	**(16,040)**		**(9,194)**	
Dividends paid	(28,800)		(28,800)	
Cash flows generated by other financing activities	86,962		121,456	
Cash flows generated by financing activities	**58,162**		**92,656**	
Net increase (decrease) in cash and cash equivalents	**85,076**		**20,534**	
Closing cash and cash equivalents	**179,381**		**94,305**	

Free Operating Cash Flow increased as a result of the positive cash flow generated by the change in working capital and deriving from the progress made in certain contracts and the lower usage of other operating assets and liabilities.
Furthermore, the 2013 change in working capital includes the partial repayment of the advance related to a contract in Libya as described above.

Non-ifrs alternative performance indicators

Ansaldo STS's management also assesses the performance of the company and the business units using certain indicators that are not defined by the IFRS.
The components of each indicator are described below as required by CESR/05 - 178b Communication:

- **EBIT**: earnings before interest and taxes, before any adjustment.
- **Adjusted EBIT (Adj)**: is the EBIT as described above, net of the following items (where applicable):
  - any impairment of goodwill;
  - amortisation of the portion of purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.
- **Free Operating Cash Flow (FOCF)**: this indicator is the sum of cash flows from (used in) operating activities and cash flows from (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions or sales of equity investments which are deemed "strategic" due to their nature or importance. The reclassified statement of cash flows set out in the paragraph entitled "Net financial position" shows how FOCF is arrived at for the current and previous years
- **Funds From Operations (FFO)**: this indicator is the cash flows from (used in) operating activities, net of changes in working capital. The reclassified statement of cash flows set out in the paragraph entitled "Financial position" shows how FFO is arrived at for the current and previous years.

- **Economic Value Added (EVA)**: is the difference between EBIT, net of income taxes and the cost of the average invested capital of the current and previous years measured on the basis of the weighted average cost of capital (WACC).
- **Working capital**: comprises trade receivables and payables, work in progress and progress payments and advances from customers.
- **Net working capital**: is working capital less provisions for current risks and other current assets and liabilities.
- **Net invested capital**: is the sum of non-current assets, non-current liabilities and net working capital.
- **Net cash flows**: are represented by the change in the statement of cash flows for the current and previous years.
- **Net financial position or debt**: is the calculation method which complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation (EC) no. 809/2004.
- **New orders**: are the sum of the contracts agreed with customers during the year that meet the contractual requirements to be recorded in the orders book.
- **Order backlog**: is the difference between new orders and revenue for the year (less the change in contract work in progress). This difference is added to the backlog for the previous year.
- **Headcount**: is the number of employees recorded in the relevant register on the reporting date.
- **Return on Sales (ROS)**: is the ratio of EBIT to revenue.
- **Research and development expense**: total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to "general technology", i.e., aimed at gaining scientific knowledge and/or techniques applicable to various new products and/or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms. These types of costs are generally not capitalised given the fast-changing nature of the production sector in which Ansaldo STS operates.

Sales performance

New orders acquired in 2014 totalled €1,314.6 million (€997.2 million in 2013).

The results by geographical segment are presented below:

ITALY

New orders acquired during 2014 totalled €436 million. These include the project for line 4 of the Milan metro for an additional amount to that already in portfolio of approximately €216 million. Specifically, at the end of December, Ansaldo STS, part of the Company trust, signed the agreement and funding contract with the customer. Line 4 of the Milan metro will be the first driverless metro in Italy to use the innovative CBTC (Communication Based Train Control) technology. It will link up Milan airport to San Cristoforo railway station, crossing the centre of Milan from east to west, covering 14.5 km and 15 stations. The construction is scheduled to take seven years.

Orders related to conventional and high-speed lines include the full service maintenance contract of on-board equipment for the ERT 500 high-speed trains (roughly €10 million) and the order variation for the Turin-Padua line (€22 million). The ACC segment includes the contracts for Villa Literno (roughly €15 million), Turin shunting (€13 million), changes to the Aversa-Gricignano ACC (roughly €10 million) and the equipment for the ACC of Categorico railway station (€17 million).

REST OF EUROPE

Contracts worth €242 million were acquired in Europe; specifically, in Denmark (€227 million), an important contract was assigned to the ASAL consortium, composed of Ansaldo STS and Stadler Pankow, for a total of €292 million for the building of a new urban and suburban Light Rail Transit (LRT) system in Aarhus, Denmark. The company's quota is roughly €129 million.
The contract relates to the construction of a new LRT line (approximately 14 km with 24 stops, depot and control centre) and two interconnections with the existing regional railway lines linking Odder to Aarhus (going south, with 16 stations) and Aarhus to Grenaa (going north-east, with 19 stations).
There were important variations related to the Cityring project, including the extension of the Copenhagen to Nordhavn section and other variations in the O&M contract for a total amount of approximately €99 million.

NORTH AFRICA AND THE MIDDLE EAST

Orders amount to approximately €10 million, specifically €8 million for the Riyadh O&M contract. This area includes the commercial activities in Qatar in relation to the Doha metro.

AMERICAS

The company's most important commercial success of the year was the turnkey contract worth USD 710 million (approximately €513 million) to build a driverless metro in Lima, Peru.
ProInversion, the state-owned company that operates on behalf of the Ministry of Transportation and Telecommunications, signed a 35-year concession agreement with the Nuevo Métro de Lima consortium for the construction, operation and maintenance of line 2 and a branch of line 4 of the Lima metro.
The Lima metro L2 and L4 project involves 35 stations, 35 km of tunnels, 2 depots and 42 vehicles.
The Nuevo Métro de Lima consortium comprises Iridium Concesiones de Infrastructura SA, Vialia Sociedad Gestora de Concesiones de Infrastrutructura SL, Salini-Impregilo S.p.A., Cosapi S.A., Ansaldo STS S.p.A. and AnsaldoBreda S.p.A..
As part of this project, Ansaldo STS will be in charge of the design, procurement and installation, testing and roll out and system integration for the whole electromechanical package (signalling, power supply, telecommunications, platform screen doors, depot equipment, CTCs, automated fare collection and SCADA systems).

ASIA PACIFIC

New orders for the reporting period come to €114 million, of which approximately €78 million relates to the Navi Mumbai metro in India. The contract relates to Line 1, Phase 1, which consists of 11.1 km of viaduct, with 11 stations, a depot and a fleet of 8 trains.

Approximately €19.4 million were acquired in Australia for engineering and mining and freight transport railway lines and orders amount to approximately €50 million in China.

Order backlog

The company's order backlog at 31 December 2014 totalled €5,160 thousand, compared to €4,544 thousand at the previous year end. Specifically: the Copenhagen metro (approximately 16.7%); the Honolulu metro (roughly 16.0%); the Lima metro (9.9%); the Riyadh metro (9.3%); the concessions to build the Naples and Genoa metros (around 5.9%); the Brescia and Milan automated metros (approximately 5.8%); the Taipei metro (3.0%); the Thessaloniki metro (2.7%); Line C of the Rome metro (2.6%); the construction of the Aarhus tram (2.1%); the ACS-related projects both in Italy and abroad (around 11.8%); high-speed railways (approximately 1.7%) and components and services (around 0.8%).
These orders, specifically in the ACS line area, include €468.5 million related to projects in Libya currently interrupted due to ongoing conflict in the country.

Production performance

Revenue totalled €691.9 million (2013: €634.5 million).
The main events by geographical segment are presented below:

ITALY

HIGH-SPEED RAILWAYS:

Production activities on high-speed railway projects mainly involved the Treviglio-Brescia section as part of the Saturno consortium. 2014 activities related to the executive design and materials procurement. Installation activities are expected to begin before the end of 2015.

RAILWAYS - CENTRAL AUTOMATED SYSTEM:

In the ACC business segment, 2014 production mainly related to the project for the technological upgrade of the Turin-Padua line, specifically the detailed executive design and materials procurement. In particular, an important milestone was reached with the first stage of the North West Milan junction comprising eight plants controlled by the SCC multistation system successfully beginning in November.
Meanwhile, works continue on the ACC systems for Palermo Centrale, Brescia Centrale and Genoa stations.

ON-BOARD SYSTEMS:

In the on-board SCMT/ERTM systems segment, 2014 production mainly related to development of ERTM systems for new ETR1000 high-speed trains for the Trenitalia fleet as part of the Zefiro project.

MAINTENANCE & SERVICE AND SPARE PARTS:

Activities in the component area mainly involved the supply of spare parts to RFI (High-speed railway buoys), the production of circuit boards for AnsaldoBreda and intragroup component supplies to Ansaldo STS France, China and USA.
The service activities mainly related to RFI, as well as technical system support provided under the services outsourcing contract with FS (the Italian railways).

NAPLES METRO LINE 6:

With reference to Line 6 of the Naples metro, work on the civil works at the Arco Mirelli station resumed, following the release from seizure of the station shaft by the public prosecutor. Structural and security works were carried out following the collapse of part of a building in March 2013 at the San Pasquale station.
At the same time, the Naples municipal authorities and the operator, Ansaldo STS S.p.A. agreed on the objective to begin electro-mechanical installations before mid-2015.
Works related to managing the archaeological finds at the Municipio station are scheduled to end by the first half of next year.
Reference should be made to the paragraph on “Litigation” for developments on the collapse of the building in Riviera di Chiaia.

ROME METRO LINE C:

With regard to Line C of the Rome metro, a vital milestone was achieved with the Pantano-Centocelle line becoming operative in November 2014.
Reference should be made to the paragraph “Litigation” for details on specific problems with the end customer.

MILAN METRO LINE 5:

In February 2014, the company operated the Isola and Garibaldi stations of the Milan metro line 5, which completed the Bignami-Garibaldi first section.
In the subsequent part of the year, work was carried out on extending the line from Garibaldi to San Siro and assembly was completed of the devices necessary to partially open the line for EXPO 2015 as per the plan agreed with the Milan municipality.

MILAN METRO LINE 4:

The project team carried out executive design activities during the year and commenced the supply cycle for materials/equipment with the issue of the major purchase orders related to the first stage of the project, acquired in 2013, and the related section between the Linate and Forlanini FS stations.

GENOA METRO:

There were some delays on the civil works for the Dinegro depot in 2014, while partial testing continues on the new vehicles produced by Ansaldo Breda. Under the new plan agreed with the customer, the works are scheduled to be completed by the end of 2015.

REST OF EUROPE

TURKEY:

In Turkey, the company formalised an agreement with its customer TCDD for the Mersin-Toprakkale project, which enabled it to resume the works to install and roll out the multi-station equipment.
In relation to the Ankara metro, the M2 and M3 lines were rolled out in DTP mode in the first half of 2014 and a preliminary version of the CBTC system was implemented on the M1 line in December.
With respect to the Gebze-Kosekoy project, the line became operational in August.

GREECE:

Activities to equip rolling stock with Level 1 ERTMS systems for the Greek railways continued in 2014; however, there were delays in the project caused by the unavailability of trains and engines. Therefore, the customer decided to postpone the contract end date to 2018.
In Greece, the project for the Thessaloniki metro is significantly behind schedule due to the need to complete works on archaeological finds, problems encountered in expropriation activities and changes in the project of civil works due to hydrogeological conditions.
Reference should be made to the paragraph “Litigation” for details on reserves, claims and disputes.

DENMARK:

In Denmark, work in 2014 continued on design activities for the Copenhagen Cityringen metro project and various milestones related to detailed design were reached according to schedule. In addition, new order variations were received for the construction of additional works and the extension of the line to Nordhavn.
Meanwhile, a new contract was acquired during the year for the construction of a tram line in the city of Aarhus and preliminary activities began.

NORTH AFRICA AND THE MIDDLE EAST

ARABIA:

Work began on the contract acquired at the end of 2013 related to the construction of Line 3 of the Riyadh metro. The preliminary design of the work was completed, while the activities began according to schedule for the supply of materials.

UNITED ARAB EMIRATES

In 2014, work was completed on the signalling systems for section 1 (Habshan-Ruwais) of the Abu Dhabi (Shah-Habshan-Ruwais line) project. The line was formally delivered to the customer in December 2014.
Meanwhile, section 2 is currently being completed and tested. This stage is slated to be completed in the first half of the year.

LIBYA:

It is presently difficult to say when production for the Libyan railway project will resume following interruptions caused by the civil war. The arbitration procedure for the dispute with the Russian customer Zarubezhstroytechnology continued before the Vienna International Arbitral Centre. In May 2014, the procedure to form the arbitration panel was completed with the appointment of the chairman, in addition to the arbitrators.
The hearing is scheduled for the second half of 2015. Reference should be made to the paragraph on “Litigation” for additional details.

AMERICA

USA:
Design activities for the contract related to the construction of the Honolulu metro in Hawaii made progress in 2014. Under the revised work plan, on-site construction is slated to begin in the first part of 2015 and the first part of the line will open within the end of 2017.

PERU:
In Peru, preliminary activities began on lines 2 and 4 of the Lima metro, a new contract acquired in the first half of 2014.

ASIA PACIFIC

TAIWAN:
In Taiwan, the company is continuing the design and production for all subsystems of the Taipei Metro Circular Line project. The current completion date for the project is forecast for 2018, which will presumably be postponed following delays in completing civil works.

CHINA:
In relation to the project for the Zhuhai cable-free tramway, works were carried out according to schedule, with completion forecast for 2015. Specifically, a successful on-site demonstration was organised on trial rails of approximately 1 km for the Air show held in November 2014.

INDIA:
The Calcutta metro project currently shows a delay of more than a year and a half due to the delay for civil works and the unavailability of project inputs.

Investments

Investments in property, plant and equipment and intangible assets and deferred expense recognised in 2014 approximated €9.1 million.
They may be analysed as follows:

• Buildings	€0.2 million
• Plant	€0.8 million
• Equipment	€0.8 million
• Other assets	€1.0 million
• Licences and software	€0.3 million
• Capitalised development expense	€4.3 million
• Assets under development	€1.7 million

The *Satellite and Rail Telecom* project launched in 2012 continued in 2014. This is a development plan to include satellite technologies in the new railway signalling systems. Costs of €4.3 million were incurred in 2014 and capitalised as development expense, net of grants of €1.5 million. The project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

Key risks and uncertainties

The risks described below stem from a consideration of the features of Ansaldo STS S.p.A.'s market and business, together with the key findings of the updated risk assessment process. Risk assessment aims at identifying and evaluating the main risks that could have an impact on achieving objectives, for those processes identified as relevant, and the related mitigating actions, as well as defining additional actions to be taken to further reduce the risk or improve process performance.

Ansaldo STS's risk assessment process is based on the Committee of Sponsoring Organisations of the Treadway Commission's internationally-recognised Enterprise Risk Management framework (COSO report) and seeks to integrate risk assessment into the processes of planning, pursuing corporate and internal control targets in order to create value while properly managing risks and mitigation plans, in addition to exploiting any opportunities.

The key risks and uncertainties faced by the company are outlined below following the classification it adopted (strategic, operational, financial and IT risks). Risks may exist that have not yet been identified or that are deemed immaterial but which could nonetheless impact company operations.

Reference should be made to the notes to the financial statements for information on the management of financial risks (market, liquidity and credit).

Strategic risks

A) Changes in the macroeconomic and market context and streamlining programmes

Ansaldo STS operates internationally and is exposed to risks arising from macroeconomic/geopolitical changes and a reference market presenting the greatest opportunities in emerging nations and those with the highest growth rates. Projects also tend to grow in size and scope and there is an increasingly consolidated trend towards the standardisation of products and technological solutions, especially in the signalling business unit. Although overall market volumes are growing satisfactorily, competition is more intense, pushing down prices. This market situation could negatively impact Ansaldo STS's competitive edge and performance, e.g., contracting margins on new orders and exposure to less advantageous contractual terms.

An additional negative effect on the competitive position of Ansaldo STS could derive from the market's consolidation trend and the lack of a stable partnership in vehicle markets.

Macroeconomic and geopolitical factors that could impact the company's operations include the growth rate in the reference countries and public spending on infrastructure. The current macroeconomic and financial uncertainty and plans to reduce public debt (both underway or announced) in various countries could generate delays or reductions in new orders, delays in payments and less favourable terms on new contracts, having a negative impact on Ansaldo STS's performance.

Given the many variables and uncertainties in the macroeconomic and market context, the company's strategy may not be immediately updated and adjusted, with a negative impact on Ansaldo STS's competitiveness and performance.

A key element of Ansaldo STS's strategy is to optimise its operating structure by standardising the solutions and products offered and greater resource use efficiency/optimisation in project implementation. Streamlining projects commenced some time ago - with the latest "Value to Actions - V2A" 2014 project detailed further on - to reduce both external and internal costs via operating process optimisation. The anticipated benefits have already been seen, especially in administrative and sales overheads. Other efficiency initiatives are about to be launched, aimed at increasing benefits on contract profitability.

Progress is subject to ongoing and structured monitoring, including through a dedicated department, given the risk that plans to streamline the company's operating structure may not be implemented as planned or that their results are weaker than expected or take longer than expected, thus negatively affecting the company's profits.

B) Innovation: a competitive factor
The company's business units feature a high level of technological innovation and this represents an important competitive factor.

Ansaldo STS's ability to anticipate technological changes and implement an efficient investment policy is therefore paramount. If it fails to accurately assess innovation requirements, the contents of innovation and development projects, their benefits and related priorities, the company runs the risk of delays in the availability of new products and technical solutions, instability of new products, additional development costs on projects and lost sales.

Processes to update the product portfolio and the regular assessment of products' technical competitiveness are in place to mitigate these risks. Furthermore, initiatives were undertaken to focus investment priorities on certain product lines.

The features and degree of technological innovation of the company's products and technical solutions generate a risk of obsolescence. There are specific processes in place to ensure its effective management.

Operational risks

C) Country risk for new markets
The company's policy of penetrating new markets, particularly those with the highest rates of development, exposes it to risks such as: political, social and economic instability, not accurately evaluating local legislation (as applies to companies, tax and signalling system validation), the challenge of protecting intellectual property, exchange rate fluctuations, as well as the creditworthiness of counterparties, which can negatively impact the company's financial position and results of operations. Country risk is assessed when the company decides which offers and bids to make. How to mitigate the risk and the formalisation of any mitigating actions are also contemplated at the time the proposals are prepared.

Reference should be made to the paragraph of this report covering the halt of the contracts in Libya due to the riots in that country and the delays and extra costs accumulated on the Turkish and Greek contracts.

D) Reliance on public customers and long-term contracts
Company operations are highly dependent on public customers and, particularly in the transportation solutions business unit, on long-term contracts of a significant amount.

Delays, amendments, revisions or cancellations of one or more significant contracts acquired could negatively impact the company's operations and its financial position and results of operations.

Assessing long-term contracts using the percentage of completion method requires the estimates of costs to complete the activities, project risks (technical, legal, tax and commercial) and contract progress. These estimates are based on assumptions related to the impact of future events which, by their very nature and given the complexity of the projects underway, may not occur as envisaged, thus negatively impacting the project's financial and economic performance. Indeed, there is often an element of uncertainty related to third-party performance of civil works for transportation infrastructure and the company cannot always cover the related impacts on programs with contractual clauses.

The following factors mitigate such risks:
- market diversification and monitoring of country and compliance risk;
- structured project review processes involving senior management;
- the regular review and adjustment of contract and programme estimates;
- the adoption of risk management processes both at the time the offer is made and throughout project implementation, as well as lifecycle management processes involving the regular comparison of physical and accounting progress and project review processes.

E) Budgeting and risk management project planning
Ineffective project planning and control processes could mean the project team cannot implement the project within the set budget and timeframes, especially complex projects. Likewise, risk management may not be effective if based on incomplete or inaccurate information, or if it is not adequately defined and monitored. These risks could cause delays in identifying issues during project roll-out and inaccurate reporting and planning, with a consequent negative impact on the company's financial position and results of operations.

To mitigate this risk, there are formalised and monitored processes to check physical and accounting progress and risk management, clear allocation of responsibilities within the project team, managerial review of project performance, review of the estimates at the time the bid is made and an independent review carried out by the risk management department. Specific initiatives have been launched to improve the company's planning and control processes.

F) Third parties (subcontractors, sub-suppliers and partners)
Ansaldo STS makes considerable use of subcontractors to supply subsystems or assembly and installation services and of subsuppliers for goods or services in its business. The company's ability to fulfil its obligations to customers therefore relies on both subcontractors and subsuppliers properly fulfilling their contractual obligations. A breach thereby could in turn cause a breach by Ansaldo STS, negatively impacting its reputation and, unless it is possible to obtain compensation from the subcontractors and subsuppliers, the company's financial position and results of operations.

Moreover, particularly in the transportation solutions business unit, the company also carries out contracts in conjunction with other operators. In these cases, each operator generally has joint and several responsibility vis-a-vis the customer for the completion of the entire contract. In the event of a breach or damage caused to the customer by an operator, Ansaldo STS could be called on to replace the operator causing the breach or damage, and to compensate the damage caused to the customer in full, without prejudice to the company's right of recourse vis-a-vis the defaulting operator. If the right of recourse against the operator responsible for the breach or damage is ineffective or protracted, this could negatively impact the company's operations as well as its financial position and results of operations.

The preliminary assessment and consequent selection of partners, subcontractors and subsuppliers, particularly in new markets, may be inadequate, with negative impacts on the competitive nature of the technical solutions offered, project performance and on the effectiveness of partnership governance (for instance, differences of opinion between the partners, misalignment of risks and costs/benefits for the individual partners).

To mitigate these risks, the company has processes in place to select and evaluate subcontractors and subsuppliers, it works with known and reliable partners, it defines, agrees and manages appropriate contractual and JV clauses, it has risk management processes and it requests adequate guarantees, where applicable. There are initiatives in place to improve the processes to find potential subcontractors and subsuppliers in new markets.

G) Efficient technical operations and relevant technical references
Development and engineering activities carried out without a clear understanding and identification of the specific requirements, or with ineffective processes for the allocation of project resources, could negatively affect the project budget, compliance with deadlines, performance and customer satisfaction.

To mitigate this risk, the company has requirement and configuration management processes in place, which are being further improved to ensure quality, compliance with deadlines and efficiency in projects and development management.

Furthermore, if Ansaldo STS does not have adequate market and operating references for products, this could lead to lost sales and non-compliant project implementation, negatively impacting the company's competitiveness and its financial position and results of operations. Such risk is carefully assessed at the time the bid is considered and managed through recovery plans monitored by senior management during project roll-out.

H) Liability to customers or third parties for product defects or delivery delays
Technological complexity and tight delivery times for company products and systems could leave the company liable for delays in or failure to supply contractually-agreed products or services, for their non-compliance with customer requirements (for instance, due to design or construction faults) and for breaches of and/or delays in roll-out, the provision of post-sales services and product maintenance and servicing. Moreover, many products and systems supplied by the company are subject to certifications and approval, including by third-party bodies.

Such liability could be directly attributable to Ansaldo STS or to third-party operators such as subsuppliers or subcontractors. These risks could negatively impact the company's operations, its financial position and results of operations and its reputation, and could also result in the company incurring costs to repair faulty products or their withdrawal from the market in extreme cases. Even if adequate insurance is in place, the sum insured could be exceeded or the premiums could be raised following a claim, negatively impacting the company's financial position and results of operations.
To mitigate these risks, the company agrees specific insurance coverage, carefully supervises its engineering, validation and returns monitoring processes and identifies mitigating actions and provides for contingencies in the bid quote in conjunction with the *Risk Management* process.

I) Legal disputes
The complexity of dealings with third parties (customers, subcontractors/subsuppliers and partners), the content of systems and products developed, as well as specific business risks expose the company to a significant risk of legal disputes. Legal disputes could also relate to the awarding of bids. The settlement of disputes could be complex and take a long time, leading to delays in completing projects and negative impacts on the company's operations and its financial position and results of operations.

To mitigate this risk, there are risk management processes in place during both the bid and management stages, contractual clauses are examined carefully in conjunction with the legal department, and a prudent approach is adopted in recognising specific items under contract costs and provisions for risks.

L) Human resource management
The company supplies products and systems featuring cutting-edge technology on a global scale and to do so, it requires human resources with specific expertise, which can be difficult to procure on the labour market. The success of the business development plans, especially in new markets, also depends on the company's ability to attract, retain and develop the skills of its human resources, particularly in order to operate in a global market context.

To mitigate this risk, human resource management policies reflect the business needs. Ansaldo STS also has an integrated human resource management and development system under which regular checks of expertise and performance are carried out and relevant training initiatives identified, as well as enabling the best possible allocation of resources. Processes and initiatives are also in place to identify the most talented resources, with regard to both managerial and technical profiles, and plot career paths for them. Reference should be made to the section on human resources for a description of the latter.

Certain risk areas persist in relation to the effective management of project teams, which could compromise the achievement of some of the benefits expected from the organisation by bid and project team. Specific initiatives are underway to clarify and strengthen these roles within the project teams.

M) Health, safety and environmental compliance
The company has to comply with health, safety and environmental legislation in the various countries in which it operates.

Failure to comply with such legislation as a result of operating processes which are not adequately monitored or - especially in new markets in countries where standards are below-par or that are exposed to specific risks (e.g., high crime rates or epidemic risks) - due to an inadequate evaluation of such requirements and necessary measures, could expose the company to risks having significant impacts on its operations, its financial position and results of operations and its reputation.

To mitigate this risk, Ansaldo STS adopts health, safety and environmental management systems ensuring rigorous compliance with legislation in accordance with best practices and subject to internal and external monitoring. These management systems are certified (to OHSAS 18001 standard for workplace safety and ISO14001 for the environment) in most of the group's key companies.

Requirements in new markets are evaluated at the time the bid is prepared and the assistance of external consultants is also sought. Policies and procedures have also been set to ensure a consistent approach throughout the group's various companies while still allowing for specific local legislation.

Financial risks

N) Ability to finance a high level of current assets and obtain guarantees

To carry out contracts Ansaldo STS requires:

- adequate financing of current assets;
- bank and/or insurance guarantees issued to the customer in the various project stages (bid bond, advance payment bond, performance bond, retention money bond and warranty bond) and/or guarantees issued by the parent (parent company guarantees).

Current assets are usually funded by customer advances and progress payments.

The company's ability to obtain guarantees at good rates depends on the evaluation of the company's financial position and results of operations, which is usually based on various indices including the company's and group's own analysis of their financial position, analysis of the contract risk and experience and competitive positioning in the reference sector. Ansaldo STS believes it complies with the relevant parameters. At 31 December 2014, Ansaldo STS had guarantees of €4,031,417 thousand (€3,205,073 thousand at 31 December 2013).

Difficulty in negotiating suitable financial terms for new contracts, payment delays and/or suspension and deterioration of existing terms of payments, or the inability or greater difficulty in obtaining guarantees at good rates, would negatively impact the company's operations and their financial position and results of operations.

To mitigate these risks, the company has commercial and contract management policies focussed on financial aspects, centralised treasury management which optimises the cash flows of the various group companies; the company's financial position is solid and the contract parameters are assessed right from the time of the bid stage.

In the current economic and market context, due to new contracts which have less favourable financial terms, working capital is monitored closely and specific initiatives are in place to mitigate its impact.

O) Project Financing and PPP (Public and Private Partnership) transactions

At times the market offers transport systems providers the definition and management of a financing scheme, through project financing transactions, including by involving private financers.

Such transactions have various risk profiles, such as the complexity of contractual schemes offers, inaccurate preparation and re-examination of bid documentations and inappropriate assessment of partners that could led to assuming improper risks. Even a non-performance in the construction stage, especially related to construction times, and the operation stage could lead to safeguard clauses being activated and fees not being paid or invested capital being lost. Such risks could have a negative effect on the company's financial position and results of operations.

In order to mitigate such risk, bidding process which involves all relevant company functions for an accurate assessment of the transaction, including through the use of third-party advisors and the above-mentioned risk assessment procedures during the bidding stage, including with respect to possible partners, should be noted.

IT risks

P) IT system management

IT systems are a vital part of Ansaldo STS's operating structure and their management must be in line with the company's strategic objectives. IT solutions that do not match business needs, or upgrades thereof that do not meet users' needs, or inefficient system or outsourcer management, could compromise the efficiency and effectiveness of company operations.

Moreover, the unavailability or interruption of IT services or data loss or damage (including sensitive data or intellectual property), also as a result of hacking, could compromise company operations.

To mitigate this risk, the IT policies were set in consideration of the organisational and process change initiatives. Moreover, the company has a governance system based on best practices and follows structured and monitored processes for hardware and software management.

Research and development

Research and development expense taken directly to profit and loss for the year ended 31 December 2014 totalled €21.5 million (€20.3 million in the previous year), against grants approximating €4.2 million (€2.8 million in the previous year).

The following financed projects are underway:

- with respect to rail transportation energy efficiency projects: the SFERE project funded by the Ministry for Research studies the benefits of using ground-based supercapacitators in tram systems; the OSIRIS project funded by the European Commission studies solutions using low-enthalpy resources to reduce the consumption of auxiliary metro systems and the MERLIN project designs power supply architecture and software to optimise main line energy flows. The Tesys Rail project was launched in 2014 to define strategies to optimise railway traffic;
- SICURFER - development and piloting of technologies to monitor railway infrastructures in order to raise safety and security levels. Activities commenced in 2012 and are expected to be completed in 2015;
- DIGITAL PATTERN DEVELOPMENT - a project coordinated by FIAT for the development of simulation systems used in the design and production of road and rail transport systems and components. Activities commenced in 2012 and are expected to be completed in 2015;
- VERO (Virtual Engineering for Railways and automotive) - supporting the construction of simulators to determine the optimal size of signalling systems. The project started in late 2013 and is expected to be completed in 2015.

May 2014 saw the launch of the projects related to the Campania district, DATTILO (High technology district for transport and logistics), and the Campania laboratory, TOP IN (Optoelectronic technologies for industry), financed by the Ministry for University and Research. Specifically, four projects were rolled out:

- in relation to monitoring railway infrastructure, the MODISTA project (innovative solutions for the monitoring and preventative diagnosis of infrastructure and vehicle fleets in order increase the levels of availability, efficiency and safety in railway systems) and the OPTOFER project (innovative optoelectronic technologies for the monitoring and diagnosis of railway infrastructure). The former was presented under DATTILO and the latter in TOP IN;
- FERSAT (definition and study of a railway signalling system based on the innovative utilisation of satellite technologies suitable for urban environments and their integration with land-based technologies); the project was presented under DATTILO;
- NEMBO (study and experimentation of innovative embedded systems characterised by high efficiency for railway applications); the project was presented under DATTILO.

As part of the activities of the Ligurian District on Research in collaboration with the Ministry for University and Research (MUR), the Plug-in project was approved and is eligible for financing. The project provides for the design and development of an urban mobility platform to manage multi-source information, in order to determine current traffic, defining possible strategic actions.

EU-funded projects include those related to infrastructure monitoring (RESTRAIL, completed in September, and MAXBE, underway), safety (CESAR, underway, and EXCROSS, completed in April) and security (PROTECTRAIL, completed in June, and SECUR-ED, completed in September).

Activities continue on the NGTC project, aimed at developing future rail and urban traffic control systems. Ansaldo STS participates in all project work packages and, specifically, is a leader in those related to satellite positioning.
Activities related to the MBAT project funded by the Artemis JV (a public-private body that grants European Commission funding for the innovation of embedded systems) and the Ministry for Research continued. Its scope is to study and test the tools to develop embedded systems with a view to greater rail system safety and availability.

Furthermore, the main stakeholders of the European railway sector, including Ansaldo STS S.p.A., requested that the European Union (EU) fund a long-term research programme (2014-2020) called “Shift2Rail” (S2R) as part of the broader investment programme Horizon 2020.
The planned activities aim to develop and validate technologies in the “Smart, Green, Integrated Transport” sector. In this regard, the company proposes to develop technologies and products in relation to signalling and automation (IP2).
In 2014, activities continued for the 3InSat project, including the development of a system for satellite localisation and its integration with the ERTMS railway signalling system. Specifically, there were two important campaigns of collection and analysis of experimental data through the Pontremolese trial site (using devices on two locomotives and three independent and non-cooperating ground reference stations) and the Sardinian trial site (using devices on an ALn668 engine with the satellite receiver on the ASTS platform with HW SIL 4 and the ASTS augmentation network). In December, there was a successful demonstration of the preliminary function of the on-board satellite receiver integrated with the ground augmentation network.
Development activities also took place on the following projects which do not receive external funding:

- Standard RBC/ERTMS/Freight;
- SIGNAL ENCODER;
- ON BOARD;
- CBTC;
- INTERLOCKING (ACC/SLC).

Research and development expense net of grants amount to €17.2 million (€17.5 million in 2013).

Human resources

Headcount

The headcount at 31 December 2014 numbered 1,486 (including 88 at foreign branches), compared to 1,541 at 31 December 2013. There were 62 managers, 296 junior managers, 1,076 white collars and 52 blue collars. The 55 employee decrease on 31 December 2013 was a result of 48 new hires and 103 employees leaving the company.

Of the new employees, 43 have a university degree and 5 have a high-school diploma. Specifically:
- 8 new employees were hired on open-ended contracts;
- 10 employees were transferred from other group companies;
- 1 employee was hired with a fixed-term contract;
- 29 employees were hired at branches, considering the new orders of the year.

Outgoing personnel was as follows:
- 17 agreed terminations;
- 10 resignations;
- 58 employees as a result of redundancy schemes;
- 2 employees were transferred to other group/Finmeccanica companies;
- 5 employees for other reasons (dismissal, death, end of contract);
- 11 employees of other branches which were closed.

Training

1,942 employees took part in training courses in 2014, for a total of 16,500 hours, equal to an average per capita of approximately 10 hours.
The key initiatives were as follows:

Technical-specialist training
- Work Package leader;
- Welding technologies;
- Specialist courses in railway techniques.

Managerial training
- C- Lab;
- Seminars on talent and key resources;
- Future Leader Program;
- 50-50 programme.

Compliance training
- Safety training courses (the "365 SafetyDays 365 SafetYes" campaigns) for building site personnel;
- Firefighting courses (medium-high risk);
- Specific risks course as per article 37.

Language training
- English project offering traditional classroom (individual) or blended (a mix between classroom, online and via telephone) learning.
- Specific training for employees working in certain areas (for example, Spanish for resources in Peru).

Industrial relations

On 21 January 2014, the company signed an agreement with the trade unions for the utilisation of an ordinary redundancy tool as per Law no. 223/91, opening a window of time up to 31 December 2014, for a maximum of 85 employees from the Genoa, Naples, Piossasco (Turin) and Tito (Potenza) offices.
Under agreement signed with the trade unions, workers who are formalised to leave during such period benefit from redundancy payment paid by the Italian social security institution (INPS) for a maximum of three years in northern Italy and four years in southern Italy.
The employees signed up to the scheme on a voluntary basis and were foremost identified among those who be entitled to pensions as per current legislation during the redundancy payment period.
At 31 December 2014, 58 employees were made redundant under the scheme.

The company met with trade union representatives in June 2014 to provide greater disclosure on the company's position. During the meeting, the current situation, company performance, human resources and personnel expense, personnel development and engagement policies, an update on the redundancy procedure, the outlook considering market trends and the streamlining projects underway were presented.
The calculation of the 2013 Performance bonus was also explained during the meeting.
A meeting with trade union representatives was held subsequently to set the efficiency and profitability targets for the 2014 Performance bonus.

Again in 2014, the company participated in the project to reform higher technical institutes agreed by Finmeccanica and the Minister for Education with a memorandum of understanding signed in November 2009. As in previous years, Finmeccanica group companies will take part in the project by helping set up foundations in their local area, offering two-year, post-secondary school courses to students at technical institutes providing more challenging and in-depth training sought by companies dealing with leading-edge technology. A course, that was announced in 2013, commenced in 2014, involving 19 school leavers, some of whom attended training sessions and an internship at the Naples branch. This activity will continue in the first few months of 2015.

Incentive plans
Ansaldo STS has developed and regulated:
- a medium-term stock grant plan;
- a long-term cash incentive plan (LTIP).

These plans form part of a series of short-, medium- and long-term incentive plans, and represent a considerable portion of company management's total remuneration.
They are also designed to link a significant portion of managers' remuneration to the achievement and improvement of financial ratios, as well as strategic objectives that are especially important for the company's creation of value.

Stock grant plans
In March 2012, the Remuneration committee approved a two-year stock grant plan which was subsequently passed by the shareholders on 7 May 2012. The plan, which applies to a maximum of 56 employees plus the CEO and key managers, has the same vesting conditions as the 2011 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).
The 2012-2013 stock grant plan differs from previous plans as it complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011.
The main changes represent the introduction of.
- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

The company therefore checked that the objectives underlying the granting of the portion related to 2013 were achieved.
Of the three objectives assigned of EVA, FOCF and share performance compared to the FTSE Italia All Share related to 2013, only the target related to the share performance was reached and, therefore, the related cost was recognised in 2013.
Accordingly, in compliance with the plan regulation, 25% of the shares initially earmarked will be assigned to the

beneficiaries, plus a proportional increase to reflect the third, fourth and fifth instalments of the bonus issue as per the shareholders' resolution of 23 April 2010.
The total shares due numbered 151,062. As a result of the three-year vesting period, the shares will actually be delivered during 2016.

On 17 February 2014, the Remuneration committee approved a three-year stock grant plan which was subsequently passed by the shareholders on 15 April 2014. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).
At the end of 2014, the company checked the progress of objectives with related quota assigned. As all the objectives linked to EVA, FOCF and share performance compared to the FTSE Italia All Share related to 2014 were reached, the related costs were accrued.
The results achieved will be formally calculated in 2015 and, as a result of the three-year vesting period, the shares will actually be delivered during 2017.

LTIPS
There was no outlay in 2014 in relation to the 2011-2013, 2012-2014 and 2013-2015 LTIPs for the CEO and the eligible key managers, as the related vesting conditions for 2013 were not achieved.

Investments held by directors

Following the amendments made by CONSOB (the Italian commission for listed companies and the stock exchange) with resolution no. 18049 of 23 December 2011 to the Regulation adopted with resolution no. 11971 of 14 May 1999 (the "Issuer Regulation"), information on investments held in the issuer or companies controlled thereby by members of management bodies, general managers and key managers, as well as their spouses, unless legally separated, and minor children, directly or via subsidiaries, trustees or nominees referred to in the repealed article 79 of such regulation is now presented in compliance with the provisions of article 84-quater.4 of the regulation, in the remuneration report prepared pursuant to article 123-ter of Legislative decree no. 58/98 and in compliance with schedule 7-bis of annex 3 to the Issuer Regulation. The remuneration report is made available to the public as provided for by law and regulations.

Company facilities

The company's facilities are located as follows:

GENOA	VIA MANTOVANI 3-5 - 16151	Registered offices
NAPLES	VIA ARGINE 425 - 80147	Branch

The company has permanent foreign establishments in Bucarest (Romania), Athens and Thessaloniki (Greece), Tunis (Tunisia), Copenhagen (Denmark), Taipei (Taiwan), Ankara (Turkey), Riyadh (Saudi Arabia), Tripoli (Libya), Calcutta and Mumbay (India), Abu Dhabi (United Arab Emirates) and Lima (Peru).
The company also forms part of a joint venture with AnsaldoBreda S.p.A. in Honolulu (Hawaii).

Financial disclosure

Financial market transactions

The Investor relations department liaises constantly with analysts and investors in order to grasp market disclosure requirements and accurately target communications from senior management.
The aim is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information for the market in a timely and transparent manner and ensuring that the company, in terms of its business model, strategies and targets, is accurately evaluated by the financial market.

Total actual coverage remained at 13 investment banks in 2014.
On a quarterly basis before the financial results are issued, the Investor Relations department requests brokers assigned to the company's share are asked for their latest forecasts on the company's key results indicators. The company then calculates the averages and sends this consensus request back to the individual brokers, who can compare it with their own forecasts.
This is an accurate update of sell-side analysts' perception, which is discussed and considered by management.
With regard to communication activities, the annual plan is used to plan and develop Investor Relations activities.
The aim is to spread and communicate the company's market analyses, policies and strategies.
Ansaldo STS took part in some various important conferences and roadshows in Europe's finance capitals, including London, Paris, Milan and Zurich, in 2014.

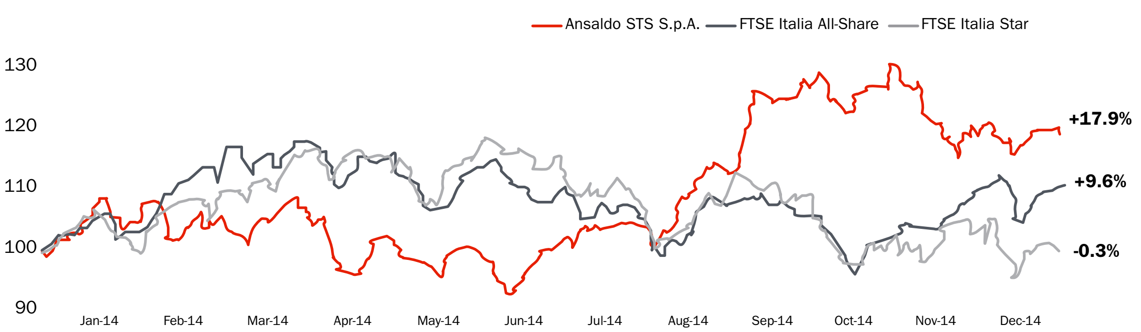
Though its resources and the quality of its intrinsic activities remained the same, in 2014, the Investor Relations department took on the monitoring and analysis of the market and the competition, in order to support management.
In addition to the usual daily focus on and weekly collection of market "rumours", the department periodically distributes in-depth analyses and updates on the performance of competitors, markets and main business sector analyses.
Starting from 2014, it also drafts the monthly Market Report, setting out analyses on the performance of the markets, peers and significant macro-economic events of the period.
The website remains the tool used to gather financial information and disclose it to stakeholders. The IR section did not change much in 2014.

Share performance

The official share price in the **31 December 2013 to 31 December 2014** period rose from €7.85 (€7.07 updated following the fifth and last instalment of the bonus issue on 14 July 2014) to €8.33. This 17.9% increase is mainly due to speculation following the strategic review of the transport sector currently being carried out by the majority shareholder, Finmeccanica.
The share's period high and overall company record of €9.16 was recorded on 31 October 2014 and its low of €6.53 on 17 June 2014.
An average 1,038,047 shares were traded daily in the period, compared to 1,122,868 shares traded in the corresponding period of the previous year. The decrease is also due to Ansaldo STS's exclusion from the FTSE MIB index as of 21 March 2014, as detailed below.
The FTSE Italia All-Share index gained 0.3%, while the FTSE Italia STAR index rose 9.6%.

Following the review of the FTSE MIB index (which consists of the 40 most-capitalised shares on the exchange) on 5 March 2014, the FTSE Italia Index Policy Committee announced that Ansaldo STS had been excluded from the index. The review considered the prices and volumes traded up to the Monday of 4 weeks before the review. The exclusion became effective after the close of business on Friday 21 March 2014 (and, hence, from Monday 24 March 2014). Accordingly, the Ansaldo STS share is now included in the FTSE Italia Mid Cap index.

Share performance compared to the main indices (base 100)



Key shareholders at 31 December 2014

Based on the shareholders' register and considering the communications sent to CONSOB and received by the company pursuant to article 120 of Legislative decree no. 58 of 24 February 1998, and other available information, the table below gives a list of the investors which hold more than 2% of Ansaldo STS S.p.A.'s share capital at 31 December 2014:

Shareholder	No. of shares	% held
FINMECCANICA SPA	80,131,081	40.066
NORGES BANK	4,095,846	2.05

Dividend per share

(in euro)	2014	2013
Dividend per share	0.15*	0.144**

* Proposed to the shareholders.
** Recalculated following the bonus issue of 14 July 2014.

The company distributed dividends for the first time in 2007, one year after its stock market listing on 29 March 2006.
The amount proposed to the shareholders to be distributed as dividends on the 2014 profit totalled €30,000 thousand (compared to €28,800 thousand for 2013).

Litigation

In general, the following should be noted:

1. *Pomigliano-S.Vitaliano railway litigation: ASTS versus Ministry of Transport Gestione Governativa della Circumvesuviana, now Circumvesuviana S.r.l.*

In July 2013, the Naples Court of Appeals handed down a sentence ordering Circumvesuviana S.r.l. to pay damages of some €16 million, including interest and cost-of-living adjustments, to Ansaldo STS.
The term for appeal of such ruling to the Court of Cassation ended in October 2014 and, accordingly, the ruling became final, definitively settling the dispute.

2. *Litigation with Azienda Consorziale Trasporti Trieste*

Negotiations commenced at the end of 2013 to reach an agreement between the company, ATM (formerly ACT) and the Trieste municipality to settle both the civil and administrative proceeding of the dispute between the parties out of court.
On 28 November 2014, the parties signed an agreement whereby Ansaldo renounced on the legal actions pending before the Court of Appeals of Trieste and the Court of Cassation and ATM renounced on the outcome of the ruling of the Court of Appeals and consequently returned the all-inclusive amount of €3.6 million. Therefore, the proceeding pending before the Friuli regional administrative court was abandoned through a waiver as per article 84 of the Code of administrative procedure.

3. *Litigation: Tecnocostruzioni Costruzioni Generali S.p.A. versus Ansaldo STS S.p.A.*

Tecnocostruzioni S.p.A, as a member of the joint venture engaged by Ansaldo Trasporti S.p.A. (now Ansaldo STS S.p.A.) to carry out the civil works for Line 6 of the Naples metro (formerly "L.T.R."), initiated legal proceedings to confirm an alleged breach by the company of a commitment undertaken in 1998, vis-a-vis the joint venture, to terminate the agreement entered into with ANM and the Naples municipality due to the delayed payment of the final agreed instalment. The compensation claimed equals €17.4 million, plus interest and cost-of-living adjustments.
The Naples Court's ruling was published in October 2006, rejecting Tecnocostruzioni's claim and dividing court fees between the parties.
Tecnocostruzioni appealed this ruling before the Naples Court of Appeals with a claim form served to Ansaldo Trasporti Sistemi Ferroviari S.p.A. (now Ansaldo STS S.p.A.) in December 2007.

In October 2011, the Naples Court of Appeals disallowed Tecnocostruzioni's appeal, handing down its ruling at the end of December; Tecnocostruzioni appealed to the Court of Cassation in February 2012.
Ansaldo STS appeared before the court. The date for the hearing has not yet been set.

4. Litigation: Iricav Due consortium versus TAV - Treno Alta Velocità S.p.A.
In June/July 2014, a design solution was identified for crossing through Vicenza which should finally be accepted by all interested bodies.
Thanks to the financing for the Verona-Padua section set out in the 2013 "Salva Italy" and 2014 "Sblocca Italy" decrees, as well as the Stability law, RFI unblocked the definite design of the Verona–Vicenza functional section as part of building the entire section by construction lots. On 30 December 2014, an agreement was signed between Iricav-due and RFI regulating, including as a partial waiver to the Agreement, their mutual commitments up to the signing of the Rider for the first construction lot.
There is currently no litigation between the consortium and RFI.

5. Metro C Società Consortile per Azioni versus Roma Metropolitane S.r.l.
In October 2007, the contractor of the works, design and construction of the new line "C" of the Rome metro (Metro C consortium, 14% held by Ansaldo STS S.p.A.), served the customer (Roma Metropolitane S.r.l.), with a request for arbitration concerning the additional fees and time required following delays in validating the T4 and T5 section working project.
In the 2009 hearings, the parties agreed on a request to issue a partial award subsequently repeatedly deferred; pending the conclusion of the arbitration, a compromise committee was set up, which at the end of 2011, proposed an outline agreement whereby the work plan would be redesigned and the claims reformulated on a lump-sum, all-inclusive basis, in the amount of €230 million.
The arbitration panel issued a partial award in September 2012, ordering Roma Metropolitane to pay Metro C around €16 million for expenses incurred to 31 December 2008; at the end of 2012, Metro C served Roma Metropolitane a new arbitration claim concerning general contractor expenses also for the period after 31 December 2008. In December 2012, Roma Metropolitane lodged an appeal against this award before the Rome Court of Appeals.
In December 2012, CIPE (Interministerial economic planning committee) granted Roma Metropolitane the amounts necessary to financially cover the September 2011 settlement agreement between Roma Metropolitane and Metro C; this resolution took effect and came into operation with its publication on the Italian Official Journal in June 2013.
Instead of implementing the provisions of the settlement agreement, the newly- installed municipal council challenged the contents. A very difficult meeting followed and Metro C was forced to suspend/slow works given the enormous financial difficulties produced by the persistent failure to pay the €230 million. Following events which suddenly developed from the CIPE resolution, Metro C and Roma Metropolitane signed the "Implementing deed for the CIPE resolution of 11 December 2012 and resulting adjustment of the Contract of 12 October 2006" on 8 September 2013 which, *inter alia*:

a) recalculates the deadlines for the completion of functional stages following the variations made during the work;
b) rules that Metro C was due €230 million plus VAT for higher costs claimed, excluding any amounts related to additional claims as per point 4;
c) provides for payment of the amount mentioned in the previous point related to works already carried out (approximately €204 million plus VAT) and the amounts covered by the partial award at the date of the deed and recalculated, for the works carried out after 31 December 2008, with an agreed percentage reduction (roughly €65 million plus VAT), within 35 days of the date the deed was signed;
d) provides Metro C waives all the claims recognised at the deed date, including those resulting from the arbitration claim made and the additional claims as per point 4;
e) provides for Roma Metropolitane renounces on appealing the partial award.

To date, the payments set out in point c) have only been partially made.
Therefore, as the amounts certified and invoiced as per the Implementing deed were not paid, in January 2014, Metro C was forced to notify Roma Metropolitane of the order of the court that had been issued, following the related appeal, by the Rome Court on 24 January 2014, for the total amount of approximately €269 million plus VAT.
Roma Metropolitane opposed such order of the court, requesting authorisation to summon the financing bodies, which was granted by the appeal judge at the hearing held on 16 September 2014. Accordingly, a second hearing was fixed, where Metro C will reiterate its request for provisional payment of the amounts not yet paid by Roma Metropolitane to date, in addition to accrued interest.

6. ASTS versus Metro Campania Nord Est

In April 2011, Ansaldo STS obtained an order of the court against Metro Campania Nord Est (MCNE), as part of Alifana project, for unpaid invoices totalling €31 million. MCNE challenged the decree, regarding ASTS's receivable to be dependent on Campania region making financial resources available (which are unavailable).
In September 2011, the Judge rejected the request to suspend enforceability and ASTS collected €3.7 million in December.
Meanwhile, contacts with the Campania Region continued with a view to agreeing a mutually satisfying solution.
Moreover, in respect of ASTS's contract to supply MCNE with on-board technological systems, ASTS also obtained an order of the court for MCNE to pay €4.8 million, in relation to which MCNE's appeal is pending.

7. ASTS versus Naples municipality

In March 2011, ASTS lodged an appeal with the Genoa Court requesting an order of the court against the Naples municipality for the collection of certain receivables related to the contract to build Line 6 of the Naples metro.
The Genoa Court issued the requested order for an amount of €106 million, which was served to the Naples municipal authorities, which challenged it.
Following the Naples municipality's opposition to the order of the court, the Genoa Court held that it had no jurisdiction and the proceedings were then continued before the Naples Court, with the first hearing set for early 2012.
Part of the amounts referred to in the order of the court shall be paid to the companies that carried out the civil works that ASTS had back-to-back contracts with.
Following the Naples Court's rejection of the first order of the court, a technical appraisal by an expert appointed by the court was subsequently lodged in July 2012.
The court replied to the new order of the court formulated by Ansaldo STS, issuing an enforceable decision which, in October 2012, ordered the Naples municipality to pay the receivables, plus court fees.
The Naples municipality appealed the order in April 2013.
With an order issued in November, the board then suspended the order's enforceability, deferring the hearing for the admission of the facts to the beginning of 2015. Meanwhile, contacts with the Naples municipality continued to arrive at a mutually satisfactory solution.

8. Ansaldo STS – Collapse of a building in Via Riviera di Chiaia

The company is involved in one criminal proceeding following the accident of 4 March 2013 where a building located in Via Riviera di Chiaia 72, Naples, collapsed, allegedly due to the works underway to construct the Arco Mirelli station for Line 6 of the Naples metro. In this project the company is the operator appointed by the Naples municipality.
Once the preliminary investigations were completed, the experts' technical reports were filed with the public prosecutor.
Pending the definition of the preliminary hearing, the alleged crimes currently remain those assumed when recorded in the criminal records registry, i.e. articles 676 and 434 of the Penal code: "*Destruction of buildings or other constructions*" and "*Collapse of constructions or other malicious disasters*".
Based on the opinions of the company's legal consultants, it was recommended to request the public prosecutor's spontaneous questioning of the company's managers involved in the investigations in order to clarify the position of Ansaldo STS, also and above all with reference to carrying out checks on the progress of the works, the alleged cause of the events being challenged, which were carried out constantly and diligently.
With regard to civil legal proceedings related to the collapse of the building, to date, there are a total of nine pending disputes, including four for preventive technical assessment, three for damage as per article 1172 of the Italian Civil Code and two claims for damages.
In relation to Via Riviera di Chiaia 66 (alongside no. 72 which partially collapsed), an agreement was reached with the condominium for damage to the building that ASTS and the civil companies (joint venture contractor) have already fixed.
Accordingly, the condominium withdrew from the legal proceedings underway and renounced on civil actions within the related criminal proceeding.
Negotiations for Via Riviera di Chiaia 72 related to the partial collapse of the building and the demands of the counterparties are currently underway.

9. Ansaldo STS against the Russian customer Zarubezhstroytechnology (ZST)
In relation to the project for the construction of a similar technological system in Libya for the Sirth-Benghazi section, halted by Zarubezhstroytechnology (ZST) - a Russian-based construction company which is the customer of the ASTS-Selex JV - at the beginning of August 2013, ZST enforced the advance payment bond and notified its intention to terminate the contract.
Ansaldo STS appealed immediately as per article 700 of the Italian Code of Civil Procedure to stop the bank (Banca Crèdit Agricole) enforcing the guarantee (advance payment bond) issued for the advances paid on the contract price.
The performance of this contract had originally been halted by the customer in February 2011 following the well-known events of the "Arab spring".
The appeal as per article 700 of the Italian Code of Civil Procedure was lodged before the Milan Court in August 2013.
In August 2013, the Milan Civil Court upheld the claims of the applicants, Ansaldo STS and Selex ES, ordering Crédit Agricole not to enforce ZST's guarantee.
In October 2013, the judge reserved their judgement on whether the injunction on the bank paying the guarantee would be confirmed or not.
Later in October, the Milan Civil Court confirmed the decree of August, also ruling that Credit Agricole and ZST, with the latter intervening in the proceedings, should pay the legal fees.
In November, the Milan Court issued an order whereby Crédit Agricole shall not pay the guarantee requested by ZST up to €29.3 million, which is the same amount claimed by Ansaldo STS for design and supplying activities carried out for the contract until its halt.
Accordingly, the guarantor bank paid the above amount subsequently replacing the Russian creditor and thereby acting retrospectively vis-a-vis Ansaldo STS which, at the beginning of December, paid the bank €41.3 million.
Subsequently, in March 2014, ZST issued the statement of claim which formally launched the arbitration procedure at the Vienna International Arbitral Centre in order to obtain payment of the portion of the Advance payment bond not allowed by the Milan Court on a provisional basis.
In May 2014, the procedure to form the arbitration panel was completed with the appointment of the chairman, in addition to the arbitrators. In January 2015, the ASTS-Selex joint arrangement files its Statement of defence and counterclaim with the VIAC. The hearing is scheduled for the second half of 2015.

10. AISA JV - Attiko Metro arbitration
In January 2014, the joint arrangement AIASA (which Ansaldo STS holds 22% of) issued an arbitration request to the Greek company ATTIKO METRO S.A. and the Greek Ministry for Infrastructure and Transport.
The aim of the arbitration is to request payment of greater expense and/or curtailments on some progress reports and/or extra costs incurred by the joint arrangement in completing the contract for the design and construction of the Thessaloniki metro signed on 7 April 2006.
Given the considerable number of issues under arbitration, and for a more efficient settlement of the dispute, six different arbitration boards were set up, each resolving on a certain group of claims made by JV AIASA against ATTIKO METRO.
In December 2014, the arbitration board deciding on Dispute 66 ruled that the current work schedule discretionally set by the customer until 2016 is illegitimate. In light of such award, AIASA informed the customer Attiko Metro that the contract was terminated as its term had expired now that the discretional extension had expired. Pending the resolution of the other issues under arbitration procedures, JV AIASA and the customer Attiko Metro are attempting to find a negotiated solution that would enable work to resume.

11. ASTS /Alstom consortium - Société Nationale des Chemins de Fer Tunisiens arbitration
An arbitration board was set up in May 2014 to resolve the dispute between the Ansaldo STS – Alstom consortium and Société Nationale des Chemins de Fer Tunisiens (SNCFT), in relation to the claim for compensation of greater expense and higher costs incurred by the consortium due to the technical variations and additional works requested by the customer in the technological upgrading of the railway line from Tunis Ville to Borj Cédria.
The parties formally set up the arbitration board that will rule in accordance with the procedural rules of the International Chamber of Commerce (ICC) and pursuant to applicable French law. The first defence briefs were filed and the terms for the filing of the reply briefs are pending. The final award is scheduled to be lodged by the end of 2015.

12. Other minor legal proceedings
The company has accrued a provision for risks to cover any minor liabilities arising from legal proceedings underway related to contracts performed. The provision which reflects the risks and charges of legal proceedings underway approximated €1.0 million.
At the reporting date, the company believes the amounts accrued in the provision for risks and charges and those accrued for each contract within the allowance for write-down, in order to cover any liabilities generated by pending or potential litigation are adequate on the whole for the charges estimated by the company which are deemed probable.
With respect to disputes where the company is claimant in enforcement procedures against railway-sector companies in which the region holds a stake, the moratorium - originally provided by Decree law no. 83/2012 and subsequently by Decree law no. 151/2013 - , which suspended enforcement procedures against such companies to 31 December 2014, was reduced to 30 June 2014 by article 17.5 of Decree law no. 16/2014. Accordingly, enforcement procedures are presently progressing.
However, meetings are currently being held between the parties in order to reach an out-of-court settlement.

Corporate Governance and ownership structure pursuant to article 123-bis of legislative decree no. 58 Of 24 february 1998 and subsequent amendments and integrations (the consolidated finance act)

The Ansaldo STS shares have been listed on the Star segment of the markets organised and managed by Borsa Italia S.p.A. since 29 March 2006 and were included in the FTSE MIB index from 23 March 2009 to 23 March 2014. Since 24 March 2014, the company's shares have been included in the FTSE ITALIA MID CAP index.
With the approval of the board of directors given on 19 December 2006, Ansaldo STS adopted the Code of conduct endorsed by Borsa Italiana S.p.A. in March 2006 and came into line with its requirements during 2007.
Borsa Italiana S.p.A.'s corporate governance committee adopted a new Code of conduct in December 2011. On 18 December 2012, Ansaldo STS's board of directors resolved to comply with the principles of this new code and to update its own governance systems to reflect them. The committee adopted a new version in July 2014 and Ansaldo STS's corporate governance system is already more or less in line therewith.
Detailed disclosure on the company's corporate governance structure is provided in the section of the directors' report covering corporate governance and the adoption of the Code of conduct for listed companies related to 2014, published at the same time as this annual report.

After setting the number of directors at nine, the shareholders appointed the company's new board of directors for 2014-2016 on 15 April 2014: Sergio De Luca (chairman), Luigi Calabria, Stefano Siragusa, Giovanni Cavallini, Giulio Gallazzi, Alessandra Genco, Bruno Pavesi, Paola Pierri and Barbara Poggiali.

In the meeting held on 15 April 2014 after the above meeting, the board of directors appointed Stefano Siragusa CEO and Luigi Calabria deputy chairman of the board of directors. Furthermore, on 1 January 2014, Stefano Siragusa also became the company's general manager.

Subsequently, on 31 July 2014, due to his new post in another company outside the Finmeccanica group, Luigi Calabria resigned as director and deputy chairman of Ansaldo STS S.p.A. with effect as of the board of directors' meeting to co-opt the new director.
Luigi Calabria was selected from the list presented by the shareholder Finmeccanica S.p.A.
On 1 October 2014, the board of directors appointed the current Executive Vice President of the Human Resources and Organization of Finmeccanica S.p.A., Domenico Braccialarghe as the new director of the company pursuant to article 2386 of the Italian Civil Code. On the same date, the board also appointed Domenico Braccialarghe as the new deputy chairman of the company's board of directors.
He will fill the post until the next shareholders' meeting.

At the same meeting of 15 April 2014, the shareholders also appointed the board of statutory auditors for the 2014-2016 period, comprising Giacinto Sarubbi (chairman), Renato Righetti and Maria Enrica Spinardi, and Fabrizio Riccardo Di Giusto, Giorgio Mosci and Daniela Rosina as substitute statutory auditors.
On 15 April 2014, the board of directors also appointed the members of the risk and control committee (Giovanni Cavallini – chairman, Paola Pierri and Barbara Poggiali), the appointments and remuneration committee (Bruno Pavesi – chairman, Giovanni Cavallini and Giulio Gallazzi) and confirmed the CEO Roberto Carassai manager in charge of financial reporting pursuant to article 154-*bis* of Legislative decree no. 58/1998.

Again on 15 April 2014, the board of directors confirmed Grazia Guazzi (head of the company's Corporate Affairs & Group Insurances department), as board secretary.

On their appointment, the directors, Giovanni Cavallini, Giulio Gallazzi, Bruno Pavesi, Paola Pierri and Barbara Poggiali, confirmed they meet the requirements for independence of current legislation and the Code of conduct. The board of directors also assessed these requirements and the board of statutory auditors, in turn, checked the criteria adopted by the board were properly applied. The board then subsequently checked the independence requirements were still complied with in their meeting of 16 December 2014, during which the board:

a) examined the results of the regular surveys carried out on i) company directors' positions as directors or statutory auditors in other listed, financial, banking, insurance or large-sized companies, (ii) directors' participation in non-executive committees of the board, and iii) directors' participation in committees of boards of directors of other companies listed on regulated markets and/or financial, banking, insurance or large-sized companies, as notified by each director, and
b) acknowledged the statements made by the independent directors and confirmed they continue to meet the independence requirements required by current legislation and the Code of conduct.

Also in the meeting of 15 April 2014, pursuant to article 7.P.3 of the Code of conduct, after discussion with the risk and control committee, the company's board of directors appointed the CEO, Stefano Siragusa, as director in charge of the internal control and risk management system. Moreover, during the same meeting, on Mr. Siragusa's proposal, with the approval of the risk and control committee and having consulted the board of statutory auditors, the board of directors confirmed Mauro Giganti as manager of the Internal audit department.

Pursuant to the Code of conduct, during the first meeting of the board of statutory auditors, also held on 15 April 2014, the statutory auditors, Giacinto Sarubbi, Renato Righetti and Maria Enrica Spinardi, also confirmed they meet the independence requirements of current legislation and stated thereby at the time of their appointment. Possession of the independence requirements was subsequently checked and confirmed by the members of the board of statutory auditors also during the meeting held on 9 December 2014.
During the first half of the year, a specialised company completed its assessment of the operation of the board of directors and its internal committees. The positive findings of this assessment confirmed that Ansaldo STS's board of directors and committees are highly professional and showed a good level of compliance with the requirements of the Code of conduct and international corporate governance best practices.
On 30 October 2014, the board of directors resolved to launch a new self-assessment process for the functioning of the board of directors and its internal committees, entrusting the board's secretary, Grazia Guazzi, with the task of supporting the board in such activity.

With respect to the independent auditors appointed to perform the legally-required audit of Ansaldo STS S.p.A.'s financial statements, in their meeting of 7 May 2012, the shareholders awarded the audit engagement for the 2012-2020 period to KPMG S.p.A.

The company also published its 2013 Sustainability report in the first half of 2014. Such report was reviewed by KPMG S.p.A.

Finally, on 20 February 2014, the board of directors approved the company's remuneration policy, in compliance with the recommendations of article 6 of the Code of conduct, on the basis of the proposal prepared by the appointments and remuneration committee dated 17 February 2014.

On 7 March 2014, after discussion with the appointments and remuneration committee, the board of directors subsequently approved the remuneration report prepared by the company pursuant to article 123-ter of the Consolidated finance act and article 84-quarter of the Issuer regulation.
Finally, pursuant to article 123-ter.6 of the Consolidated finance act, in their ordinary meeting of 15 April 2014, the shareholders approved the first part of the above-mentioned report required by article 123-ter.3 of the Consolidated finance act, which describes the company's remuneration policy for its officers and key managers, and the procedure followed to implement and describe this policy.

Pursuant to article 70.8 of the Issuer regulation, we note that, in their meeting of 28 January 2013 and as permitted by articles 70.8 and 71.1-bis of the Issuer regulation, the company's directors resolved to opt out of the requirement to publish the relevant documents for significant transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.
The key corporate governance tools the company has implemented in compliance with the most recent legislative and regulatory requirements, those required by the Code of conduct and national and international best practices, are as follows:
- By-laws;
- Code of ethics;
- Organisational, management and control model pursuant to Legislative decree no. 231/01;
- Shareholders' meeting regulations;
- Board of directors' regulations;
- Risk and control committee regulations;
- Appointments and remuneration committee regulations;
- Related party transactions - Procedure adopted pursuant to article 4 of CONSOB regulation no. 17221 of 12 March 2010;
- Procedure for the keeping and updating the register of people with access to privileged information;
- Procedure for the handling and communication of privileged information;
- Internal dealing code of conduct.

For further details on the company's corporate governance, reference should be made to the "Corporate governance report", comprising all disclosure required by article 123-bis of the Consolidated finance act, available on the company's website www.ansaldo-sts.com.

Statement pursuant to article 2.6.2.8/9 Of the regulations for markets organised and managed by borsa italiana S.p.A.

The company's board of directors confirms the compliance with the conditions referred to in articles 36, letters a), b) and c), point i) and 37 of the Regulation implementing Legislative decree no. 58 of 24 February 2998 on markets, adopted by Consob with resolution no. 16191 of 29 October 2007 and subsequent amendments.

Data protection document

Pursuant to paragraph 26 of the Technical requirements governing minimum security measures, which forms Annex B to Legislative decree no. 196 of 30 June 2003 (personal data protection code), Ansaldo STS S.p.A. has drawn up a Data protection document for the processing of personal data.
This document contains the information required by paragraph 19 of Annex B and describes the security measures implemented by the company to minimise the risk of destruction or loss, including accidental, of personal data, unauthorised access or unapproved processing, or processing that does not comply with the purposes for which it was gathered.

The environment

Ansaldo STS S.p.A. has pursued sustainability in recent years in the belief that respecting environmental and social values leads to the creation of long-term value for the business. In its Sustainability report, the group transparently discloses its values, strategies, policies and decisions in terms of economic, environmental and social sustainability.
In full compliance with ruling legislation, the law, the code of ethics, 231 Model, policies and all HSE regulations, Ansaldo STS applies sustainable management of social and environmental matters linked to the services in all its business areas.
Ansaldo STS S.p.A.'s commitment to "sustainable development" has seen it focus on:
- quality of life;
- ensuring the protection of natural resources;
- ensuring the safeguard and protection of the environment and the adoption of environmental sustainability principles and values;
- avoiding permanent environmental damage.

Environmental protection is part of our social responsibility and is key to our business strategy promoting growth in the company's value over the long term. We want to do our bit to ensure a safe, sustainable future by minimising our environmental footprint and encouraging our employees, suppliers and customers to do the same. Our aim is to produce in the safest way possible, using the minimum resources possible.

From an environmental point of view, Ansaldo STS is involved:
- as a producer, committed to pursuing environmental protection policies not only by just complying with existing laws, legislation and directives but by pursuing ongoing improvement in the environmental impact of its products and production processes;
- as a supplier of railway operators, in the knowledge that offering increasingly evolved, safe and reliable railway traffic control and automation products promotes the rapid development of the most environmentally-friendly transport system available today, thus attracting ever-greater numbers of freight and passenger transport service users.

Strategic orientation and management approach

The company has implemented an Integrated Management System (IMS) for environment, safety and quality issues. At group level, it set policies and procedures to ensure the controlled management of the processes and workplace safety and environmental protection activities.

Each group company subsequently set local policies in relation to the environment, safety and instructions, based on the framework of legislative requirements and group policies and procedures, in order to achieve the following objectives:

- ensuring the best available technologies are used and the international best practices are adopted in order to continuously improve operating management, rational and efficient use of energy, preventing pollution and reducing environmental impact related to the usage of fossil fuels;
- ensuring liquid waste, gas emissions and waste are controlled, gradually reduced and kept at a minimum, in relation to assets in running conditions and activities performed;
- ensuring compliance with legal requirements applicable to its processes in the various countries in which its subsidiaries operate, by formalising procedures that increase awareness of the applicable legislative framework;
- identifying significant direct and indirect environmental issues in order to reduce and control the related impact, both as relates to the companies and its suppliers and partners;
- defining key indicators with a view to facilitating the assessment of performance;
- defining roles, duties and responsibilities within the scope of activities.

Ansaldo STS S.p.A. recommends its subsidiaries follow the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing their management systems and certification is regarded as key to developing an ingrained environmental awareness both among company personnel and suppliers and subcontractors.

Innovation and the promotion of good practices

The demands of the market and the experience that some subsidiaries have consequently gained have led to the development of environmental management systems and subsequent ISO 14001 certification, which Ansaldo STS S.p.A. is extending to all group companies; the possibility of extending the EMAS regulation to the other production facilities is still under consideration.
The environmental management system adopted by Ansaldo STS S.p.A. is applied to the following:

- **PRODUCTION FACILITIES** for products used in safety, control and monitoring systems supplied by Ansaldo STS S.p.A..
- **OFFICES** (non-production sites) mainly for signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection;
- **WORK SITES** Ansaldo STS's direct activities at work sites relate to management and coordination, surveillance and control of production, commissioning and roll-out of plant and delivery to the customer. With respect to environmental issues as a result of such activities, Ansaldo STS operates in accordance with an environmental site management procedure, based on an initial environmental analysis of the work to be performed at the site, prepared and agreed with the subcontractors, followed by an environmental monitoring plan to continuously ensure legal compliance and that all steps are taken to limit the environmental impact that the opening of any site inevitably entails.

Ansaldo STS is also committed to providing the best and safest products and the best system solutions, using the best design methodologies and procedures and the best possible manufacturing methods and processes, in line with its aim of reducing energy consumption and both direct and indirect environmental impact.
Ansaldo STS S.p.A. achieves this commitment and related outcomes by:

- reducing costs and system integration;
- reducing energy consumption;
- reducing packaging waste and promoting recycling of such material;
- optimal service, reliability and availability levels for company products and solutions;
- developing products and operating production plant in line with the most recent and stringent standards.

Commitment to fight climate change

Ansaldo STS S.p.A. has developed a global-level Carbon management strategy to fight climate change and is committed to progressively reducing CO2 emissions in all areas of operations.
The following principles underpin Ansaldo STS S.p.A.'s climate strategy:

1. A global approach: developing mechanisms that take into account the commitment of all Ansaldo STS S.p.A. facilities.
2. Reasonable and feasible long-term objectives: it is crucial to establish a clear and realistic vision of the steps to be taken.
3. Support the development of technologies: develop advanced technological solutions.

Consolidating the Carbon management strategy involves defining an overall target for emissions reduction.

Communication, training and education

Ansaldo STS S.p.A. is increasingly focussed on training related to environmental issues.
Its specific training programme is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.
Ansaldo STS S.p.A.'s training and educational programmes are designed to increase awareness of:

- the importance of complying with the environmental policy and the environmental management system procedures and requirements;
- actual or potential significant environmental impacts of activities and the environmental benefits that each individual can pursue;
- roles and responsibilities in order to comply with the environmental policy and environmental management system procedures and requirements, including the preparation of contingency and response plans;
- the potential consequences of deviating from the operating procedures;
- the potential offered by the effective implementation of a combined quality, environment and safety policy for Ansaldo STS S.p.A.'s business development and for the development of railway transport.

Subsequent environmental management system training sessions are held for personnel based on the specific corporate processes and related environmental aspects relevant to their activity.
Records are kept of all training provided to personnel in its facilities.
Training and educational sessions are coordinated by experts, who also produce relevant documentation.

General environment-related information

The operations of Ansaldo STS S.p.A.'s subsidiaries mainly comprise office-based activities; Ansaldo STS S.p.A. has full responsibility therefor in terms of direct and indirect environmental aspects.
The operations of several production facilities are fully compliant with the concepts of environmental protection and are among those which have been certified or for which the certification process is underway.
The Italian production facility (Tito-PZ) is also EMAS-certified (*Environmental Management and Audit Scheme*).

Management of water resources

Water consumption is purely for sanitary uses, except for at the Batesburg facilities, and is monitored and subject to regular sampling. Ansaldo STS S.p.A. has rolled out water-saving initiatives in recent years, such as the installation of automatic sensor taps.

Generation and management of special waste

The activities carried out at the facilities involve the generation of non-toxic special waste, mainly paper and cardboard and plastic packaging. This is handled by companies authorised for its transport and recycling.
Hazardous special waste generated by maintenance activities is disposed of by the global service companies contracted by Ansaldo STS S.p.A..

Energy consumption, CO_2 emissions, emission trading and other emissions

Energy consumption mainly stems from heating, lighting and utility power; it is monitored and is in line with consumption levels reported for similar businesses.
Ansaldo STS S.p.A. has obtained RECS (Renewable Energy Certificate System) certification for the consumption of electrical energy at its Italian facilities.
RECS certificates (issued for every 1MWh) attest to the use of renewable energy sources.
Through the purchase and subsequent withdrawal of the certificate from the market, Ansaldo STS S.p.A. demonstrates its environmental commitment as it pays a higher amount than it would for electricity from conventional sources.

Management of dangerous substances

Dangerous substances used in company processes are handled in full respect of the environment by adopting all possible precautions set out in technical literature and in compliance with REACH (EU) regulations.

Disclosure on management and coordination and related party transactions

Pursuant to article 2497 *bis* of the Italian Civil Code, we note the company is managed and coordinated by Finmeccanica S.p.A..
Key figures from the most recently-approved financial statements of Finmeccanica S.p.A. are presented in the table under note 41.
Pursuant to article 2497-*bis*, last point, of the Italian Civil Code, the following tables present the relationships between the company exercising management and coordination activity and the other companies subject to such activity in 2014 and the previous year.
The other companies subject to management and coordination by Finmeccanica S.p.A. are those included in the consolidated financial statements of Finmeccanica S.p.A., pursuant to article 2497-*sexies* of the Italian Civil Code. Accordingly, as well as Finmeccanica itself, these include all subsidiaries of Ansaldo STS S.p.A. and Finmeccanica. This disclosure is also required by article 2428.3.2 of the Italian Civil Code, together with that related to the subsidiaries and associates and companies subject to the control thereof.
Moreover, from 2011, the amended disclosure requirements of IAS 24 (revised) with reference to related parties exclusively entail the restatement of comparative figures shown in the financial statements schedules to consider as related parties those entities under the control or significant influence of the Ministry of Economy and Finance ("MEF").
The tables presented in notes 10 and 27 of the notes to the financial statements also disclose details of the amounts of the related party transactions in Finmeccanica S.p.A.'s consolidated financial statements to the extent of Finmeccanica group's investment therein. Moreover, note 39 presents total and individual directors', statutory auditors' and key managers' fees.
Disclosure on transactions with the company exercising management and coordination activities and other companies subject thereto, together with disclosure on the amount of related party transactions in Finmeccanica's consolidated financial statements and directors, statutory auditors' and key managers' fees, represent the related party disclosure required by IAS 24 "Related party disclosures".

2014

FINANCIAL ASSETS AT 31 DECEMBER 2014 (€'000)	**Loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Parents	-	76	154	230
Subsidiaries	31,454	33,922	-	65,376
Associates	10,709	123,762	92	134,564
Consortia	-	36,646	4	36,650
Total	**42,163**	**194,406**	**251**	**236,820**
% of the total corresponding financial statements caption	**60%**	**35%**	**0.5%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2014 (€'000)	**Loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Parents	10,351	850	-	11,201
Subsidiaries	156,620	23,567	3	180,190
Associates	-	49,840	570	50,410
Consortia	-	1,078	29	1,106
Total	**166,971**	**75,334**	**602**	**242,907**
% of the total corresponding financial statements caption	**99%**	**25%**	**1%**	

2014 (€'000)	**Revenue**	**Other operating income**	**Expense**	**Recovery of expense**	**Other operating expense**	**Financial income**	**Financial expense**
Parents	-	-	4,649	-	35	60	37
Subsidiaries	40,582	10,890	37,185	2,085	-	674	1,237
Associates	169,373	989	111,142	1,084	14	2,850	-
Consortia	39,089	-	3,411	34	24	-	-
Total	**249,044**	**11,879**	**156,387**	**3,203**	**73**	**3,585**	**1,274**
% of the total corresponding financial statements caption	**36%**	**50%**	**29%**		**2%**	**14%**	**5%**

2013

FINANCIAL ASSETS AT 31 DECEMBER 2013 (€'000)	Loan assets	Trade receivables	Other current financial assets	Total
Parents	31,093	38	151	31,282
Subsidiaries	49,406	28,451	-	77,857
Associates	2,918	101,143	-	104,061
Consortia	-	31,248	1,365	32,613
Total	**83,417**	**160,880**	**1,516**	**245,813**
% of the total corresponding financial statements caption	**74%**	**30%**	**3%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2013 (€'000)	Loans and borrowings	Trade payables	Other current financial liabilities	Total
Parents	-	268	-	268
Subsidiaries	122,375	27,327	3	149,706
Associates	-	52,674	603	53,278
Consortia	-	961	23	984
Total	**122,375**	**81,230**	**630**	**204,235**
% of the total corresponding financial statements caption	**98%**	**26%**	**1.3%**	

2013 (€'000)	Revenue	Other operating income	Expense	Recovery of expense	Other operating expense	Financial income	Financial expense
Parents	-	-	3.243	11	19	217	250
Subsidiaries	39.048	8.907	35.242	3.123	272	950	1.429
Associates	202.991	270	83.350	1.852	62	46	-
Consortia	16.041	-	3.235	39	33	-	-
Total	**258.080**	**9.178**	**125.070**	**5.024**	**385**	**1.213**	**1.680**
% of the total for the year	**41%**	**39%**	**26%**		**3%**	**9%**	**11%**

Transactions with Finmeccanica S.p.A. mainly relate to:

- a joint current account (€-10,351 thousand at 31 December 2014) used to settle trading items with Finmeccanica S.p.A. and Finmeccanica group companies. The financial income generated by this transaction totalled €60 thousand for 2014;
- a current receivable arising from the claim for reimbursement of the IRES tax for the 10% flat deduction of the IRAP tax paid between 2004 and 2007 pursuant to Decree Law no. 185/2008 (the "Anti-crisis decree") and subsequently discussed by the Tax authorities with circular no. 16/E of 14 April 2009. The receivable due from Finmeccanica relates to 2004 (€154 thousand) when the merged companies, Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari, took part in the tax consolidation scheme with their parent, Finmeccanica;

- current payables related to services provided to the company and not yet settled (€850 thousand at 31 December 2014);
- expense totalling €4,721 thousand, related mainly to the recharge of commissions on sureties (€1,902 thousand), insurance costs (€801 thousand), group security services (€274 thousand) and the licence to use the "Ansaldo" trademark for a period of 20 years (€1,611 thousand). Current and non-current prepayments of €1,610 thousand and €16,090 thousand, respectively, relate to this transaction.

Transactions with subsidiaries are as follows:
financial
Ansaldo STS S.p.A. has joint current accounts with its subsidiaries to settle trading items with Ansaldo STS and Finmeccanica group companies. Financial income and expense presented in the table arise from such transactions. The balance of the joint current accounts with the subsidiaries at 31 December 2014 are credit balances due from Ansaldo STS USA (€12,374 thousand) and Ansaldo STS Malaysia (€19,079 thousand), and debit balances due to Ansaldo STS France (€82,970 thousand), Ansaldo STS Australia (€43,126 thousand), Ansaldo Signal Ireland (€3,180 thousand) and ASTS Sweden (€27,344 thousand). The terms applied to the current accounts with Ansaldo STS group companies are presented below.
For those contracts expressed in Euros (France and Ireland):
- the debit interest rate applied by the parent to the subsidiary on each debit balance on the current account is the 1-month EURIBOR + 100 basis points;
- the credit interest rate applied by the parent to the subsidiary on each credit balance on the current account is the 1-month EURIBOR - 25 basis points.

For contracts expressed in foreign currency:
- the debit interest rate applied by the parent to the subsidiary on each debit balance on the current account is the 1-month LIBOR for the relevant currency + 100 basis points;
- the credit interest rate applied by the parent to the subsidiary on each credit balance on the current account is the 1-month LIBOR for the relevant currency - 25 basis points.

trading and other
- trading transactions with subsidiaries include the supply of spare parts to the subsidiary Ansaldo STS France;
- important contracts are in place with the subsidiary Ansaldo STS USA International Co. for the Milan, Riyadh, Ankara metro and Kolkata metro projects;
- operating income from Ansaldo STS Australia, Ansaldo STS Sweden, Ansaldo STS France and Ansaldo Railway System Trading (Beijing) mainly relate to subcontracts or supplies for fulfilling specific contracts signed by foreign subsidiaries;
- other operating income mainly relates to recharges for services provided by Ansaldo STS S.p.A. to all ASTS group companies under the general service agreement for a total of €10,035 thousand;
- recovery of expense mainly relates to the recharge of insurance costs of €783 thousand for policies where the premium was paid in advance by Ansaldo STS S.p.A. under agreements Finmeccanica has with insurance companies, and the recharge of costs of €930 thousand for using the "Ansaldo" trademark and of €353 thousand related to the supply of an international centralised videoconference service.

Transactions with other related companies mainly relate to trading activities, for sales of systems, components or spare parts and to purchase materials. These include the contracts with Metro Service AS for the Copenhagen contract and with AnsaldoBreda for the MetroGenova and Copenhagen New Ring projects, and contract with Selex ES for the Abu Dhabi project and Line 4 of the Milan metro.
Revenue from Ferrovie dello Stato group companies totalled €116,261 thousand in 2014 (2013: €126,873 thousand) and €22,521 thousand from Eni group (2013: €23,389 thousand). Expense includes that due to the companies of Enel, Eni and Ferrovie dello Stato groups.

The following were the most significant of the non-trading transactions with related parties:
- the lease instalment and recharge for management and use of common services in the Naples facilities via-a-vis AnsaldoBreda. The 2014 lease payment equalled €900 thousand (2013: €896 thousand) and the recharge for services was €2,013 thousand (2013: €2,001 thousand);
- the recharge by Selex ES, mainly for the supply of ITC services under the contract for ordinary activities for €3,258 thousand (2013: €3,513 thousand);
- the "Shared Services Company" contract with the related company, Finmeccanica Global Service, formerly Finmeccanica Group Service, for €870 thousand (2013: €850 thousand);
- the cost from Fata Logistic System related to inventory management services.

Consortia are set up to carry out works; specifically, Saturno consortium was set up to carry out works related to the high-speed railway.

Related party transactions between the parent and related parties take place on an arm's length basis.

Disclosure on financial risk management and financial instruments

Reference should be made to the relevant section of the notes to the financial statements for disclosure on financial instruments and financial risks pursuant to article 2428.2.6-bis of the Italian Civil Code, which also complies with the requirements of IFRS 7 "Financial instruments: disclosures".

Events after the reporting date

On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. disclosed their signing of binding contracts for Hitachi's purchase of Finmeccanica's entire investment in Ansaldo STS S.p.A., equal to 40% of its share capital, and AnsaldoBreda S.p.A.'s current business except for certain revamping activities and specific residual contracts.
Such transaction is expected to be finalised during the current year and is subject to the specific conditions typical of these kinds of transactions, such as regulatory and anti-trust authorisations.

Outlook

2015 will be marked by volumes related to the new orders.

Proposal to the shareholders

Dear shareholders
The 2014 financial statements, which we present for your approval, show a profit for the year of €32,727,707.76.

We propose you approve: (i) the distribution a €0.15 dividend, gross of withholdings, to shareholders, for each of the shares with a nominal amount of €0.50, outstanding today and bearing the right to dividends; (ii) the carry forward of the remaining amount.

Our proposal does not provide for any accrual to the legal reserve as it amounts to €20,000,000.00, equal to 20% of the share capital, which represents the maximum amount provided for by article 2430 of the Italian Civil Code.

We therefore propose the following allocation of the profit for the year:
- €29,999,789.25 to be recognised to the shareholders in the form of a dividend of €0.15, gross of withholdings, for each of the 199,998,595 shares currently outstanding and bearing the right to dividends, excluding 1,405 treasury shares from the calculation, with detachment date of 18 May 2015 and payable from 20 May 2015. Pursuant to article 83-terdecies of Legislative decree no. 58 of 24 February 1998, the right to receive the dividend was determined with reference to broker information, pursuant to article 83-quater.3 of the same Legislative decree no. 58/98, at the close of business on 19 May 2015 (the record date);
- carry forward €2,727,918.51.

The total amount of the dividend proposed for distribution corresponds to 30% of the share capital, to around 92% of Ansaldo STS S.p.A.'s profit for 2014 and to around 37% of the group's profit for 2014, which amounts to €80,635,753.11.

Dear shareholders
We invite you to approve the following resolution:

"In their ordinary meeting, the shareholders of Ansaldo STS S.p.A.,

- having read the directors' report;
- the report of the board of statutory auditors;
- the financial statements at 31 December 2014;
- and having acknowledged the report of the independent auditors, KPMG S.p.A.

resolve

A) to approve the directors' report and the financial statements at 31 December 2014;
B) to approve the proposal of the board of directors to allocate the profit of €32,727,707.76 as follows:

- *€29,999,789.25 to be recognised to the shareholders in the form of a dividend of €0.15, gross of withholdings, for each of the 199,998,595 shares currently outstanding and bearing the right to dividends, excluding 1,405 treasury shares from the calculation, with detachment date of 18 May 2015 and payable from 20 May 2015. Pursuant to article 83-terdecies of Legislative decree no. 58 of 24 February 1998, the right to receive the dividend was determined with reference to broker information, pursuant to article 83-quater.3 of the same Legislative decree no. 58/98, at the close of business on 19 May 2015 (the record date);*
- *carry forward €2,727,918.51.*

C) to separately authorise the chairman of the board of directors and the CEO, in the event purchases or sales of treasury shares take place before the detachment date, to allocate and/or withdraw the amount of the ordinary dividend borne by such shares to/from retained earnings."

Genoa, 6 March 2015

On behalf of the board of directors
The Chairman
Sergio De Luca

Separate
financial statements
at **31 december 2014**
and notes thereto

Separate financial statements at 31 December 2014 and notes thereto

Income statement

(in Euros)	Note	2014	of which, related parties	2013	of which, related parties
Revenue	28	691,894,974	249,044,256	634,478,592	258,079,715
Other operating income	29	23,742,504	11,878,598	23,364,527	9,177,748
Purchases	30	(202,096,568)	(57,807,209)	(162,738,467)	(34,431,360)
Services	30	(323,966,329)	(95,377,020)	(305,528,341)	(85,614,315)
Personnel expense	31	(128,786,428)	-	(114,772,611)	-
Amortisation, depreciation and impairment losses	33	(12,023,719)	-	(9,443,883)	-
Other operating expense	29	(4,771,718)	(72,878)	(14,115,343)	(385,118)
Changes in finished goods, work-in-progress and semi-finished products	32	(380,269)	-	(1,007,290)	-
(-) Internal work capitalised	34	4,388,281	-	2,156,052	-
Operating profit		**48,000,728**	**-**	**52,393,236**	**-**
Financial income	35	25,513,024	3,584,818	13,944,976	1,212,518
Financial expense	35	(23,650,283)	(1,273,509)	(15,713,376)	(1,679,619)
Profit before taxes and discontinued operations		**49,863,469**	**-**	**50,624,836**	**-**
Income taxes	36	(17,135,761)	-	(18,449,965)	-
Profit/(loss) from discontinued operations					
Profit for the year		**32,727,708**	**-**	**32,174,871**	**-**

Statement of comprehensive income

(in Euros)	2014	2013
Profit for the year	32,727,708	32,174,871
Items that will never be reclassified to profit or loss:		
Actuarial gain (loss) on defined benefit plans	(2,280,984)	924,907
- Income tax	627,271	(254,349)
	(1,653,713)	**670,558**
Items that will or may be reclassified to profit or loss:		
- Change in fair value of cash flow hedges	2,611,997	730,976
- Foreign operations – foreign currency translation differences	5,097,410	(6,200,762)
- Income tax	(414,877)	(201,018)
	7,294,530	**(5,670,804)**
Other comprehensive income/(expense), net of taxes	5,640,816	(5,000,247)
Comprehensive income for the year	**38,368,524**	**27,174,625**

Statement of financial position

(in Euros)	Note	31 December 2014	of which, related parties	31 December 2013	of which, related parties
Non-current assets					
Intangible assets	7	12,983,443	-	12,500,094	-
Property, plant and equipment	8	65,099,745	-	66,560,072	-
Equity investments	9	157,481,799	-	145,542,534	-
Loans and receivables	11	21,001,886	16,371,486	15,209,556	11,774,844
Deferred tax assets	16	20,303,399	-	20,456,040	-
Other non-current assets	11	20,547,114	16,089,610	21,741,705	17,700,260
		297,417,386	**-**	**282,010,001**	**-**
Current assets					
Inventories	12	80,022,277	-	83,563,606	-
Contract work in progress	13	170,325,964	-	160,557,743	-
Trade receivables	14	556,717,406	194,406,408	543,572,041	160,879,895
Tax assets	16	10,792,933	-	12,012,657	-
Loan assets	14	70,605,553	42,162,548	113,463,643	83,417,332
Derivatives	17	9,298,036	-	10,612,072	-
Other current assets	18	54,657,756	250,584	48,875,779	1,515,765
Cash and cash equivalents	19	179,380,984	-	94,304,925	-
		1,131,800,909	**-**	**1,066,962,466**	**-**
Total assets		**1,429,218,295**	**-**	**1,348,972,467**	**-**
Equity					
Share capital	20	99,999,298	-	89,998,422	-
Other reserves	20	93,382,631	-	95,815,999	-
Retained earnings, including the profit for the year	20	161,579,071	-	157,651,160	-
Total equity		**354,961,000**	**-**	**343,465,581**	**-**
Non-current liabilities					
Loans and borrowings					
Employee benefits	23	20,119,721	-	18,347,927	-
Deferred tax liabilities	16	9,200,540	-	9,829,241	-
Other non-current liabilities	24	3,442,449	-	3,059,026	-
		32,762,710	**-**	**31,236,194**	**-**
Current liabilities					
Progress payments and advances from customers	13	497,557,420	-	471,655,852	-
Trade payables	25	302,451,034	75,334,313	313,813,233	81,230,259
Loans and borrowings	21	168,943,824	166,971,025	124,839,482	122,375,328
Tax liabilities		720,787	-	-	-
Provisions for risks and charges	22	1,851,123	-	5,987,510	-
Derivatives	17	8,793,359	-	8,942,108	-
Other current liabilities	24	61,177,038	601,758	49,032,507	629,593
		1,041,494,585	**-**	**974,270,692**	**-**
Total liabilities		**1,074,257,295**	**-**	**1,005,506,886**	**-**
Total liabilities and equity		**1,429,218,295**	**-**	**1,348,972,467**	**-**

Statement of cash flows

(in Euros)	Note	2014	of which, related parties	2013	of which, related parties
Cash flows from operating activities:					
Gross cash flows from operating activities	37	62,310,676	-	63,530,017	-
Change in working capital	37	(4,832,888)	(39,422,459)	(82,620,532)	8,530,829
Changes in other operating assets and liabilities	37	(6,349,491)	-	(30,772,711)	-
Net interest paid	37	5,766,394	(2,311,309)	5,050,347	464,101
Income taxes paid	37	(13,941,563)	-	(18,115,096)	-
Cash flows from/(used in) operating activities		**42,953,128**	**-**	**(62,927,975)**	**-**
Cash flows from investing activities:					
Acquisitions of companies, net of cash acquired		(7,409,970)	-	(3,473,000)	-
Investments in property, plant and equipment and intangible assets		(4,031,927)	-	(4,722,716)	-
Other investing activities		(4,597,739)	(2,895,992)	(998,487)	(2,208,884)
Cash flows used in investing activities		**(16,039,636)**	**-**	**(9,194,203)**	**-**
Cash flows from financing activities:					
Net change in loan assets and loans and borrowings		86,962,432	85,850,481	121,455,958	121,034,596
Dividends paid		(28,799,865)	(11,756,346)	(28,799,865)	(11,538,876)
Cash flows from financing activities		**58,162,567**	**-**	**92,656,093**	**-**
Net increase in cash and cash equivalents		85,076,059	-	20,533,915	-
Net exchange rate gains (losses)		-	-	-	-
Opening cash and cash equivalents		94,304,925	-	73,771,010	-
Closing cash and cash equivalents		**179,380,984**	**-**	**94,304,925**	**-**

Statement of changes in equity

(in Euros)	Share capital	Retained earnings, including the profit for the year	Stock grant reserve	Hedging reserve	Other reserves	Total equity
Equity at 1 January 2013	**79,998,308**	**152,871,038**	**1,202,738**	**26,272**	**110,297,541**	**344,395,897**
Use of treasury shares for SGP	114	-	-	-	-	114
Bonus issue of 20,000,000 shares	10,000,000	-	-	-	(10,000,000)	-
Other comprehensive income, net of taxes	-	1,405,116	-	730,976	(7,136,339)	(5,000,247)
Change in SGP reserves - Ansaldo STS S.p.A.	-	-	597,425	-	-	597,425
Change in SGP reserves - other companies	-	-	-	-	97,386	97,386
Dividends (159,999,248 x 0.18)	-	(28,799,865)	-	-	-	(28,799,865)
Profit for the year ended 31 December 2013	-	32,174,871	-	-	-	32,174,871
Equity at 31 December 2013	**89,998,422**	**157,651,160**	**1,800,163**	**757,248**	**93,258,588**	**343,465,581**
Use of treasury shares for SGP	876	-	-	-	-	876
Bonus issue of 20,000,000 shares	10,000,000	-	-	-	(10,000,000)	-
Other comprehensive income, net of taxes	-	-	-	2,611,997	3,028,819	5,640,816
Change in SGP reserves - Ansaldo STS S.p.A.	-	-	1,383,179	-	-	1,383,179
Change in SGP reserves - other companies	-	-	-	-	542,637	542,637
Dividends (179,998,735 x 0.16)	-	(28,799,798)	-	-	-	(28,799,798)
Profit for the year ended 31 December 2014	-	32,727,708	-	-	-	32,727,708
Equity at 31 December 2014	**99,999,298**	**161,579,070**	**3,183,342**	**3,369,245**	**86,830,044**	**354,960,999**

Notes to the separate financial statements at 31 december 2014

1. General information

Ansaldo STS is a company limited by shares with its registered office in Via Paolo Mantovani 3-5, Genoa, a branch in Via Argine 425, Naples, a facility in Tito (Potenza) and an office in Piossasco (Turin). It has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006 and was included in the FTSE MIB index from 23 March 2009 to 23 March 2014. Since 24 March 2014, it has been included in the FTSE Italia Mid Cap index.
Ansaldo STS S.p.A. is a subsidiary of Finmeccanica S.p.A., with its registered office in Piazza Monte Grappa 4, Rome, which manages and coordinates the company.

On 14 July 2014, as approved by the board of directors on 3 June 2014, the company carried out the fifth and last instalment of the bonus issue approved by the shareholders in their extraordinary meeting of 23 April 2010.
Following the issue of this fifth instalment, the company's share capital now equals €100,000,000, comprising 200,000,000 ordinary shares of a nominal amount of €0.50 each.

At the end of June, the Genoa tax police commenced a tax audit for 2012. Completed at the start of November 2014, the audit showed limited exceptions related to certain costs pertaining to the year. The company applied for the mutually-agreed assessment settlement procedure, the impact of which is not significant.

Ansaldo STS operates internationally in the design, construction and operation of signalling and transport systems for above-ground and underground railway lines, both for freight and passengers. It operates worldwide as a main contractor and supplier of turn-key systems. Ansaldo STS S.p.A., as parent, also exercises industrial and strategic guidance and control, coordinating the activities of its operating subsidiaries.

2. Basis of preparation

Ansaldo STS S.p.A.'s separate financial statements at 31 December 2014 are drafted in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606/2002 of 19 July 2002, integrated by the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) issued by the International Accounting Standard Board (IASB).

These separate financial statements have been prepared on a cost basis, except for derivative financial instruments and financial assets which are measured at fair value as permitted by IAS 39.

As permitted by IAS 1, assets and liabilities are presented in the statement of financial position as current and non-current, while income statement captions are shown by nature. The statement of cash flows was prepared using the direct method.

Amounts are shown in thousands of euros (€'000) unless stated otherwise.
The separate financial statements of Ansaldo STS S.p.A. at 31 December 2014 were approved and authorised for publication by the board of directors in accordance with ruling legislation on 6 March 2015.

These financial statements have been prepared in accordance with the IFRS endorsed by the EU and audited by KPMG S.p.A..
Preparation of the separate financial statements required management to make estimates. Reference should be made to note 4 for information on the main areas which entailed particularly significant measurements and assumptions, along with those having a significant effect on the financial statements.

3. Accounting policies

Functional currency: these separate financial statements are presented in euros, which is the company's functional currency.

Foreign currency transactions: foreign currency monetary items (cash and cash equivalents, assets and liabilities to be received or settled in established or determinable monetary amounts, etc.), as well as non-monetary items (advances to suppliers of goods and/or services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate ruling when the transaction is performed. Subsequently, monetary amounts are translated into the functional currency at the closing rate and any differences arising from translation are taken to profit or loss. Non-monetary amounts are maintained at the exchange rate ruling at the date of the transaction, unless continuing adverse economic trends affect the rate, in which case exchange rate differences are taken to profit or loss.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that generate future economic benefits for the company. They are recognised at purchase and/or production cost, including directly related charges incurred to prepare them for use, net of accumulated amortisation, except for assets with an indefinite useful life, and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated systematically over the residual useful life of each asset. Amortisation is calculated considering the actual use of the asset in the year in which an intangible asset is initially recognised.

(i) Concessions, licences and trademarks

These include trademarks identifying the origin of products or goods from a specific company and licences to use know-how, software or the property of others. The costs, including direct and indirect expenses incurred to obtain these rights, are capitalised after the rights have been acquired and are amortised systematically over the shorter of the period of expected use and the period for which the right has been acquired.

(ii) Research and development expense

Research expense is taken to profit or loss when incurred.
Internally generated intangible assets and the related development expense are recognised only when all the following conditions exist simultaneously:
- the asset can be identified;
- the asset may generate future economic benefits;
- the cost to develop the asset can be measured reliably;
- there is a reference market for the product generated by the development activity.

When these conditions are not met, development expense is recognised in profit or loss when incurred. This expense, which is capitalised only when the four above conditions are met, is amortised on a straight-line basis over the asset's useful life.

Leased assets

Assets held under finance lease, whereby the risks and rewards of ownership are substantially transferred to the company, are recognised as assets at their present value or, if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is recognised under loans and borrowings. These assets are depreciated using the above criterion and rates described in the section about property, plant and equipment. Leases whereby the lessor substantially retains the risks and rewards of ownership are classified as operating leases. Costs related to operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. Cost includes direct charges incurred to prepare assets for use and any disposal and removal costs that will be incurred to restore the site to its original conditions in line with contractual terms.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, renovate or improve owned or leased assets are capitalised only to the extent they meet the requirements to be classified separately as assets or part of an asset. Grants related to assets are taken as a direct decrease in the cost of the asset to which they relate.

The carrying amount of each asset is depreciated on a systematic basis. Depreciation is calculated on a straight-line basis each year over the residual useful lives of assets. Depreciation is calculated considering the actual use of the asset in the year in which an item of property, plant and equipment is initially recognised. The following table lists depreciation periods for each item of property, plant and equipment:

	Years
Land	indefinite useful life
Buildings	33.33
Plant and machinery	6.45 – 10
Industrial equipment	4
Other assets	4 – 8.33

If a depreciable asset is comprised of separately identifiable components with useful lives that differ significantly from the other components comprising the asset, depreciation is calculated separately for each component, using the component approach.

Profits and losses on the sale of assets are measured by comparing the selling price with the related carrying amount.

Impairment losses
Assets with an indefinite useful life are not depreciated/amortised, but are tested for impairment annually. Depreciable assets are tested to check whether there is any indication that they may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any excess thereof is recognised in profit or loss.
When the reasons underlying a previously recognised impairment loss no longer exist, the carrying amount of the asset is restored to the extent of its original carrying amount. Reversals of impairment losses are also recognised in profit or loss. Conversely, reversals of impairment losses are never applied to goodwill.

Equity investments
The company classifies its equity investments as follows:
- "subsidiaries", in which the investor has the power to govern the financial and operating policies so as to obtain benefits from its activities;
- "associates", in which the investor has significant influence (at least 20% of votes in the voting rights in ordinary shareholders' meetings). Jointly controlled entities (e.g., joint ventures) are included in this category);
- "parents", when the investor holds shares of its parent;
- "other companies" that do not fall into either of the above categories.

Any equity investments held for sale, such as those that are acquired solely for the purpose of disposal within twelve months, are classified separately as "assets held for sale".

Subsidiaries, including jointly-controlled subsidiaries, associates and other entities, with the exception of those that are classified as "assets held for sale", are measured at acquisition or incorporation cost. This cost remains in subsequent financial statements unless there are impairment losses or reversals of impairment losses following a variation in the purpose of the company or equity transactions.

The table in note 9 "Equity investments" summarises equity investments. Figures about subsidiaries are taken from the respective draft financial statements at 31 December 2014 approved by the relevant board of directors, while the carrying amounts of subsidiaries, associates and other companies were compared with the equity of such investees, as per the most recently approved financial statements.

Inventories
Inventories are measured at the lower of purchase/production cost and net realisable value. Cost is calculated using the weighted average cost method. Finished goods and semi-finished products include costs for raw materials, direct labour costs and indirect costs allocated considering an ordinary production capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The carrying amount of inventories is adjusted through a specific allowance to consider slow-moving or obsolete items.

Contract work in progress
Contract work in progress is recognised in accordance with the percentage of completion method whereby contract cost, revenue and contract profits (losses) are recognised using the percentage of completion method at the reporting date. The stage of completion is calculated on the basis of the ratio of costs incurred at the measurement date and the expected overall costs for the programme.
The measurement reflects the best estimate of the stage of completion at the reporting date. The entity periodically updates the assumptions underlying these measurements. Any profits or losses are recognised in the year in which the adjustments are made. The expected loss on a contract is recognised entirely under operating expense when it becomes reasonably foreseeable, along with an accrual to the provision for expected losses to complete contracts.
Contract work in progress is recognised net of any allowances, expected losses to complete contracts and progress payments and advances relating to contracts in progress. This analysis is performed individually for each contract, recognising the positive difference (work in progress in excess of payments on account, allowance and expected losses to complete contracts) under contract work in progress and the negative difference under "progress billings". If the amount recognised under progress billings is not collected at the preparation date of the annual and/or interim financial statements, a balancing entry is recognised under trade receivables.
Contracts with consideration in a currency other than the functional currency are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate. However, under the company's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged.

Financial instruments
Financial instruments include financial assets and financial liabilities which are classified upon initial recognition based on the reason for which they were purchased. Purchases and sales of financial instruments are recognised on the date the transaction took place, being the date on which the company undertakes to purchase or sell the asset.

Financial assets
Financial assets are initially recognised in one of the following categories:

(i) Loans and receivables: these are non-derivative financial instruments, mainly related to trade receivables, with fixed or determinable payments that are not quoted on an active market. They are included in the current section, except for those which are due after more than twelve months after the reporting date which are therefore included under the non-current section. They are initially recognised at fair value, adjusted to reflect any transaction costs, and subsequently measured at amortised cost using the effective interest method. If there is objective evidence of impairment, the carrying amount of the asset is discounted to the estimated future cash flows. Impairment losses are recognised in profit or loss. If, in subsequent years, the reasons underlying the previous impairment losses no longer exist, the carrying amount of the asset is restored to the extent of the carrying amount that would have been obtained had the impairment not been recognised.

(ii) Available-for-sale financial assets: these are non-derivative financial assets that are designated as available for sale or are not classified under any of the above categories. They are measured at fair value and fair value gains or losses are taken to an equity reserve which is released to profit or loss only when the financial asset is actually sold or, in the case of cumulative losses, when the impairment loss recognised in equity will not be recovered. Classification under current or non-current assets depends on strategic choices about the term of ownership of the asset and its actual trading possibilities. Assets which are expected to be realised within one year of the reporting date are recognised as current assets.

(iii) Financial assets at fair value through profit or loss
This category includes financial assets acquired for the purpose of selling in the short term or designated as such by management, in addition to derivative instruments, in relation to which reference should be made to the paragraph below. The fair value of these instruments is based on the bid price at the reporting date: the fair value of unquoted instruments is determined using generally accepted financial valuation techniques. Fair value gains or losses of the financial instruments included in this category are recognised immediately in profit or loss.
Classification as current or non-current reflects management expectations about trading: they are included under current assets when they are expected to be acquired/sold within twelve months of the reporting date or when they are recognised as held for trading.

(iv) Held-to-maturity investments
These are non-derivative financial assets with fixed maturity that the company has the positive intention and ability to hold to maturity. They are measured at amortised cost, using the effective interest method. They are initially recognised at fair value on the trade date, inclusive of any transaction costs and subsequently classified under current assets when their contractual maturity is within twelve months.
If there is objective evidence of impairment, the carrying amount of the asset is reduced to that of discounted future cash flows: impairment losses identified by means of impairment tests are recognised in profit or loss. If, in subsequent years, the reasons underlying the impairment loss cease to exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised.
Financial assets are derecognised when the company's right to receive cash flows from the instrument no longer exists and the company has transferred all risks and rewards of the instrument and control thereof.

Financial liabilities
Financial liabilities relate to loans, trade payables and other payment obligations. They are initially recognised at fair value, less any transaction costs, and subsequently measured at amortised cost, using the effective interest method. If changes in expected cash flows can be estimated reliably, the carrying amount of loans is recalculated to reflect the change based on the present value of the new expected cash flows and the initially determined internal rate of return. Financial liabilities are classified under current liabilities, unless the company has the unconditional right to defer payment by at least twelve months of the reporting date.

Financial liabilities are derecognised upon settlement and when the company has transferred all the risks and charges related to the instrument.

Derivatives
Derivatives are always classified as assets held for trading and measured at fair value through profit or loss, unless they qualify for hedge accounting and are effective in hedging the underlying assets, liabilities or commitments of the company.
Specifically, the company uses derivatives exclusively as part of its strategies of hedging the risk of fluctuations in the fair value of recognised assets or liabilities or due to contractual commitments (fair value hedges), using the so-called forward instruments which, sometimes, despite a substantial and operating hedging effect, do not qualify for hedge accounting under IAS 39. Specifically, fluctuations in the fair value of these instruments and the related underlying items are recognised immediately in profit or loss, under financial items.

The effectiveness of hedges is documented at the inception of the transaction, as well as periodically at each annual or interim reporting date. Hedge effectiveness is measured by comparing the variations in the fair value of the hedging instrument with those of the hedged item (dollar offset ratio), or, for more complex instruments, using statistical analysis based on risk variations.
Fair value hedges: changes in the fair value of derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, as are changes in the fair value of the underlying assets or liabilities attributable to the risk eliminated by the hedging transaction.
Cash flow hedges: changes in the fair value of derivatives designated as cash flow hedges and which qualify as such are recognised to the extent of the portion determined to be “effective”, in a specific equity reserve (“hedging reserve”). This is subsequently reclassified to profit or loss when the forecast transaction affects profit or losses. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the hedging instrument for which it was agreed is sold or no longer meets the criteria for hedge accounting or the forecast transaction is no longer highly probable, the relevant portion of the “hedging reserve” is released immediately to profit or loss.
Determining the fair value of financial instruments: the fair value of financial instruments quoted on active markets is calculated using the bid price at the reporting date. In the absence of an active market, fair value is calculated based on the prices provided by external operators and using models which are mainly based on objective financial variables considering, where possible, the recent prices of actual transactions and the quotations of similar financial instruments.

Financial assets and financial liabilities carried at fair value are classified based on the three following hierarchy levels which reflect the significance of the inputs used in measuring fair value. Specifically:
- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than the quoted prices referred to in level 1 that may be observed either directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable market data.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits with banks, other highly liquid short-term investments and current account overdrafts (the latter are recognised under current liabilities). They are recognised at fair value.

Equity
Share capital: Share capital is fully subscribed and paid-up. Costs which are strictly related to share issues are recognised as a reduction of share capital, net of any deferred tax effect, if directly attributable to equity transactions.

Treasury shares: they are classified as a decrease in share capital. Profits and losses on the sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Deferred taxes
Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to be enacted when realising assets and settling liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the years the related temporary differences reverse against which the deductible temporary differences can be utilised.

Employee benefits

(i) Post-employment benefits: several pension (or supplementary) schemes are in place. They can be analysed as follows:

- Defined contribution plans under which the company pays fixed contributions into a separate entity (e.g. a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees benefits relating to employee service. Contributions payable to a defined contribution plan are recognised only when employees have rendered service in exchange for such contributions.
- Defined benefit plans whereby the company has an obligation to provide the agreed benefits to current and former employees and bears the actuarial and investment risks of the plan. Consequently, the cost of this plan is not calculated based on the contributions of the year, rather, actuarial and financial assumptions are applied using the projected unit credit method.

Defined benefit plans are recognised using the so-called equity method whereby the actuarial gains and losses of all plans are recognised directly in equity when they take place.
With respect to the classification of costs related to defined benefit plans, current and past service costs and curtailment (where applicable) are recognised under "Personnel expense". Conversely, interest costs, net of the expected return on any plan assets, are classified under "financial interest". Moreover, costs related to defined contribution plans are recognised under "personnel expense".

(ii) Other long-term employee benefits
Some employees are granted several benefits such as, for example, jubilee benefits and seniority bonuses. The accounting treatment is the same as that applied to defined benefit plans, hence the "projected unit credit method" is used and any actuarial gains and losses are recognised immediately and entirely when they arise.

(iii) Termination benefits
Termination benefits are recognised as a liability and an expense when the company is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits do not generate future economic benefits for the company and, accordingly, are immediately expensed.

(iv) Stock grant plans
Stock grant plans are in place for the company's senior management. In this case, the theoretical benefits granted to the relevant parties are recognised in profit or loss for the years covered by the plan, with a balancing entry in equity. These benefits are calculated by measuring the fair value of the relevant instrument using financial valuation techniques which include market conditions, if any, and by adjusting the number of rights which are expected to be granted at each annual or interim reporting date.

Provisions for risks and charges

The provisions for risks and charges are recognised against certain or probable losses and expenses for which the company is uncertain of the timing and/or amount at the reporting date.
Provisions for risks and charges are recognised if, at the reporting date, as a result of a past event, the company has a legal or constructive obligation that will lead to an outflow of resources which can be estimated reliably. The amount recognised as a provision is the best estimate of the discounted outlay required to settle the obligation. The discount rate used reflects current market assessments and the additional effects of the risk specific to the liability.
Risks for which liabilities are only possible are disclosed in a specific section of the notes on commitments and risks. They are not provided for.

Recognition of revenue
Revenue is measured at the fair value of the consideration received or due, net of value added tax, discounts and volume rebates. Revenue also includes work in progress.
Revenue relating to the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods which generally coincides with transfer of title or possession to the buyer, or when the revenue can be measured reliably.
Revenue from the rendering of services is recognised based on the percentage of completion method, provided that it can be estimated reliably.
Revenue from contracts with Italian customers only is recognised under "progress payments and advances from customers" in the statement of financial position and subsequently reversed to profit or loss upon completion of the contract and, hence, of the related work in progress.

Grants
Government grants, including non-monetary grants at fair value, are only recognised when there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received. Grants related to income are recognised on an accruals basis and in direct correlation with costs incurred when their allocation has been formally approved. Grants related to assets are recognised in profit or loss directly in line with the depreciation/amortisation of the assets/projects to which they relate and are recognised as a direct reduction in depreciation/amortisation.

Costs
Costs are recognised if they are pertinent to the company's business and on an accruals basis.

Net financial income/(expense)
Interest income and expense are recognised on an accruals basis using the effective interest method, i.e., at the interest rate that makes all cash inflows and outflows (including any premiums, discounts, commissions, etc.) comprising the transaction financially equivalent. Financial expense is not capitalised under assets as it does not meet the requirements set out in IAS 23 *revised*.

Dividends
Dividends are recognised when the right to receive payment is established. This usually coincides with the shareholders' resolution approving their distribution.
Dividends paid to the shareholders of Ansaldo STS S.p.A. are considered as a change in equity and recognised as a liability in the year in which the distribution was approved by the company's shareholders.

Income taxes
Income taxes are recognised based on an estimate of taxable income in accordance with ruling legislation, taking into account any applicable exemptions and tax assets.
Current taxes are recognised in profit or loss, except for those related to captions that are directly taken to equity or comprehensive income, in which case the tax effect is recognised directly in equity or comprehensive income. They are offset when they are levied by the same taxation authority, there is a legally enforceable right to set off the recognised amounts and settlement on a net basis is expected.

Related party transactions
All related party transactions take place on an arm's length basis.

Other information
As the company owns investments in subsidiaries, it is required to prepare group consolidated financial statements.

New reporting standards (IFRS) and interpretations (IFRIC)
At the preparation date of these financial statements, the EU has endorsed several standards and interpretations which are not yet mandatory and which the company will apply in the next few years. The main changes and potential impacts on the company are as follows:

IFRS - IFRIC		Impacts on the company
Amendment to IAS 19	Defined benefit plans: Employee contributions	The amendment introduces a simplification of the accounting treatment of certain types of contributions to defined benefit plans by employees or third parties. Application of this amendment is not expected to have any significant effect on the company's financial statements. The company will apply these standards starting from 1 January 2015.
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operations	The amendment covers the accounting treatment of acquisitions of interests in joint operations that comprise a business. Application of this amendment is not expected to have any significant effect on the company's financial statements. The company will apply these standards starting from 1 January 2016.
Amendments to IAS 16 and IAS 38	Property, plant and machinery and intangible assets	The amendments clarify that the use of revenue-based methods to calculate the depreciation or amortisation of an asset is not appropriate. The impact on the company of adopting such amendments is currently being analysed. The company will apply these amendments starting from 1 January 2016.
IFRS 9	Financial instruments	This standard significantly amends the accounting treatment of financial instruments and will eventually replace IAS 39. At present, the IASB has amended the requirements for classifying and measuring financial assets currently set out in IAS 39, and has published a document on measuring financial instruments at amortised cost and assess any impairment indicators. However, the competent bodies are still discussing the new general approach to financial instrument and, at present, no adoption date can be determined. The current version of IFRS 9 will be applicable as of 1 January 2015, subject to the EU's endorsement.
IFRS 15	Revenue from contracts with customers	This standard redefines how to recognise revenue, which must be recognised when control of goods or services is transferred to customers, and provides for additional disclosure to be provided. The impact on the company of adopting such standard is currently being analysed. The company will apply these standards starting from 1 January 2017.

4. Significant accounting policies

The most significant accounting policies which require that directors prepare estimates based on a greater degree of subjectivity and for which a change in one of the underlying conditions would have a significant impact on financial statements are described below:

<u>(i) Provisions for risks and expected losses to complete construction contracts:</u> the company operates in extremely complex business units and with complex contractual arrangements which are recognised using the percentage of completion method. Profits or losses recognised in profit or loss reflect contract progress and the profits or losses which will be recognised for the entire contract once it is completed. Consequently, for the purposes of correctly recognising work in progress and profits related to works yet to be completed, management is required to make an accurate estimate of expected losses, expected increases and delays, additional costs and penalties which could have an impact on the expected margin. In order to better assist management's estimates, the company has adopted contract risk management and analysis procedures which identify, monitor and quantify the risks related to contract performance. Carrying amounts reflect management's best estimate at that time, assisted by the above procedural tools. Moreover, the company's business activities cover segments and markets in which disputes (both where the company is claimant and defendant) are generally only settled after a significant time lapse, especially

in cases where the counterparty is a state body. This requires that management predicts the outcome of such disputes which will then be considered in the assessment of the contract. Estimating expected losses entails the assumption of estimates which depend on factors that can change over time and that could have a significant effect on directors' current estimates made to prepare financial statements.

(ii) Impairment losses: the company's assets with an indefinite useful life are tested for impairment at least once each year or more often if there is evidence of impairment. Likewise, all assets showing evidence of impairment are tested, also when depreciation/amortisation has already begun.
Impairment tests are usually performed using the discounted cash flow method; however, this method is considered highly sensitive to the assumptions included in the estimate of future cash flows and of the interest rates applied. For the purposes of these valuations, the company uses the plans approved by company bodies and financial parameters which are in line with those reflecting the current trend of reference markets.

5. Effects of amendments to the ifrs

The company has adopted the following new standards with effect from 1 January 2014.

- IAS 27 Revised (Separate financial statements): the revision of this standard coincided with the approval of IFRS 10, limiting the scope of application to separate financial statements only;
- IAS 32 Amendment (Financial instruments - Presentation): this standard clarifies when financial assets can be offset against financial liabilities;
- IFRS 12 (Disclosure of interests in other entities): this standard requires a wide range of disclosures about an entity's interests, including associates, joint ventures, special purpose vehicles and other unconsolidated vehicles;
- IAS 36 (Recoverable amount disclosures for non-financial assets): this standard requires additional disclosures about the measurement of impaired assets with a recoverable amount based on fair value less costs of disposal.

6. Segment reporting

As a consequence of the organisational changes described in detail in the introduction to the directors' report, geographical segment reporting is as follows:

A breakdown of revenue by geographical segments is as follows:

(€'000)	**2014**	2013
Revenue:		
Italy	137,635	162,756
Rest of Europe	189,129	149,118
North Africa and the Middle East	72,101	21,036
Americas	17,276	13,022
Asia/Pacific	26,710	30,467
Total revenue	**442,851**	**376,399**
Related party revenue:		
Italy	187,830	191,428
Rest of Europe	11,362	19,085
North Africa and the Middle East	22,521	23,970
Americas	160	831
Asia/Pacific	27,171	22,766
Total related party revenue:	**249,044**	**258,080**
Total	**691,895**	**634,479**

Assets are considered based on the area where they are located:

(€'000)	**31 December 2014**	31 December 2013
Assets:		
Italy	77,654	78,747
Rest of Europe	188	171
North Africa and the Middle East	120	50
Americas	61	42
Asia/Pacific	60	50
Total	**78,083**	**79,060**

7. Intangible assets

(€'000)	Development expense	Patent and similar rights	Concessions, licences and trademarks and other similar rights	Other	Assets under development	Total
At 31 December 2013						
Cost	13,299	15,877	4,444	2,999	837	37,456
Grants	(1,210)	-	(9)	-	-	(1,219)
Amortisation and impairment losses	(10,75)	(6,159)	(3,849)	(2,979)	-	(23,737)
Carrying amount	**1,339**	**9,718**	**586**	**20**	**837**	**12,500**
Investments	4,303	178	181	5	1,663	6,330
Transfers from assets under development		651	-	-	(651)	-
Grants	(1,457)	-	-	-	-	(1,457)
Amortisation	(922)	(3,155)	(305)	(8)	-	(4,390)
At 31 December 2014						
Cost	17,602	16,706	4,626	3,022	1,849	43,805
Grants	(2,667)	-	(9)	-	-	(2,676)
Amortisation and impairment losses	(11,672)	(9,315)	(4,154)	(3,005)	-	(28,146)
Carrying amount	**3,263**	**7,392**	**463**	**17**	**1,849**	**12,983**

Intangible assets totalled €12,983 thousand, up by €483 thousand on €12,500 thousand at 31 December 2013.

They can be analysed as follows:

- "Development expense" relates to the Stream project, which was fully amortised in the past few years, and the Satellite and Rail Telecom project to develop satellite technologies. This caption rose €4,303 thousand, gross of the €1,457 thousand grant and amortisation of €922 thousand. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

- "Patent and similar rights" (€7,392 thousand) fell €2,326 thousand, net of accumulated amortisation and transfers from assets under development.
  Specifically, the fall is due to new investments (€178 thousand), amortisation (€3,155 thousand) and prior year assets under development (€651 thousand).
  The increase is due to the purchase of software for functional checks in a simulated environment (€92 thousand) and the development of several technical tools (€86 thousand).
  Transfers from assets under development of €651 thousand refer to the completion and roll out of the Life Cycle Management (LCM), related to the implementation of the new planning and control model project through the integration of SAP / Primavera tools.

- "Concessions, licences and trademarks and other similar rights" (€463 thousand) relate to software licences. Investments of the year amount to €181 thousand and relate to software purchased to support the Insourcing Cyber Security process (€61 thousand) began in 2013 as an outer defence of the IT infrastructure dedicated to protecting company networks, systems and communications from outside attacks, specialist tools to support production (€45 thousand) and "OCS" licences (€76 thousand) as a state-of-the-art company communication tool.
  As a consequence of the grants received, these assets cannot be sold before five years. The carrying amount of concessions, licences, trademarks and other similar rights subject to this limitation amounts to €21 thousand.

- "Other" of €17 thousand, net of accumulated amortisation, decreased €3 thousand following higher amortisation of branch costs

- "Assets under development" (€1,849 thousand) rose by €1,663 thousand and are mainly related to the projects launched as part of a major worldwide reorganisation process (Fast Forward Driven by Business). Specifically, this caption is comprised of the IT AM Tool Allignment to New Organization project (€1,450 thousand), the Strategic SW Configuration Management Global System (SCM) project (€149 thousand) and, finally, the PDM project (€64 thousand). The €651 thousand decrease is related to the transfer from assets under development from previous years related to the LCM project, as mentioned above.

8. Property, plant and equipment

(€'000)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
At 31 December 2013						
Cost	80,432	13,733	10,408	10,300	720	115,594
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(21,257)	(9,894)	(8,346)	(8,074)	-	(47,571)
Carrying amount	**59,003**	**2,954**	**1,656**	**2,226**	**720**	**66,560**
Investments	176	767	828	1,005	7	2,784
Transfers from assets under construction	340	30	-	-	(370)	-
Depreciation	(2,023)	(632)	(806)	(783)	-	(4,244)
At 31 December 2014						
Cost	80,947	14,530	11,237	11,305	358	118,377
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(23,280)	(10,526)	(9,152)	(8,857)	-	(51,815)
Carrying amount	**57,496**	**3,119**	**1,679**	**2,448**	**358**	**65,100**

"Property, plant and equipment", net of accumulated depreciation, amount to €65,100 thousand (31 December 2013: €66,560 thousand).

Specifically:
"Land and buildings" of €57,496 thousand (net of accumulated depreciation and grants) relate to the real estate complex in via Salita della Grotta, Naples (€1,775 thousand), the industrial buildings in Turin and Tito (€7,410 thousand) and the property purchased in via Paolo Mantovani 3/5, Genoa (€48,311 thousand).
The decrease of the year is due to depreciation (€2,023 thousand), new investments (€176 thousand) into the maintenance of the Tito and Turin facilities and transfers from assets under construction of previous years (€340 thousand) related to the completion of the reconstruction of the open space roof at the southern side of the Piossasco facility.

"Plant and machinery" amount to €3,119 thousand, net of accumulated depreciation (31 December 2013: €2,954 thousand). The increase of the year (€767 thousand) is due to depreciation of €632 thousand and the transfers from assets under construction of €30 thousand related to the updating of the smoke alarm and air conditioning system at the Piossasco facility.
The increases of the year are as follows:
- the Tito production unit (€68 thousand) related to bringing the air conditioning system up to regulations, replacing the refrigerator units considering the environmental regulations prohibiting R22 refrigerant gas;
- the Turin office (€689 thousand) relating to bringing the "open space" aeraulic system up to regulations (€264 thousand)

in compliance with the 2008 anti-seismic law, the air conditioning system (€67 thousand), the relayout of the CEPIT laboratory (€221 thousand) and facilities upgrading (€137 thousand);
- the Naples offices (€10 thousand) relating to the new air conditioning system.

“Equipment” (€1,679 thousand) rose as a consequence of investments of the year (€828 thousand) and fell as a result of depreciation (€806 thousand).
Investments relate to:
- the Tito production unit (€481 thousand) for automated testing hardware and software for new products on the standard PXI based platform (€150 thousand), the reconditioning of two FLEXY machines in ATEXI for compatibility with all testing solutions developed in the last two years on the standard ATEXI platform (€132 thousand), the development and building of test hardware for the burn-in testing of the DIVA RACK (€90 thousand) and new equipment (€109 thousand);
- the Genoa offices (€92 thousand) for new tools for laboratory testing, field tests and tests on operating systems at customer premises (€56 thousand), and other production equipment (€36 thousand);
- the Piossasco production unit (€77 thousand) related to the completion and updating of equipment in assemble and roll-out activities for employees working on the acc/ertms/sbb-sst/cbtc systems for the Italian and foreign markets;
- the Naples offices (€178 thousand) related to the development of the Interlocking ACC laboratory in order to reduce on-site interventions to the minimum (€60 thousand) and adapting RAM laboratory equipment for the checking and validating both wayside and on-board products and applications (€118 thousand).

“Other assets” (€2,448 thousand) rose as a consequence of investments of the year (€1,005 thousand). They relate to IT upgrades (€749 thousand) and the purchase of furniture and fittings (€23 thousand). The residual €233 thousand relates to the capitalisation of branch costs. The €783 thousand decrease is due to depreciation of the year.
The historical cost of “Land and buildings”, “Plant and machinery” and “Equipment” is reduced by the grants received pursuant to Law no. 488/92, applications 8 and 11, first and second application of the PIA Innovazione (Integrated Aids Package), totalling €1,462 thousand.
As a consequence, the assets covered by the above grant cannot be sold before five years. The historical cost of these assets is equal to €340 thousand for “Land and buildings”, €2,189 thousand for “Plant and machinery” and €946 thousand for “Equipment”.

“Assets under construction” amount to €358 thousand and increased by €7 thousand due to maintenance work on the Piossasco facility and Genoa offices. The €370 thousand decrease is due to the completion of works on the Piossasco facility, specifically structural works such as the completion of the open space roof on the southern side of the building (€340 thousand) and installation work related to the updating of the smoke alarm and air conditioning systems (€30 thousand).

The company did not enter into any finance leases.

Finally, in 2004, a restriction concerning the use of the company parking lot by third parties was granted in favour of the Municipality of Piossasco (Turin). Based on the above restriction, in 2007, said Municipality approved the zoning of part of the area used as a parking lot, allowing the construction of a company canteen.
The Municipality of Piossasco placed a restriction on such area that the canteen may also be used by third parties.

9. Equity investments

At 31 December 2014, equity investments amounted to €157,482 thousand, up by €11,939 thousand, net, on the previous year.

(€’000)	**31 December 2014**	31 December 2013
Opening balance	**145,543**	**143,961**
Acquisitions/subscriptions and capital increases	11,417	1,485
Sales	(21)	-
Other changes	543	97
Closing balance	**157,482**	**145,543**

The increase is mainly due to the subscription of Metro de Lima linea 2 S.A. (€7,346 thousand) and SPV Linea M4 S.p.A. (€4,064 thousand) shares in connection with the completion of the assigned work.
The table below lists equity investments at 31 December 2014 and provides the additional disclosures required by CONSOB communication no. DEM/6064293 of 28 July 2006:

Name	Registered Office	Type of activity	Reporting date	Accounting standard*	Share Capital (in Euro/000)	Currency	Net equity (in Euro/000)	Profit (Loss) (in Euro/000)	Total assets (in Euro/000)	Total liabilities (in Euro/000)	Investments (%)	Voting Rights (%)	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	Equity accounted investments	€'000
Investments in subsidiaries																		
Alifana S.c.r.l.	Naples (Italy)	Transportation	31.12.2014	ITAGaap	26	EUR	26	-	694	668	65.85%	65.85%	N/A	N/A	N/A	N/A	17	17
Alifana Due S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2014	ITAGaap	26	EUR	26	-	1,965	1,939	53.34%	53.34%	N/A	N/A	N/A	N/A	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	Transportation	31.12.2014	IFRS	426	SEK	24,702	4,871	73,323	48,621	100.00%	100.00%	N/A	N/A	N/A	N/A	24,702	240
Ansaldo STS France S.A.	Les Ulis (France)	Transportation	31.12.2014	IFRS	5,000	EUR	42,395	18,318	238,180	195,785	100.00%	100.00%	N/A	N/A	N/A	N/A	42,395	22,379
Ansaldo STS Ireland LTD	Tralee (Ireland)	Transportation	31.12.2014	IFRS	100	EUR	3,184	-23	3,196	11	100.00%	100.00%	N/A	N/A	N/A	N/A	3,184	1,475
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	Transportation	31.12.2014	IFRS	-	USD	96,760	10,611	164,782	68,021	100.00%	100.00%	N/A	N/A	N/A	N/A	96,760	55,517
Ansaldo STS UK Ltd.	Londra (United Kingdom)	Transportation	31.12.2014	IFRS	1,284	GBP	-9,740	5	1,180	10,920	100.00%	100.00%	N/A	N/A	N/A	N/A	-9,740	-
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	Transportation	31.12.2014	IFRS	3,389	AUD	74,896	15,068	160,309	85,413	100.00%	100.00%	N/A	N/A	N/A	N/A	74,896	25,956
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	Transportation	31.12.2014	IFRS	54,914	INR	476	-5,188	23,305	22,830	0.00%	0.00%	N/A	N/A	N/A	N/A	-	-
Ansaldo STS Deutschland GmbH	Berlino (Germany)	Transportation	31.12.2014	IFRS	26	EUR	1,886	231	10,318	8,433	100.00%	100.00%	N/A	N/A	N/A	N/A	1,886	2,176
KazakhstanTz-AnsaldoSTS Italy LLP	Astana (Kazakhstan)	Transportation	31.12.2014	IFRS	108	KZT	108	-	5,280	5,171	49.00%	49.00%	N/A	N/A	N/A	N/A	53	57
Ansaldo Railway System Trading (Beijing) Ltd	Pechino (China)	Transportation	31.12.2014	IFRS	1,360	CNY	11,253	6,165	27,015	15,762	100.00%	100.00%	N/A	N/A	N/A	N/A	11,253	1,078
Investments in associates																		
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2013	ITAGaap	700	EUR	8,551	3,696	12,866	4,315	49.00%	49.00%	N/A	✓	N/A	N/A	4,190	343
MetroBrescia Srl	Brescia (Italy)	Transportation	31.12.2013	ITAGaap	4,020	EUR	4151	129	27,342	23,191	19.80%	19.80%	N/A	N/A	N/A	✓	822	796
S.P.M4 S.C.p.a.	Milan (Italy)	Transportation	31.12.2013	ITAGaap	360	EUR	360	-	38,530	38,170	16.90%	16.90%	N/A	N/A	N/A	✓	61	61
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2013	ITAGaap	53,300	EUR	56,242	3510	346,590	290,348	24.60%	24.60%	N/A	N/A	N/A	N/A	13,836	13,112
Pegaso S.c.r.l. (in liquidation)	Rome (Italy)	Construction	31.12.2013	ITAGaap	260	EUR	260	-	4,362	4,102	46.87%	46.87%	N/A	✓	N/A	N/A	122	122
Investments in jointly-controlled entities																		
Consorzio SATURNO	Rome (Italy)	Transportation	31.12.2013	ITAGaap	31	EUR	31	-	2,408,862	2,408,831	50.00%	50.00%	N/A	✓	N/A	N/A	16	15
Consorzio ASCOSA QUATTRO	Rome (Italy)	Transportation	31.12.2013	ITAGaap	57	EUR	57	-	62,759	62,702	25.00%	25.00%	N/A	N/A	✓	N/A	14	14
Consorzio San Giorgio Volla Due	Naples (Italy)	Transportation	31.12.2014	ITAGaap	71	EUR	72	-	48,327	48,255	25.00%	25.00%	N/A	N/A	✓	N/A	18	18
Consorzio CRIS	Naples (Italy)	Research	31.12.2013	ITAGaap	2,377	EUR	2,445	-	4,008	1,563	1.00%	1.00%	N/A	N/A	N/A	N/A	24	24
Consorzio COSILA (in Liq.)	Naples (Italy)	Research	31.12.2014	ITAGaap	109	EUR	109	-	109	1	0.92%	0.92%	N/A	N/A	N/A	N/A	1	1
Consorzio ISICT	Genoa (Italy)	Research	31.12.2014	ITAGaap	43	EUR	51	1	264	213	14.29%	14.29%	N/A	N/A	N/A	✓	6	6
Consorzio TRAIN	Rome (Italy)	Transportation	31.12.2014	ITAGaap	120	EUR	1,180	-	44,787	43,607	4.55%	4.55%	N/A	N/A	N/A	✓	54	5
Consorzio San Giorgio Volla	Naples (Italy)	Transportation	31.12.2014	ITAGaap	71	EUR	72	-	6,171	6,099	25.00%	25.00%	N/A	N/A	N/A	N/A	18	18
Consorzio Ferroviario Vesuviano	Naples (Italy)	Transportation	31.12.2014	ITAGaap	153	EUR	155	-	227,885	227,730	25.00%	25.00%	N/A	N/A	N/A	N/A	39	39
Consorzio IRICAV Uno	Rome (Italy)	Transportation	31.12.2013	ITAGaap	520	EUR	520	-	3,469,794	3,469,274	17.44%	17.44%	N/A	N/A	N/A	✓	91	91
MetroB srl	Rome (Italy)	Transportation	31.12.2013	ITAGaap	20,000	EUR	18,504	-909	19,872	1,368	2.47%	2.47%	N/A	N/A	N/A	✓	479	494
Dattilo Scarl	Naples (Italy)	Transportation	31.12.2013	ITAGaap	100	EUR	99	-1	99	-	14.00%	14.00%	N/A	N/A	N/A	✓	14	14
Consorzio MM4	Milan (Italy)	Transportation	31.12.2014	ITAGaap	200	EUR	200	-	24,626	24,426	18.20%	18.20%	N/A	N/A	N/A	✓	36	36
D.I.T.S. srl	Rome (Italy)	Research	31.12.2013	ITAGaap	40	EUR	41	1	135	94	12.00%	12.00%	N/A	N/A	N/A	✓	-	5
Consorzio TOP IN Scarl	Naples (Italy)	Transportation	31.12.2013	ITAGaap	70	EUR	75	-	83	8	5.03%	5.03%	N/A	N/A	N/A	N/A	-	4
Consorzio RadioLabs	Rome (Italy)	Research	31.12.2014	ITAGaap	258	EUR	221	1	2,007	1,786	25.00%	25.00%	N/A	N/A	✓	N/A	41	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transportation	n.a.	ITAGaap	n.a.	EUR	n.a.	n.a.	n.a.	n.a.	5.33%	5.33%	N/A	N/A	N/A	N/A	-	4,064
Consorzio IRICAV Due	Rome (Italy)	Transportation	31.12.2014	ITAGaap	510	EUR	516	-	60,787	60,271	17.05%	17.05%	N/A	N/A	N/A	✓	88	88
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transportation	n.a.	IFRS	n.a.	USD	n.a.	n.a.	n.a.	n.a.	16.90%	16.90%	N/A	N/A	N/A	✓	-	7,346
Other companies																		
I.M. Intermetro S.p.A. in liquidation	Rome (Italy)	Transportation	31.12.2013	ITAGaap	2,461	EUR	2,667	13	158,156	155,489	16.67%	16.67%	N/A	N/A	N/A	✓	445	523
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2013	ITAGaap	150,000	EUR	149,518	-	589,794	440,276	14.00%	14.00%	N/A	N/A	N/A	✓	20,933	21,000
SESAMO Security and Safety Mobility S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2013	ITAGaap	100	EUR	102	1	1,088	986	2.00%	2.00%	N/A	N/A	N/A	N/A	2	2
SIIT S.c.p.a.	Genoa (Italy)	Research	31.12.2013	ITAGaap	600	EUR	607	1	1,091	484	2.30%	2.30%	N/A	N/A	N/A	N/A	14	14
Tram di Firenze S.p.A.	Florence (Italy)	Transportation	31.12.2013	ITAGaap	7,000	EUR	8,724	1,640	75,496	66,772	3.80%	3.80%	N/A	N/A	N/A	N/A	269	266
TOTAL EQUITY INVESTMENTS AT 31.12.2014																		**157,482**

* For some of these investments, Accounting Standard different from IAS/IFRS have been applied. No major adjustments are noted in order to uniform data.

Changes of the year are as follows:
1. a €7,346 thousand increase following the investment in Metro de Lima line 2 S.A., the SPV set up following the awarding of the contract to construct the Lima metro in Peru. The investment is equal to 16.90%;
2. a €4,064 thousand increase, of which €64 thousand was paid to set up the SPV Linea M4 S.p.A., a state-owned company which will build and maintain the Milan metro line M4 and will be responsible for its technical, administrative, economic and financial management. The residual amount of €4,000 thousand was paid at the start of 2015;
3. a €7 thousand increase due to the assignment of shares of the outgoing shareholders of the Saturno consortium (€5 thousand) and the Istituto ICT consortium (€2 thousand);
4. a €543 thousand increase due to the adjustment of carrying amounts of the investments in Ansaldo STS USA Inc, Ansaldo STS France S.A. and Ansaldo STS Australia Pty Ltd following the granting of the 2014 shares as per the "Stock grant plan 2014-2016".

The carrying amount of the investment in Metro C reflects the 38% subscribed quota capital. Consequently, with respect to the carrying amount of the investment equal to €21,000 thousand, the residual portion still unpaid (€12,950 thousand) was recognised under other current liabilities.

Together with the other shareholders, the company undertook to increase the contribution to Metro 5 S.p.A., partly as equity and partly as a shareholder loan. During the year, as described later on, in addition to the above share capital increase, a shareholder loan of €5,768 thousand was disbursed which, together with the total amount of loans granted in the previous year, brings the total loans to €15,816 thousand, including interest.

Metro 5 S.p.A. shares were pledged to guarantee the contractual obligations to the other financial institutions involved in the project financing to build Line 5 of the Milan metro under concession.
The shares of Tram di Firenze were also pledged as agreed with the bodies financing the works. The same guarantee was given on the financing granted to the investee (see note 11 on "Receivables and other non-current assets").

With respect to the measurement of investments in subsidiaries, in accordance with group policies, impairment testing is conducted when annual financial statements are prepared. Each subsidiary is tested by comparing their carrying amount with their recoverable amount, using the discounted cash flow and the multiple methods.
The cash flows used are those generated by company assets, in their present condition, before financial expense and taxes. They include capital expenditure and monetary changes in working capital and exclude cash flows from financing activities, non-recurring events or dividend distribution.
These cash flows are discounted using the WACC (Weighted Average Cost of Capital) method which is calculated based on the Capital Asset Pricing Model. Average WACC at 31 December 2014 (7.19%) was down on that of the previous year (7.90%).
The impairment test carried out at 31 December 2014, on the basis on the Five-year strategic plan (2015-2019) approved by the company's board of directors in early 2015 had a positive outcome, except for the subsidiary Ansaldo STS UK Ltd. As the carrying amount of the investment is already written off (€12,785 thousand), the overall carrying amount of the asset was further reduced by decreasing loan assets by €755 thousand. Consequently, the caption has been reduced by a total of €9,631 thousand, including the impairment loss recognised in prior years.
The British subsidiary was also tested for impairment based on the Five-year strategic plan (2015-2019). No other risks should be reflected in the financial statements, in addition to the above impairment.
The growth rate included in the terminal value was equal to 2% (in line with the previous year). The basic assumptions underlying the projected cash flows for the five-year plans approved by management are described in detail in the directors' report.

The company participates in the foreign joint venture AIASA set up to construct the Thessaloniki metro.
The Ansaldo Honolulu joint venture became operative in 2012. In November 2011, the consortium set up by Ansaldo STS and AnsaldoBreda entered into an agreement with HART (Honolulu Authority for Rapid Transportation) to construct the technological part and the vehicles of the new driverless underground line in Honolulu (Hawaii).
Finally, the company participates in the ArRiyadh New Mobility (ANM) and Nuevo Metro de Lima consortia for the related contracts.

10. Related party assets and liabilities

Related party assets and liabilities at 31 December 2014 and 2013 are shown below:

FINANCIAL ASSETS AT 31 DECEMBER 2014 (€'000)	Loan assets	Trade receivables	Other current financial assets	Total
Parents				
Finmeccanica S.p.A.	-	76	154	**230**
Associates				
International Metro Service S.r.l.	-	105	-	**105**
AnsaldoBreda S.p.A.	-	7,125	92	**7,218**
Selex ES S.p.A.	-	211	-	**211**
Ferrovie dello Stato group	-	64,217	-	**64,217**
MetroBrescia S.r.l.	-	121	-	**121**
S.P. M4	10,709	162	-	**10,871**
Metro 5 S.p.A.	-	5,297	-	**5,297**
Metro 5 LILLA S.r.l.	-	33,419	-	**33,419**
I.M. Intermetro S.p.A.	-	331	-	**331**
Metro Service AS	-	1,434	-	**1,434**
Ansaldo Breda Espana	-	-	-	**-**
Ansaldo Energia S.p.A.	-	-	-	**-**
ENI group	-	11,338	-	**11,338**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	2,216	-	**2,216**
Ansaldo STS Australia PTY Ltd.	-	7,576	-	**7,576**
Ansaldo STS Deutschland GmbH	-	10	-	**10**
Ansaldo STS France S.A.	-	5,244	-	**5,244**
Ansaldo Railway System Trading (Beijing) Ltd	-	50	-	**50**
Kazakhstan TZ Ansaldo STS Italy LLP	-	-	-	**-**
Ansaldo STS UK Ltd.	-	145	-	**145**
Ansaldo STS Ireland LTD	-	0	-	**-**
Balfour Beatty Ansaldo Systems JV SDN BHD	-	40	-	**40**
Ansaldo STS Sweden AB	-	13,056	-	**13,056**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	42	-	**42**
Ansaldo STS Espana S.A.U.	-	4	-	**4**
Ansaldo STS USA Inc.	12,374	3,502	-	**15,876**
Ansaldo STS Canada Inc	-	38	-	**38**
Ansaldo STS USA International CO.	-	355	-	**355**
Ansaldo STS Malaysia SDN BHD	19,079	1,146	-	**20,225**
Alifana Due S.c.r.l.	-	404	-	**404**
Alifana S.c.a.r.l.	-	95	-	**95**
Consortia				
Saturno consortium	-	21,021	-	**21,021**
San Giorgio Volla Due consortium	-	494	4	**498**
San Giorgio Volla consortium	-	1,421	-	**1,421**
Ascosa Quattro consortium	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	7,360	-	**7,360**
MM4 consortium	-	5,192	-	**5,192**
Total	**42,163**	**194,406**	**251**	**236,820**
% of the total corresponding financial statements caption	**60%**	**35%**	**0.5%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2014 (€'000)	**Loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Parents				
Finmeccanica S.p.A.	10,351	850	-	**11,200**
Associates				
Metro Service AS	-	1,390	-	**1,390**
MetroBrescia S.r.l.	-	69	-	**69**
Metro 5	-	-	-	**-**
ENEL group	-	7	-	**7**
Ferrovie dello Stato group	-	933	-	**933**
ENI group	-	6	-	**6**
Metro 5 LILLA S.r.l.	-	-	-	**-**
MetroB S.r.l.	-	-	371	**371**
E-Geos S.p.A.	-	17	-	**17**
Finmeccanica Global Services S.p.A.	-	562	-	**562**
Fata Logistic Systems S.p.A.	-	462	-	**462**
Telespazio S.p.A.	-	-	-	**-**
DRS - RSTA	-	2	-	**2**
Fata S.p.A.	-	82	-	**82**
Pegaso S.c.r.l. in liquidation	-	64	-	**64**
AnsaldoBreda S.p.A.	-	1,954	-	**1,954**
Selex ES S.p.A.	-	44,291	200	**44,491**
Subsidiaries				
Ansaldo STS Australia PTY Ltd.	43,126	524	-	**43,650**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	14	-	**14**
Ansaldo STS Espana S.A.U.	-	-	-	**-**
Ansaldo STS Malaysia SDN BHD	-	3	-	**3**
Ansaldo STS USA Inc.	-	440	-	**440**
Ansaldo STS France S.A.	82,970	7,155	-	**90,125**
Ansaldo STS Ireland LTD	3,180	-	-	**3,180**
Ansaldo Railway System Trading (Beijing) Ltd	-	258	-	**258**
Ansaldo STS UK Ltd.	-	-	-	**-**
Ansaldo STS Transportation Systems India Private Limited	-	893	-	**893**
Ansaldo STS Sweden AB	27,344	-	-	**27,344**
Ansaldo STS Deutschland GmbH	-	476	-	**476**
Ansaldo STS USA International CO.	-	13,280	-	**13,280**
Alifana Due S.c.r.l.	-	395	-	**395**
Alifana S.c.a.r.l.	-	129	3	**132**
Consortia				
Saturno consortium	-	432	5	**437**
CESIT consortium	-	-	-	**-**
CRIS consortium	-	1	-	**1**
MM4 consortium	-	230	-	**230**
San Giorgio Volla Due consortium	-	97	-	**97**
San Giorgio Volla consortium	-	29	8	**36**
Ascosa Quattro consortium	-	132	8	**140**
Ferroviario Vesuviano consortium	-	157	8	**165**
Total	**166,971**	**75,334**	**602**	**242,907**
% of the total corresponding financial statements caption	**99%**	**25%**	**1%**	

FINANCIAL ASSETS AT 31 DECEMBER 2013 (€'000)	Loan assets	Trade receivables	Other current financial assets	Total
Parents				
Finmeccanica S.p.A.	31,093	38	151	**31,282**
Associates				
International Metro Service S.r.l.	-	3,426	-	**3,426**
AnsaldoBreda S.p.A.	-	5,691	-	**5,691**
Selex ES S.p.A.	-	49	-	**49**
Ferrovie dello Stato group	-	46,214	-	**46,214**
MetroBrescia S.r.l.	-	121	-	**121**
S.P. M4	2,918	162	-	**3,080**
Metro 5 S.p.A.	-	2,122	-	**2,122**
Metro 5 LILLA S.r.l.	-	22,942	-	**22,942**
I.M. Intermetro S.p.A.	-	331	-	**331**
Metro Service AS	-	2,715	-	**2,715**
Ansaldo Breda Espana	-	17	-	**17**
Ansaldo Energia S.p.A.	-	96	-	**96**
ENI group	-	17,258	-	**17,258**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	950	-	**950**
Ansaldo STS Australia PTY Ltd.	-	7,192	-	**7,192**
Ansaldo STS Deutschland GmbH	-	1	-	**1**
Ansaldo STS France S.A.	-	1,811	-	**1,811**
Ansaldo Railway System Trading (Beijing) Ltd	-	2,530	-	**2,530**
Kazakhstan TZ Ansaldo STS Italy LLP			-	**0**
Ansaldo STS UK Ltd.	-	140	-	**140**
Ansaldo STS Ireland LTD	-	-	-	**0**
Balfour Beatty Ansaldo Systems JV SDN BHD	-	40	-	**40**
Ansaldo STS Sweden AB	-	12,071	-	**12,071**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	99	-	**99**
Ansaldo STS South Africa PTY LTD	-	2	-	**2**
Ansaldo STS Espana S.A.U.	-	4	-	**4**
Ansaldo STS USA Inc.	43,204	1,296	-	**44,500**
Ansaldo STS Canada Inc	-	9	-	**9**
Ansaldo STS USA International CO.	-	1,311	-	**1,311**
Ansaldo STS Malaysia SDN BHD	6,203	429	-	**6,632**
Alifana Due S.c.r.l.	-	442	-	**442**
Alifana S.c.a.r.l.	-	123	-	**123**
Consortia				
Saturno consortium	-	5,191	1,360	**6,551**
San Giorgio Volla Due consortium	-	2,009	4	**2,013**
San Giorgio Volla consortium	-	1,421	-	**1,421**
Ascosa Quattro consortium	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	14,113	-	**14,113**
MM4 consortium	-	7,356	-	**7,356**
Total	**83,417**	**160,880**	**1,516**	**245,813**
% of the total corresponding financial statements caption	**74%**	**30%**	**3%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2013 (€'000)	Loans and borrowings	Trade payables	Other current financial liabilities	**Total**
Parents				
Finmeccanica S.p.A.	-	268	-	**268**
Associates				
Metro Service AS	-	5,343	-	**5,343**
MetroBrescia S.r.l.	-	27	-	**27**
Metro 5	-	128	-	**128**
ENEL group	-	13	-	**13**
Ferrovie dello Stato group	-	531	-	**531**
ENI group	-	8	-	**8**
Metro 5 LILLA S.r.l.	-	1	-	**1**
MetroB S.r.l.	-	-	371	**371**
E-Geos S.p.A.	-	49	-	**49**
Finmeccanica Global Services S.p.A.	-	578	-	**578**
Fata Logistic Systems S.p.A.	-	339	-	**339**
Telespazio S.p.A.	-	2	-	**2**
DRS - RSTA	-	3	-	**3**
Fata S.p.A.	-	66	-	**66**
Pegaso S.c.r.l. in liquidation	-	134	-	**134**
AnsaldoBreda S.p.A.	-	2,835	33	**2,868**
Selex ES S.p.A.	-	42,619	200	**42,818**
Subsidiaries				
Ansaldo STS Australia PTY Ltd.	53,465	162	-	**53,627**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	13	-	**13**
Ansaldo STS Espana S.A.U.	-	-	-	**-**
Ansaldo STS Malaysia SDN BHD	-	-	-	**-**
Ansaldo STS USA Inc.	-	302	-	**302**
Ansaldo STS France S.A.	41,176	6,156	-	**47,332**
Ansaldo STS Ireland LTD	3,463	-	-	**3,463**
Ansaldo Railway System Trading (Beijing) Ltd	-	86	-	**86**
Ansaldo STS UK Ltd.	-	-	-	**-**
Ansaldo STS Transportation Systems India Private Limited	-	181	-	**181**
Ansaldo STS Sweden AB	24,272	-	-	**24,272**
Ansaldo STS Deutschland GmbH	-	444	-	**444**
Ansaldo STS USA International CO.	-	19,625	-	**19,625**
Alifana Due S.c.r.l.	-	262	-	**262**
Alifana S.c.a.r.l.	-	97	3	**100**
Consortia				
Saturno consortium	-	190	-	**190**
CESIT consortium	-	-	-	**-**
CRIS consortium	-	1	-	**1**
San Giorgio Volla Due consortium	-	124	-	**124**
San Giorgio Volla consortium	-	27	8	**35**
Ascosa Quattro consortium	-	143	8	**150**
Ferroviario Vesuviano consortium	-	475	8	**483**
Total	**122,375**	**81,230**	**630**	**204,235**
% of the total corresponding financial statements caption	**98%**	**26%**	**1.3%**	

Total related party assets amount to €236,820 thousand (31 December 2013: €245,813 thousand). The decrease is mainly attributable to lower loan assets (€42,163 thousand at 31 December 2014; €83,417 thousand at 31 December 2013), following the cancellation of short-term deposits with the parent Finmeccanica. Trade receivables of €194,406 thousand (31 December 2013: €160,880 thousand) increased mainly as a consequence of the amounts due from Ferrovie dello Stato, the Saturno consortium and Metro 5 Lilla S.r.l..

Other current financial assets mainly relate to amounts due from the parent Finmeccanica with respect to the IRES tax asset (€154 thousand) which arose following the claim reimbursement filed as described in the directors' report (section "Management and coordination and related party transactions").

Total related party liabilities amount to €242,907 thousand (31 December 2013: €204,235 thousand). The increase in this caption is mainly attributable to the €44,596 thousand rise in loans and borrowings, mainly due to amounts payable to Finmeccanica S.p.A. and the subsidiary Ansaldo STS France S.A., which were partially offset by the fall in trade payables, down €5,896 thousand, mainly with respect to the subsidiary Ansaldo STS USA International Co..

Other related party liabilities (€602 thousand) decreased by €28 thousand on the previous year.

For additional information about related party transactions, reference should be made to the directors' report (section "Management and coordination and related party transactions") and to note 39 ("Directors', statutory auditors' fees and key managers' remuneration").

11. Loans and receivables and other non-current assets

(€'000)	**31 December 2014**	31 December 2013
Guarantee deposits	915	769
Other	20,087	14,441
Non-current financial assets	**21,002**	**15,210**
Other prepayments - non-current portion	4,457	4,042
Other prepayments - Finmeccanica	16,090	17,700
Other non-current assets	**20,547**	**21,742**

Non-current financial assets at 31 December 2014 amount to €21,002 thousand (31 December 2013: €15,210 thousand). They may be analysed as follows:

- €15,816 thousand related to the shareholder loan (principal of €14,446 thousand and accrued interest of €1,370 thousand) of Metro 5 S.p.A. and Metro 5 Lilla S.r.l. following the agreements to construct the related sections of the Milan metro;
- €2,787 thousand (31 December 2013: €2,303 thousand) related to the advance paid by the partners of the Thessaloniki metro AIASA joint venture which was contracted to construct this metro. The company also participates in the expenses that the joint venture has incurred and will incur to start-up the contract. The advance will be paid as per the agreements which are currently being discussed by the partners;
- €788 thousand (31 December 2013: €218 thousand) related to a loan granted to Tram di Firenze on which a pledge exists in favour of said financing bodies. The same guarantee was used in respect of the investment held therein;
- €373 thousand (31 December 2013: €1,545 thousand) paid as an advance of a non-interest-bearing loan to the associate MetroBrescia S.r.l. to commence operations. The loan was allocated among the quotaholders in proportion to the quotas held;
- €21 thousand paid as an advance to the joint venture Metro Milano Linea 4;
- €182 thousand paid to the MM4 consortium to cover costs incurred before activities began;
- €120 thousand paid as an advance to Ascosa Ferroviaria to cover costs on related projects;
- €915 thousand (31 December 2013: €769 thousand) related to guarantee deposits for premises and areas leased after the opening of work sites.

At 31 December 2014, there are no receivables due after more than five years.
Other non-current assets amount to €20,547 thousand (31 December 2013: €21,742 thousand). They can be analysed as follows:

- €4,457 thousand (31 December 2013: €4,042 thousand) related to prepaid insurance; up €415 thousand on the previous year;
- €16,090 thousand (31 December 2013: €17,700 thousand) related to the deferred income on the "Ansaldo" trademark which fell by €1,610 thousand, with respect to the portion of the year. With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica on 27 December 2005 allowing the latter to use the "Ansaldo" trademark on the market. Against the advance payment of a consideration of €32,213 thousand, which was supported by a specific assessment carried out by an independent party, this contract gives Finmeccanica the exclusive right to use this trademark for twenty years.

12. Inventories

(€'000)	**31 December 2014**	31 December 2013
Raw materials, consumables and supplies	3,584	3,676
Work-in-progress and semi-finished products	6,912	7,261
Finished goods	1,689	1,720
Advances to suppliers	67,837	70,907
Total	**80,022**	**83,564**

Net inventories amount to €80,022 thousand, compared to €83,564 thousand at 31 December 2013.
The €3,542 thousand decrease is mainly due to the fall in advances to suppliers, following the final calculation of specific contracts (€3,070 thousand).
The carrying amount of raw materials fell by €92 thousand on the previous year. They were recognised net of the allowance for write-down (€3,541 thousand; 31 December 2013: €3,818 thousand). The decrease in the allowance (€277 thousand) is due to the accrual recognised in respect of additional obsolete codes (€1,219 thousand) and the €1,496 thousand used in the second half of the year to scrap obsolete codes which could no longer be used.
Third party assets with the company amount to €3 thousand (31 December 2013: €3 thousand), while the company's assets with third parties total €20,239 thousand (31 December 2013: €28,203 thousand).
The company outsourced its warehouse management to the service company, Fata Logistic System (a related party as it belongs to the Finmeccanica group).

13. Contract work in progress and progress payments and advances from customers

(€'000)	**31 December 2014**	31 December 2013
Work in progress (gross)	1,770,457	1,955,089
Progress payments	(1,549,950)	(1,750,344)
Advances from customers	(27,830)	(26,873)
Provision for expected losses to complete contracts	(4,701)	(6,214)
Allowance for write-down	(17,650)	(11,100)
Work-in-progress (net)	**170,326**	**160,558**
Progress payments	(3,854,735)	(3,547,636)
Work-in-progress	3,719,834	3,412,937
Advances from customers	(353,696)	(328,768)
Provision for expected losses to complete contracts	(3,760)	(1,889)
Allowance for write-down	(5,200)	(6,300)
Progress payments and advances from customers (net)	**(497,557)**	**(471,656)**
Work-in-progress, net of progress payments and advances from customers	**(327,231)**	**(311,098)**

Work in progress, net of progress payments and advances from customers, is a negative €327,231 thousand, worsening €16,133 thousand on the €311,098 thousand of the previous year. This is mainly due to advances received from customers during the year. Specifically, an advance was received for the new Riyadh project.

The net balance of work in progress includes net advances of €141,499 thousand (31 December 2013: €141,499 thousand) related to the contracts in Libya, which are currently halted given the well-known events which have affected this country over the past few years, as detailed in the directors' report. The advances amply cover the work carried out to date and not yet invoiced.

The €41,298 thousand decrease is due to the ongoing dispute with the Russian customer Zarubezhstroytechnology (ZST). For additional information, reference should be made to the directors' report (section "Management and coordination and related party transactions").
Finally, as described in the directors' report, these advances more than cover the works performed to date which are yet to be invoiced. As a consequence, at the reporting date, there are no probable risks which would require any accrual.

Net contract work in progress increased from €160,558 thousand at 31 December 2013 to €170,326 thousand at 31 December 2014, while progress payments and advances from customers increased from €471,656 thousand at 31 December 2013 to €497,557 thousand at 31 December 2014. The latter caption includes advances from customers of €381,526 thousand (31 December 2013: €355, 641 thousand).
Specifically, work in progress under assets net of the provision for expected losses amounted to €1,765,756 thousand (31 December 2013: €1,948,875 thousand) and included costs of €1,718,114 thousand (31 December 2013: €2,472,820 thousand) and profit of €249,177 thousand (31 December 2013: €309,241 thousand), gross of final billing.
Work in progress under liabilities net of the provision for expected losses amounted to €3,716,074 thousand (31 December 2013: €3,411,049 thousand) and included costs of €3,591,266 thousand (31 December 2013: €3,095,127 thousand) and profit of €930,684 thousand (31 December 2013: €896,502 thousand), gross of final billing.

Similarly to inventories, contract work in progress and progress payments and advances from customers are shown net of the allowance for write-down which, at 31 December 2014, amounted to €22,850 thousand (31 December 2013: €17,400 thousand).
The allowance for write-down refers to the relevant contracts. Specifically, €17,650 thousand reflects the decrease in "contract work in progress, net" and €5,200 thousand that of "progress payments and advances from customers, net".
This allowance is adequate for the possible liabilities which may arise from critical issues and risks on existing contracts, which were also assessed based on the risk management procedure.
The allowance for write-down covers the following risks:

- contractual risks: penalties for late delivery of contracted works or significant parts thereof at final or interim dates; performance penalties for failure to comply with functional requirements or the specified RAM parameters;
- technological risks.

The above risks are typical of all construction contracts and increase when contracts have a complex contractual structure and a highly technical nature which could give rise to contractual changes or issues at any stage of the contracts, including, sometimes, after the delivery of works and their roll out. Consequently, many risks cease to exist only once the contract is terminated.

Starting from 2012, the provision for expected losses to complete contracts is shown separately. This provision reflects losses not yet incurred but for which a provision was accrued on a prudent basis when the contract budget corresponds to a loss.
The provision refers to the relevant contracts. Specifically, €4,701 thousand (31 December 2013: €6,214 thousand) reflects the decrease in "contract work in progress, net" and €3,760 thousand (31 December 2013: €1,889 thousand) that of "progress payments and advances from customers".

14. Trade receivables and loan assets

	31 December 2014		31 December 2013	
(€'000)	Trade receivables	Loan assets	Trade receivables	Loan assets
Third parties	362,311	28,443	382,692	30,046
Related parties	194,406	42,163	160,880	83,417
Total	**556,717**	**70,606**	**543,572**	**113,463**

Trade receivables amount to €556,717 thousand and are higher than the €543,572 thousand at 31 December 2013. Specifically, related party trade receivables increased €33,526 thousand, due mainly to the amounts due from Rete Ferroviaria Italiana, the Saturno consortium and Metro 5 Lilla.
Trade receivables are shown net of the allowance for impairment of €19,863 thousand (31 December 2013: €17,345 thousand). Of this amount, €882 thousand relates to related parties. The increase of the year is due to the collection risk of receivables. The €4,785 thousand allowance relates to the impairment of the Firema receivable following the latter company's extraordinary administration which began on 2 August 2010, as per the decree of the Ministry of Economic Development.
The company did not factor any receivables without recourse during the year.

Loan assets decreased €42,857 thousand mainly due to the zeroing of the time deposit with the parent Finmeccanica (31 December 2013: €30,000 thousand).
This caption also includes the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya and deposited in a local bank. This amount (€28,443 thousand) is tied up pending the resumption of activities.

15. Financial assets measured at fair value through profit or loss

At 31 December 2014, there are no financial assets measured at fair value through profit or loss.

16. Tax assets and liabilities

	31 December 2014		31 December 2013	
(€'000)	Assets	Liabilities	Assets	Liabilities
Direct taxes	10,793	721	12,013	-
Total	**10,793**	**721**	**12,013**	**-**

Tax assets equalled €10,793 thousand (31 December 2014: €12,013 thousand). The decrease is mainly due to the lower advances paid in June and November, net of taxation of the year.

Tax assets at 31 December 2014 are mainly comprised of foreign tax assets of €6,096 thousand (31 December 2013: €5,913 thousand); a tax credit recognised in December 2012 in connection with the claim for reimbursement pursuant to article 2.1-quater of Decree Law no. 201/2011, related to the smaller IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€3,555 thousand); an IRES tax credit of €70 thousand (31 December 2013: €548 thousand) which refers to the 10% flat rate deduction of the IRAP tax paid in 2006 and 2007 pursuant to Decree Law no. 185/2008 (the so-called Anti-Crisis Decree) and discussed by the Tax authorities with circular 16/E of 14 April 2009 (the reduction is due to the collection of €478 thousand during the year).
Other assets include the IRES tax assets pertaining to 2004 (€154 thousand) for which Finmeccanica has filed a claim for reimbursement.

Tax liabilities related to current IRAP for €146 thousand (31 December 2013: IRAP tax assets of €1,125 thousand) and current IRES for €575 thousand (31 December 2013: IRES tax assets of €826 thousand).

17. Derivatives

Derivative assets and liabilities may be analysed as follows.

(€'000)	**31 December 2014**		31 December 2013	
	Assets	**Liabilities**	Assets	Liabilities
Fair value hedges	8,936	8,627	9,179	8,824
Currency hedges	-	-	-	-
Cash flow hedges	362	167	1,433	118
Currency hedges	-	-	-	-
	9,298	**8,793**	**10,612**	**8,942**

The company uses derivatives to hedge the currency risk (fair value hedges) for subsidiaries. This risk arises from the exposure to cash flows in currencies other than the functional currency. These are back-to-back transactions as the currency risk is hedged by identifying the exposure to the bank issuing the hedging instrument, while recognising a balancing entry with respect to the subsidiary. At 31 December 2014, the fair value of these transactions amounted to €7,417 thousand (31 December 2013: €8,555 thousand). The related effects are netted in financial income and expense.
At 31 December 2014, the company had derivatives hedging foreign currency joint accounts with the aim of hedging the company against year-end currency risk. At the reporting date, these derivatives were recognised under assets and liabilities at €1,519 thousand (31 December 2013: €624 thousand) and €1,210 thousand (31 December 2013: €269 thousand), respectively.
At 31 December 2014, the company had also cash flow hedges relating to the cash flows of the Abu Dhabi, Riyadh Metro and Kolkata Metro contracts.

18. Other current assets

(€'000)	**31 December 2014**	31 December 2013
Prepayments - current portion	7,962	9,556
Grants	15,134	12,342
Employees	1,063	794
Social security institutions	95	73
Other tax assets	23,731	15,858
Other	6,422	8,738
Total third party current assets	**54,407**	**47,360**
Total related party current assets	251	1,516
Total	**54,658**	**48,876**

Other current assets amounted to €54,658 thousand at 31 December 2014 (31 December 2013: €48,876 thousand). The increase is mainly due to grants and tax assets.
At the reporting date, grants amounted to €15,134 thousand (31 December 2013: €12,342 thousand). They can be analysed as follows:

- grants for projects financed by the European Community or the Ministry for education and research (€14,717 thousand);
- grants pursuant to Law no. 488, first application, PIA (€69 thousand);
- grants related to assets pursuant to Law no. 488, eleventh application, 2001 (€226 thousand);
- grants related to assets pursuant to Law no. 488, second application, PIA (€122 thousand).

For additional information reference should be made to the "Research and development" section of the directors' report.

Other tax assets amount to €23,731 thousand (31 December 2013: €15,858 thousand) and are mainly related to the VAT credit in Italy for €14,743 thousand and the branches for €8,808 thousand, and a receivable for undeducted VAT on the use of vehicles, reimbursement of which was claimed for €89 thousand.

Prepayments amount to €7,962 thousand (31 December 2013: €9,556 thousand) and mainly relate to insurance premiums pertaining to subsequent years (€2,556 thousand), fees on sureties paid early (€2,947 thousand) and the current portion (€1,610 thousand) to purchase the right to use the "Ansaldo" trademark.

19. Cash and cash equivalents

(€'000)	**31 December 2014**	31 December 2013
Cash-in-hand	49	48
Bank accounts	179,332	94,257
Total	**179,381**	**94,305**

The balance is made up of cash-in-hand and bank account balances.

Moreover, it includes the advances (€3,034 thousand) received from the customer Iricav Uno consortium through the investee Pegaso S.c.r.l., which constructs the high-speed railway Rome-Naples section on behalf of the company (31 December 2013: €3,490 thousand) and advances of €154 thousand (31 December 2013: €154 thousand) received from the customer Metro Campania NordEst through the Alifana Due consortium which constructs the Piscinola-Aversa railway section on behalf of the company. These advances are allocated to specific current accounts held by the company which are used exclusively to support the future costs of the works to be performed by the company.

20. Equity

At 31 December 2014, equity amounted to €354,961 thousand, up by a net €11,495 thousand on 31 December 2013 (€343,466 thousand).
The increase is mainly due to the profit for the year (€32,728 thousand), the dividend distribution related to 2013 (€28,800 thousand) and the decrease in the translation reserve (€5,097 thousand).

Equity can be analysed as follows:

Share capital

(€'000)	No. of shares	Nominal amount	Treasury shares	Total
31 December 2009	**100,000,000**	**50,000,000**	**(806,054)**	**49,193,946**
Bonus issue of 5 July 2010 as per the minutes of the extraordinary shareholders' meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	513,643	513,643
31 December 2010	**120,000,000**	**60,000,000**	**(292,411)**	**59,707,589**
Bonus issue on 4 July 2011 as per the minutes of the extraordinary shareholders' meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	290,586	290,586
31 December 2011	**140,000,000**	**70,000,000**	**(1,825)**	**69,998,175**
Bonus issue of 9 July 2012 as per the minutes of the extraordinary shareholders' meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	133	133
31 December 2012	**160,000,000**	**80,000,000**	**(1,692)**	**79,998,308**
Bonus issue of 15 July 2013 as per the minutes of the extraordinary shareholders' meeting of 23 April 2010	20,000,000	10,000,000	114	10,000,114
31 December 2013	**180,000,000**	**90,000,000**	**(1,578)**	**89,998,422**
Bonus issue of 14 July 2014 as per the minutes of the extraordinary shareholders' meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	876	876
31 December 2014	**200,000,000**	**100,000,000**	**(702)**	**99,999,298**

The fully paid-up share capital amounts to €100,000,000 and is comprised of 200,000,000 ordinary shares with a nominal amount of €0.50 each. On 14 July 2014, as resolved by the shareholders in their extraordinary meeting of 23 April 2010, the company carried out the fifth and last instalment of the bonus issue (€10,000,000), issuing 20,000,000 ordinary shares with a nominal amount of €0.50 each.

During the above meeting, pursuant to article 2442 of the Italian Civil Code, the shareholders approved a bonus issue of €50,000,000, to be carried out using available reserves: specifically €47,678,624.34 from the "Capital injection" reserve, which will be consequently zeroed, and €2,321,375.66 from the reserve for "Negative goodwill" which will be decreased by the same amount. The share capital increase was completed with the issue of 100,000,000 ordinary shares of a nominal amount of €0.50 each, in five equal instalments of €10,000,000 each, consisting of 20,000,000 newly-issued ordinary shares with a nominal amount of €10,000,000 each.

Treasury shares are equal to €0.7 thousand and relate to the 1,405 residual shares following the completion of the process to purchase and grant shares to the company managers who are part of the Stock Grant Plan ("SGP").

At 31 December 2014, share capital was as follows:

Shareholder	% held
FINMECCANICA S.p.A.	40.066
NORGES BANK	2.050
Other shareholders with an investment of less than 2%	57.884

Retained earnings, including the profit for the year

(€'000)	Retained earnings	Profit for the year	Total
31 December 2013	**125,476**	**32,175**	**157,651**
Allocation of profit for the year:			
- dividends	-	(28,800)	(28,800)
- legal reserve	-	-	-
- reserve for legal reserve adjustments	-	-	-
- retained earnings	3,375	(3,375)	-
Profit for the year	-	32,728	32,728
31 December 2014	**128,851**	**32,728**	**161,579**

Retained earnings, including the profit for the year, may be analysed as follows:

- "Retained earnings" rose from €125,476 thousand at 31 December 2013 to €128,851 thousand at 31 December 2014, following the decision of the shareholders who approved the 2013 financial statements, to allocate €3,375 thousand of the profit thereto;
- the profit for the year of €32,728 thousand (€32,175 thousand in 2013).

Other reserves

(€'000)	Legal reserve	Reserve for legal reserve adjustments	Negative goodwill	Reserve as per Law no. 413/91	Reserve as per Law no. 488/92, second application, PIA	Reserve for 50% grant as per article 55 of Law no. 219/81 TUIR (Consolidated income tax act)	Reserve as per Law no. 488/92, first application, PIA	Stock grant reserve	Deferred tax reserve	Hedging reserve	Capital injections	Coverage of losses	Actuarial gains and losses on Italian post-employment benefits	Translation reserve	Total
31 December 2013	**18.000**	**2.000**	**69.537**	**832**	**145**	**209**	**854**	**2.523**	**(76)**	**757**	**7.679**	**37**	**(480)**	**(6.201)**	**95.816**
Stock grant plans:															
- 2014 Stock grant plan allocation - ASTS	-	-	-	-	-	-	-	1,383	-	-	-	-	-	-	1,383
- Stock grant plan disbursement	-	-	-	-	-	-	-		-	-	-	-	-	-	-
- SGP reserve - other companies	-	-	-	-	-	-	-	543	-	-	-	-	-	-	543
Other changes:															
- actuarial losses on 2014 Italian post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	(2,281)	-	(2,281)
- transfer of the reserve for legal reserve adjustments following the fifth instalment of the share capital increase	2,000	(2,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
- allocation of available reserves to share capital	-	-	(2,321)	-	-	-	-	-	-	-	(7,679)	-	-	-	(10,000)
- deferred taxes on equity items	-	-	-	-	-	-	-	-	213	-	-	-	-	-	213
- hedging	-	-	-	-	-	-	-	-	-	2,612	-	-	-	-	2,612
- foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	5,097	5,097
31 December 2014	**20,000**	**-**	**67,216**	**832**	**145**	**209**	**854**	**4,449**	**137**	**3,369**	**-**	**37**	**(2,761)**	**(1,104)**	**93,383**

The **legal reserve** amounts to €20,000 thousand (31 December 2013: €18,000 thousand). The €2,000 thousand increase is a consequence of the shareholders' decision taken during their meeting of April 2010 to increase share capital by €50,000 thousand in five equal annual instalments in order to ensure that this reserve is always equal to 20% of share capital. The reserve for legal reserve adjustments is converted automatically into a legal reserve when the bonus issue becomes effective. During the year, as resolved by the shareholders, following the fifth and last instalment of the share capital increase, €2,000 thousand was transferred from the reserve for legal reserve adjustments to the legal reserve.

The **reserve for legal reserve adjustments** was fully used. It was set up in 2010 for an amount of €10,000 thousand when approving the 2009 financial statements and the bonus issue. Based on the above resolution, on 14 July 2014, following the €10,000 thousand bonus issue, the legal reserve was adjusted to 20% of share capital using €2,000 thousand of the reserve for adjustment.

Negative goodwill recognised at €69,538 thousand in the 2009 financial statements amounted to €67,216 thousand at 31 December 2014. Following the last instalment of the bonus issue, after having fully used the reserve for capital injections (€7,679 thousand), the company used the remaining part of negative goodwill (€2,321 thousand) in 2014.

Of this amount, €83,237 thousand arose from the merger of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari on 1 January 2009, specifically:
- €93,094 thousand representing the difference between the carrying amounts of the investments in Ansaldo Segnalamento Ferroviario (€76,298 thousand), wholly owned by Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Trasporti Sistemi Ferroviari (€38,123 thousand), wholly owned by Ansaldo STS, and the equity of the merged companies;
- €9,857 thousand reflecting the elimination of net goodwill included in the financial statements of Ansaldo Segnalamento Ferroviario S.p.A. (€1,825 thousand at 31 December 2008) and Ansaldo Trasporti Sistemi Ferroviari S.p.A. (€12,687 thousand at 31 December 2008), net of deferred taxes of €4,655 thousand. The above goodwill was eliminated as it pertained to prior year infragroup non-recurring transactions; specifically: Ansaldo Segnalamento Ferroviario residual goodwill of €1,825 thousand relates to the contribution of the "Signalling" business unit by Ansaldo Trasporti S.p.A. in 1996 and Ansaldo Trasporti Sistemi Ferroviari's residual amount (€12,687 thousand) refers to the contribution of the "Systems" business unit by Ansaldo Trasporti S.p.A. in 2001.

Furthermore, the balance was also affected by the following transactions:
- €13,649 thousand relating to goodwill arising from the merger of Ansaldo Signal N.V. in liquidation which took place on 1 October 2009. It arises from the elimination of the investment in Ansaldo Signal N.V. in liquidation (€21,946 thousand), which was wholly owned by Ansaldo STS S.p.A.;
- €50 thousand was used following the reclassification of the 2005 costs for the share capital increase. The amount was reclassified by allocating the above costs to an available equity reserve as permitted by IAS 32.

The **revaluation reserve as per Law no. 413/91** amounts to €832 thousand. It was already present in Ansaldo Segnalamento Ferroviario S.p.A.'s equity and, therefore, was recognised in Ansaldo STS S.p.A. following the merger, as it was taxable on distribution.

The **reserve as per Law no. 488/92 second application, PIA**, amounted to €145 thousand. It was already present in Ansaldo Segnalamento Ferroviario's equity and, therefore, was recognised in Ansaldo STS S.p.A. after the merger. This reserve, which was set up as resolved by the shareholders during the meeting called to approve the 2006 financial statements, is subject to the limitations established by the temporary licence decree issued by the Ministry of Production Activities on the second application, PIA, in accordance with the above law.

The **reserve for Ministerial grants as per Law no. 219/81** amounts to €209 thousand. It was already present in Ansaldo Segnalamento Ferroviario's equity and, therefore, was recognised in Ansaldo STS S.p.A. after the merger, as it was taxable on distribution. This reserve became unavailable when the company received the grants related to assets in prior years.

The **reserve as per Law no. 488/92 first application, PIA**, amounts to €854 thousand. It was already present in Ansaldo Segnalamento Ferroviario S.p.A.'s equity and, therefore, was recognised in Ansaldo STS S.p.A. after the merger. This reserve, which was set up as resolved by the shareholders during the meeting called to approve the 2004 financial statements, is subject to the limitations established by the temporary licence decree issued by the Ministry of Production Activities on the first application, PIA, in accordance with the above law.

The **stock grant reserve** amounts to €4,449 thousand (31 December 2013: €2,523 thousand). It was set up in 2007 following Ansaldo STS board of directors' approval of the Stock Grant Plan (SGP) under which Ansaldo STS shares are awarded to "strategic" and "key" resources and managers with a high potential upon reaching the agreed targets. For additional information, reference should be made to the section on "Human resources and organisation" in the directors' report.
The increase (€1,926 thousand) is attributable to the shares related to 2014 vesting conditions (2014-2016 plan) recognised at the grant date (€8,061 per share at 17 February 2014). Following the bonus issue of 14 July 2014, the unit value was re-calculated as €7.2549 per share.

The **deferred tax reserve** amounts to €137 thousand (31 December 2013: -€76 thousand). Changes therein may be analysed as follows:
- deferred taxes on the 2014 actuarial gains on Italian post-employment benefits (€627 thousand), to be allocated to the specific reserve using the equity method;
- deferred taxes on the cash flow hedges recognised in equity during the year (-€718 thousand);
- deferred taxes on the translation reserve on the financial statements of the branches (€304 thousand).

The **hedging reserve** amounts to €3,369 thousand and rose by a net €2,612 thousand as a result of the individual transactions performed (the related tax effect of -€718 thousand is recognised in the "Deferred tax reserve").

The **reserve for capital injections** was fully used during the year.
It was set up in 2006 following the capital injection received from the parent Finmeccanica.
The €7,679 thousand decrease refers to the shareholders' approval of the 2009 financial statements and the bonus issue. In their meeting, the shareholders decided to allocate the entire reserve for "capital injections" and that for "negative goodwill" (€2,321 thousand) to the bonus issue. On 14 July 2014, following the issue of the fifth and last instalment of the bonus issue, €7,679 thousand of the reserve for capital injections was allocated to share capital.

The **actuarial reserve for defined benefit plans** amounts to -€2,761 thousand. It changed following application of the equity method to actuarial gains/losses on Italian post-employment benefits. During the year, it decreased as a consequence of the actuarial loss of €2,281 thousand, as per the actuarial appraisal of Italian post-employment benefits at 31 December 2014 (the related tax effect of €627 thousand is recognised under the "Deferred tax reserve").

The **translation reserve** amounts to -€1,104 thousand. It decreased during the year and includes the exchange rate differences which arose from the translation of the financial statements of foreign branches, prepared in a currency other than the company's presentation currency.

The table below shows the origin, possible use, distribution and actual use of reserves in the past three years.

				Use in 2013		Use in 2012		Use in 2011	
	Amount	Possible use	Available portion	to cover losses	other reasons	to cover losses	other reasons	to cover losses	other reasons
Share capital									
Outstanding shares	100,000	-	-	-	-	-	-	-	-
Treasury shares	- 1	-	-	-	-	-	-	-	-
Equity-related reserves:									
Revaluation reserve as per Law no. 413/91	832	A - B - C	832	-	-	-	-	-	-
Capital injections	-	A - B	-	-	10,000	-	10,000	-	10,000
Coverage of losses	37	B	-	-	-	-	-	-	-
Negative goodwill	67,216	A - B - C	67,216	-	-	-	-	-	-
Income-related reserves:									
Legal reserve	20,000	B	-	-	-	-	-	-	-
Reserve for Ministerial grants as per Law no. 219/81 article 55 of the Consolidated income tax act	209	A - B - C	209	-	-	-	-	-	-
Reserve as per Law no. 488/92, application 1, PIA, 2003	854	A - B - C	854	-	-	-	-	-	-
Reserve as per Law no. 488/92, application 2, PIA	145	A - B - C	145	-	-	-	-	-	-
Stock grant reserve:									
- allocation	4,625	B	-	-	-	-	-	-	-
- disbursement	- 176	n.a.	-	-	-	-	-	-	-
Translation reserve	- 1,104	n.a.	-	-	-	-	-	-	-
Hedging reserve	3,369		-	-	-	-	-	-	-
Reserve for actuarial gains/losses (IAS 19)	- 2,761	n.a.	-	-	-	-	-	-	-
Deferred tax reserve	137	n.a.	-	-	-	-	-	-	-
Retained earnings	128,851	A - B - C	128,851	-	-	-	-	-	-
Total	**322,233**	**-**	**198,107**	**-**	**10,000**	**-**	**10,000**	**-**	**10,000**
Undistributable portion	-	-	3,262	-	-	-	-	-	-
Residual distributable portion	-	-	194,845	-	-	-	-	-	-

Key:
A: for share capital increase
B: to cover losses
C: dividends

21. Loans and borrowings

	31 December 2014			31 December 2013		
(€'000)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank loans and borrowings	33	-	33	89	-	89
Other loans and borrowings	1,940	-	1,940	2,375	-	2,375
Total loans and borrowings	**1,973**	**-**	**1,973**	**2,464**	**-**	**2,464**
Related party loans and borrowings	166,971	-	166,971	122,375	-	122,375
Total	**168,944**	**-**	**168,944**	**124,839**	**-**	**124,839**

Total loans and borrowings amount to €1,973 thousand at 31 December 2014. They may be analysed as follows:

- a temporary current account overdraft of €33 thousand;
- amounts (€1,940 thousand) related to companies part of joint ventures for which Ansaldo STS is contractor.

Loans and borrowings may be analysed as follows

(€'000)	**31 December 2013**	**Increases**	**Decreases**	**31 December 2014**
Bank loans and borrowings	89	33	89	33
Other loans and borrowings	2,375	1,940	2,375	1,940
Total	**2,464**	**1,973**	**2,464**	**1,973**

At 31 December 2014, the company's credit line amounted to €56,000 thousand and is to be used mainly for overdrafts.

Financial position

The following disclosure is presented in accordance with the format required by CONSOB communication no. DEM/6064293 of 28 July 2006.

(€'000)	**31 December 2014**	31 December 2013
Cash-in-hand	49	48
Bank accounts	179,332	94,257
Cash and cash equivalents	**179,381**	**94,305**
Third party loan assets	28,443	30,046
Related party loan assets	42,163	83,417
Current loan assets	**70,606**	**113,464**
Current bank loans and borrowings	33	89
Current portion of non-current loans and borrowings		
Other current loans and borrowings	168,911	124,750
Current financial debt	**168,944**	**124,839**
Net financial position	**(81,043)**	**(82,929)**

There are no collateral on the company's assets.

22. Provisions for risks and charges and contingent liabilities

(€'000)	Disputes with employees	Completed contracts	Other	Total
At 1 January 2013	**519**	**350**	**4,700**	**5,569**
Accruals	45	400	400	845
Utilisation	-	350	76	426
Releases	-	-	-	-
Other changes	-	-	-	-
At 31 December 2013	**564**	**400**	**5,024**	**5,988**
Broken down as follows:				
Current	564	400	5,024	5,988
Non-current	-	-	-	-
	564	**400**	**5,024**	**5,988**
At 1 January 2014	**564**	**400**	**5,024**	**5,988**
Accruals	100	250		350
Utilisation	43	251	857	1,151
Releases	182	-	3,154	3,336
Other changes	-	-	-	-
At 31 December 2014	**439**	**399**	**1,013**	**1,851**
Broken down as follows:				
Current	439	399	1,013	1,851
Non-current	-	-	-	-
	439	**399**	**1,013**	**1,851**

At 31 December 2014, the provision for risks and charges reflects probable and quantifiable risks in accordance with relevant accounting principles.

They amount to €1,851 thousand (31 December 2013: €5,988 thousand). Specifically:

- the provision for disputes with employees reflects the assessment of disputes with a probably unfavourable outcome for the company. In 2014, €43 thousand of this provision was used for disputes that were resolved during the year and €182 thousand was absorbed for positions no longer considered at risk. The accrual related to the estimation of new situations arisen in 2014;
- the provision for completed contracts was accrued in respect of contractually mandatory obligations to update product technologies and documentation and implement changes to equipment and facilities related to completed contracts. In 2014, this provision was used for €251 thousand, accruing €250 thousand for future works;
- other provisions cover minor disputes currently underway (€1,013 thousand) and the dispute with Azienda Consorziale Trasporti Trieste, now "AMT" (€3,998 thousand), as described in the section on "Disputes". €13 thousand was used to settle minor disputes during the year, while the residual amount was deemed adequate to cover probable risks at the reporting date.

23. Employee benefits

Italian post-employment benefits can be analysed as follows:

(€'000)	**31 December 2014**	31 December 2013
Italian post-employment benefits	20,120	18,348
Defined benefit pension plans	-	-
Other provisions for personnel	-	-
Total	**20,120**	**18,348**

Pursuant to article 2120 of the Italian Civil Code, Italian post-employment benefits provide for the payment of the amount accrued by employees until the date they leave the company.
Law no. 296 (2007 Finance act) of 27 December 2006 and the subsequent decrees and regulations issued in early 2007 as part of the reform of supplementary pension, considerably changed the structure of Italian post-employment benefits and for companies with more than 50 employees, post-employment benefits accrued after the date of the reform must be transferred to supplementary pension schemes or the Treasury funds managed by INPS (the Italian social security institute).
The tables below show changes in the Italian post-employment benefits and the amounts recognised in profit or loss:

(€'000)	**31 December 2014**	31 December 2013
Opening balance	**18,348**	**19,263**
Current service costs	269	238
Interest expense	447	511
Actuarial (gains)/losses taken to equity	2,281	(925)
of which:		
Actuarial gains/(losses) taken to equity following changes to financial assumptions	2,239	(900)
Actuarial gains/(losses) taken to equity following experience-based adjustments	42	(25)
Other changes	-	-
Benefits paid	(1,225)	(739)
Intra-group transfers	-	-
Other changes	-	-
Closing balance	**20,120**	**18,348**

	Italian post-employment benefits	
(€'000)	**31 December 2014**	31 December 2013
Current service costs	269	238
	-	-
Personnel expense	**269**	**238**
Interest expense	447	511
Total	**716**	**749**

The following main actuarial assumptions were used in measuring Italian post-employment benefits at year end:

	Italian post-employment benefits	
(€'000)	**31 December 2014**	31 December 2013
Discount rate	1.75%	2.91%
Salary increase rate	N.A.	N.A.
Turnover rate	2.09% - 5.69%	2.09% - 5.69%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the value of obligations:

	Italian post-employment benefits	
(€'000)	**-0.25%**	**0.25%**
Discount rate (p.a.)	20,562	19,702
Inflation rate	19,809	20,505
Annual turnover rate	20,121	20,118

The average term of the Italian post-employment benefits is equal to 12 years.

24. Other current and non-current liabilities

	Non-current		Current	
(€'000)	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
Employees	3,442	3,059	21,362	14,594
Supplementary pension schemes and INPS Treasury fund	-	-	1,099	1,081
Amounts due to social security institutions	-	-	8,460	7,786
R&D grants	-	-	8,097	6,957
Other tax liabilities	-	-	3,172	3,115
Deferred income	-	-	113	928
Other	-	-	18,272	13,943
Total other current and non-current third party liabilities	**3,442**	**3,059**	**60,575**	**48,403**
Total other related party liabilities	-	-	602	630
Total	**3,442**	**3,059**	**61,177**	**49,033**

Other non-current liabilities relate to other long-term benefits (employees' jubilee bonuses).

The following main actuarial assumptions were used in measurements at year end:

	Long-term benefits	
(€'000)	**31 December 2014**	31 December 2013
Discount rate (p.a.)	1.75%	2.91%
Salary increase rate	2.47% - 3.58%	2.47% - 3.58%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%

Other current liabilities amount to €61,177 thousand, compared to €49,033 thousand at 31 December 2013. The increase (€12,144 thousand) is mainly due to the increase in payables to employees (€6,768 thousand) and in "other" which mainly related to the subscription of the share capital of the SPV Linea M4 S.p.A. (€4,000 thousand) resolved on 19 December 2014 and paid in at the start of 2015.
Other includes the residual unpaid 62% of the subscribed share capital of Metro C S.c.p.A. (€12,950 thousand).
Other tax liabilities of €3,172 thousand mainly relate to withholding taxes on employees' remuneration to be paid as withholding agent.

25. Trade payables

(€'000)	**31 December 2014**	31 December 2013
Trade payables	227,117	232,583
Total trade payables	**227,117**	**232,583**
Related party trade payables	75,334	81,230
Total	**302,451**	**313,813**

Total trade payables fell from €313,813 thousand at 31 December 2013 to €302,451 thousand at 31 December 2014. The decrease is attributable to third party trade payables (€5,466 thousand) and related party trade payables (€5,896 thousand).

The decrease in third party trade payables is mainly due to suppliers with whom back-to-back contracts were entered into in respect of the credit position with the end customer of the Naples metro Line 6 projects.
The decrease in related party trade payables is attributable to the subsidiary Ansaldo STS USA Inc. and the Danish company Metro Service A/S.

As in 2013, no maturity factoring transactions were completed during the year.
This tool enables the company's suppliers to carry out factoring transactions which entail the transfer and collection of amounts due from the company for the supply of goods and/or services, allowing the company to further extend settlement of trade payables, bearing the related interest.

There are no trade payables due after five years.

26. Leases, guarantees and other commitments

Leases
The company is party to certain operating leases mainly for use of properties, IT equipment and cars. Minimum future non-cancellable repayments related to operating leases amount to €1,716 thousand for properties and IT equipment (31 December 2013: €3,849 thousand) and €423 thousand for cars (31 December 2013: €1,639 thousand).
They may be analysed as follows:

	31 December 2014		31 December 2013	
(€'000)	**Operating leases**	**Finance leases**	Operating leases	Finance leases
Within one year	1,367	-	2,459	-
Between two and five years	772	-	3,029	-
After five years	-	-	-	-
Total	**2,139**	**-**	**5,488**	**-**

Reference should be made to note 30 for detailed information about the amounts recognised in profit or loss in respect of operating leases of properties, IT equipment and cars.
Operating leases of properties mainly relate to the Naples offices and were entered into with the related company AnsaldoBreda, as the lessor. The property houses the company's administrative and branch offices.

Car leases, which usually have a four-year term, provide for price revisions based on the consumer price index, motor third-party insurance increases, car registration tax increases and price increases as per car manufacturers' official price lists.

Guarantees and other commitments

The company had the following guarantees at 31 December 2014:

(€'000)	31 December 2014	31 December 2013
Sureties issued by the parent (FNM) to ASTS customers	1,449,332	896,773
Sureties issued by ASTS and banks and insurance companies to third party customers on behalf of subsidiaries	1,073,213	1,012,226
Sureties issued by banks and insurance companies to third party customers	1,508,872	1,296,075
Total	**4,031,417**	**3,205,074**
Guarantees received	526,856	202,056
Guarantees received from related parties	983,244	955,301
Total	**1,510,100**	**1,157,357**
Total	**5,541,517**	**4,362,431**

Guarantees given total €4,031,417 thousand (31 December 2013: €3,205,074 thousand). They are mainly comprised of bank/insurance and company sureties given to Italian and foreign customers to guarantee participation in tenders, proper fulfilment of contracts and orders, advances and early payments of guarantees received from customers.

The increase on the previous year is mainly due to the new guarantees given for new orders, including the issue of guarantees for the Riyadh Metro, Lima Metro and Aarhus projects.

At 31 December 2014, the company has parent company guarantees issued by the parent Finmeccanica (€1,198,702 thousand) to foreign customers and bank guarantees granted on credit lines of the parent FNM (€250,630 thousand). The balance includes the guarantee for the Honolulu project (USD 194 million). The increase in such guarantees is mainly due to the release of a parent company guarantee by the parent Finmeccanica to Bombardier Transportation UK as part of the Riyadh Metro project (€560,000 thousand).

Sureties issued by ASTS and banks and insurance companies to third party customers on behalf of subsidiaries amount to €1,073,212 thousand and are comprised as follows:

- €838,582 thousand related to parent company guarantees and bank guarantees applicable to the company's credit lines, given in favour of customers on behalf of subsidiaries;
- €234,630 thousand related to counter guarantees for the use of the company's credit lines, given in favour of subsidiaries.

Sureties issued by banks and insurance companies to third parties (€1,508,872 at 31 December 2014) include the counter guarantees given in favour of banks for the relevant portion of sureties in the scope of contracts agreed as member of consortia and joint ventures of €280,879 thousand (mainly in relation to the High-speed project).

Guarantees received by the company total €1,510,100 thousand (31 December 2013: €1,157,357 thousand). They can be analysed as follows:

- €526,856 thousand related to guarantees given by the company's suppliers or subcontractors for the proper fulfilment of tenders and orders, advances and early payments of guarantees by the company;
- €983,244 thousand related to company guarantees given by subsidiaries and related parties.

During the year, the company carried out direct negotiations with banks to obtain credit lines of approximately €450,000 thousand. Part of this amount (about €33,000 thousand) was allocated to Ansaldo STS group companies.

At 31 December 2014, the company's credit lines for current account overdrafts totalled €56,000 thousand.

Purchase and sale commitments

At 31 December 2014, the following purchase and sale commitments were in place:

(€'000)	**31 December 2014**	31 December 2013
Third party customers order backlog	4,391,089	3,962,833
Related party customers order backlog	769,034	581,360
Third party suppliers order backlog	882,671	962,747
Related party suppliers order backlog	382,124	389,667
Total	**6,424,918**	**5,896,606**

These amounts include commitments to purchase property, plant and equipment and intangible assets of €3,543 thousand and €584 thousand, respectively.

27. Related party transactions

The impact of related party transactions on profit or loss for 2014 and 2013 is shown below:

2014 (€'000)	Revenue	Other operating income	Expense	Recovery of expense	Other operating expense	Financial income	Financial expense
Parent							
FINMECCANICA S.p.A.	-	-	4,649	-	35	60	37
Associates							
International Metro Service S.r.l.	-	21	-	-	-	2,450	-
S.P. M4	-	-	-	-	-	400	-
Metro 5 S.p.A.	2,639	613	65	-	-	-	-
Metro 5 Lilla S.r.l.	19,727	-	236	-	-	-	-
MetroBrescia S.r.l.	206	-	44	12	-	-	-
Metro Service AS	-	-	48,149	-	-	-	
Ansaldo Energia S.p.A.	-	-	-	-	-	-	-
Fata S.p.A.	-	-	232	-	-	-	
Fata Logistic Systems S.p.A.	-	-	1,537	-	-	-	-
Ferrovie dello Stato group	116,261	350	1,696	-	-	-	
ENI group	22,521	-	20	-	-	-	-
Enel group	-	-	101	-	-	-	
I.M. Intermetro S.p.A.	1	-	-	-	-	-	-
Electron Italia S.r.l.	4	-	-	-	-	-	
E-Geos S.p.A.	-	-	37	-	-	-	-
Telespazio S.p.A.	-	-	2	-	-	-	
DRS - RSTA	-	-	-	-	-	-	-
Finmeccanica Global Services S.p.A.	-	5	909		14		
Ansaldo Breda Espana	(5)	-	-	-	-	-	
Pegaso S.c.r.l. (in liquidation)	-	-	345	-	-	-	-
AnsaldoBreda S.p.A.	8,019	-	29,574	910	-	-	-
Selex ES S.p.A.	-	-	28,197	162	-	-	-
Subsidiaries	-	-	-	-	-	-	-
Ansaldo STS Transportation Systems India Private Limited	669	578	929	14	-	-	(299)
Ansaldo STS Australia PTY Ltd.	20,079	3,496	724	545	-	-	734
Ansaldo STS UK Ltd.	389	2	-	27	-	142	755
Ansaldo STS Ireland LTD	-	(1)	-	2	-	-	-
Ansaldo STS Sweden AB	6,685	439	-	71	-	-	65
Ansaldo STS Deutschland GmbH	97	-	32	7	-	-	-
Ansaldo STS France S.A.	4,040	3,254	18,364	588	-	-	-
Ansaldo STS Espana S.A.U.	156	-	-	31	-	-	-
Ansaldo STS USA Inc.	160	3,123	1,845	756		380	(3)
Ansaldo STS South Africa PTY LTD	-	-	-	-	-	-	-
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	-	-	3	-	-	(10)
Ansaldo STS Canada Inc	-	-	-	9	-	-	(5)
Ansaldo STS USA International CO.	1,173	-	14,341	-	-	-	-
Ansaldo STS Malaysia SDN BHD	720	-	3	27	-	153	-
Ansaldo Railway System Trading (Beijing) Ltd	5,704	-	172	-	-	-	-
Alifana Due S.c.r.l.	686	-	690	2	-	-	-
Alifana S.c.a.r.l.	25	-	86	2	-	-	-
Consortia		-		-	-	-	-
Saturno consortium	18,435	-	1,720	-	-	-	-
San Giorgio Volla Due consortium	584	-	77	-	-	-	-
MM4 consortium	19,909	-	1,378	34	-	-	-
San Giorgio Volla consortium	4	-	24	-	-	-	-
SESM consortium	-	-		-	-	-	-
CRIS consortium	-	-	1	-	-	-	-
Ascosa Quattro consortium	156	-	86	-	-	-	-
CESIT consortium	-	-	-	-	24	-	-
Ferroviario Vesuviano consortium	-	-	125	-	-	-	-
Total	**249,044**	**11,879**	**156,387**	**3,203**	**73**	**3,585**	**1,274**
% of the total corresponding financial statements caption	**36%**	**50%**	**2%**		**2%**	**14%**	**5%**

2013 (€'000)	Revenue	Other operating income	Expense	Recovery of expense	Other operating expense	Financial income	Financial expense
Parent							
Finmeccanica S.p.A.	-	-	3,243	11	19	217	250
Associates							
International Metro Service S.r.l.	1,000	4	-	4	-	-	-
S.P. M4	-	-	-	133	-	46	-
Metro 5 S.p.A.	20,896	247	101	-	-	-	-
Metro 5 Lilla S.r.l.	14,618	-	211	-	-	-	-
MetroBrescia S.r.l.	199	-	25	281	-	-	-
Metro Service AS	6,236	-	46,745	-	-	-	-
Ansaldo Energia S.p.A.	-	-	-	-	-	-	-
Fata S.p.A.	-	-	215	-	-	-	-
Fata Logistic Systems S.p.A.	-	-	1,786	-	-	-	-
Ferrovie dello Stato group	126,873	-	1,463	-	-	-	-
ENI group	23,389	-	489	-	-	-	-
Enel group	-	-	1,602	-	-	-	-
I.M. Intermetro S.p.A.	-	-	-	-	-	-	-
Electron Italia S.r.l.	15	-	-	-	-	-	-
E-Geos S.p.A.	-	-	40	-	-	-	-
Telespazio S.p.A.	-	-	1	-	-	-	-
DRS - RSTA	-	-	3	-	-	-	-
Finmeccanica Global Services S.p.A.	-	19	923	-	62	-	-
Ansaldo Breda Espana	31	-	-	-	-	-	-
Pegaso S.c.r.l. (in liquidation)	-	-	448	-	-	-	-
AnsaldoBreda S.p.A.	9,734	-	13,506	1,385	-	-	-
Selex ES S.p.A.	-	-	15,792	49	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	32	364	1,961	30	272	-	(278)
Ansaldo STS Australia PTY Ltd.	19,713	3,337	479	923	-	236	209
Ansaldo STS UK Ltd.	287	4	97	57	-	125	1,399
Ansaldo STS Ireland LTD	-	1	-	5	-	-	-
Ansaldo STS Sweden AB	8,821	358	-	104	-	-	162
Ansaldo STS Deutschland GmbH	222	-	444	25	-	-	-
Ansaldo STS France S.A.	3,461	2,083	16,073	624	-	-	1
Ansaldo STS Espana S.A.U.	27	-	43	45	-	-	-
Ansaldo STS USA Inc.	831	2,759	2,748	1,233	-	509	(17)
Ansaldo STS South Africa PTY LTD	-	-	-	3	-	-	-
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	-	-	4	-	-	(36)
Ansaldo STS Canada Inc	-	-	-	21	-	-	(12)
Ansaldo STS USA International CO.	2,709	-	12,702	-	-	-	-
Ansaldo STS Malaysia SDN BHD	505	-	-	39	-	79	-
Ansaldo Railway System Trading (Beijing) Ltd	2,099	2	173	-	-	-	-
Alifana Due S.c.r.l.	317	-	426	7	-	-	-
Alifana S.c.a.r.l.	25	-	97	2	-	-	-
Consortia							
Saturno consortium	8,475	-	2,047	-	-	-	-
San Giorgio Volla Due consortium	644	-	45	-	-	-	-
MM4 consortium	6,547	-	760	39	-	-	-
San Giorgio Volla consortium	51	-	27	-	-	-	-
SESM consortium	-	-	-	-	-	-	-
CRIS consortium	-	-	1	-	-	-	-
Ascosa Quattro consortium	326	-	224	-	-	-	-
CESIT consortium	-	-	-	-	33	-	-
Ferroviario Vesuviano consortium	(3)	-	130	-	-	-	-
Total	**258,080**	**9,178**	**125,070**	**5,024**	**385**	**1,213**	**1,680**
% of the total corresponding financial statements caption	**41%**	**39%**	**26%**		**3%**	**9%**	**11%**

The decrease in revenue with related parties (€249,044 thousand) on the previous year (€258,080 thousand) is mainly due to less work carried out for the Ferrovie dello Stato group.
2014 expense rose €33,138 thousand on 2013 (from €120,046 thousand in 2013 to €153,184 thousand in 2014). Production rose for the associates AnsaldoBreda S.p.A. (€29,574 thousand in 2014 compared to €13,506 thousand in 2013) and Selex ES S.p.A. (€28,197 thousand in 2014 compared to €15,792 thousand in 2013) due to progress made in the related contracts.
Other operating income mainly related to services (€10,035 thousand) provided to other group companies under the general service agreement.

Financial income includes dividends received from the subsidiary International Metro Service S.r.l. (€2,450 thousand), interest on the joint current accounts with subsidiaries which, during the year, had a debit position (€675 thousand), deposits and the joint current account with the parent Finmeccanica (€60 thousand) and an interest-bearing loan to S.P. M4 (€400 thousand).
Financial expense, net of recharges, amounted to €1,274 thousand and mainly relates to the impairment loss recognised on the investment in Ansaldo STS UK LTD (€755 thousand).

28. Revenue

(€'000)	**2014**	2013
Sales - third parties	322,073	180,488
Sales - related parties	188,025	146,302
Total revenue from sales	**510,098**	**326,790**
Services - third parties	4,766	5,074
Services - related parties	60,216	47,939
Total revenue from services	**64,982**	**53,013**
Change in work in progress - third parties	116,012	190,837
Change in work in progress - related parties	803	63,839
Total change in work in progress	**116,815**	**254,675**
Total revenue	**691,895**	**634,479**

Total revenue increased €57,416 thousand from €634,479 thousand in 2013 to €691,895 thousand in 2014, mainly due to the progress made in projects in Saudi Arabia and Denmark.
Italian and foreign production amounted to €325,465 thousand (2013: €354,184 thousand) and €366,430 thousand (2013: €280,295 thousand), respectively.

During the year, revenue of €194,465 thousand (2013: €123,596 thousand) was allocated to the recognition of the progress of final works for the projects related to the ACC junction in Naples, the ACS junction in Mestre and the Zhengxi project in China.

29. Other operating income and expense

	2014		2013	
(€'000)	**Revenue**	**Costs**	Revenue	Costs
R&D grants	4,245	-	2,809	-
Accruals/Reversals of provisions for risks and charges	3,842	250	-	450
Accruals for expected losses	-	359	-	5,258
Royalties	443	-	483	-
Net exchange rate gains	188	524	191	145
Prior year items	239	161	483	443
Insurance compensation	-	-	-	-
Restructuring costs	-	-	-	-
Indirect taxes	-	786	-	813
Interest on trade receivables/payables	2,025	1,778	9,779	5,781
Other net operating income	883	842	442	839
Total other third party operating income	**11,864**	**4,699**	**14,187**	**13,730**
Total other related party operating income	11,879	73	9,178	385
Total	**23,743**	**4,772**	**23,365**	**14,115**

Other third party operating income amounts to €11,864 thousand (2013: €14,187 thousand), down on the previous year due to lower operating interest on trade receivables.
This caption is mainly comprised as follows:
- royalties on hardware licences of €443 thousand (2013: €483 thousand);
- operating interest on trade receivables of €2,025 thousand (2013: €9,779 thousand);
- prior year debit items of €239 thousand (2013: €483 thousand);
- exchange rate gains on non-financial items of €188 thousand (2013: €191 thousand);
- reversals of the provision for risks and charges and the allowance for impairment (€3,842 thousand), mainly due to the positive outcome of litigation;
- R&D grants of €4,245 thousand (2013: €2,809 thousand). For additional information about the amount and a breakdown of the research and development expense recognised in profit or loss, reference should be made to the relevant section of the directors' report.

Other operating expense related to companies which are not part of the Ansaldo STS or the Finmeccanica groups amount to €4,699 thousand (2013: €13,730 thousand). They are comprised of indirect taxes of €786 thousand, other operating expense of €842 thousand, exchange rate losses on non-financial items of €524 thousand, prior year credit items of €161 thousand, accruals to the provisions for risks and charges of €250 thousand, operating interest on trade payables of €1,778 thousand and expected losses to complete contracts of €359 thousand. The €9,031 thousand decrease in other third party operating expense is mainly due to the latter two captions.
Indirect taxes of €786 thousand are comprised of IMU (local property tax) of €379 thousand, TARSU (municipal solid waste collection tax) of €331 thousand and other indirect taxes of €76 thousand.
Other operating expense of €842 thousand relates to membership fees of €574 thousand, donations of €6 thousand, gifts and entertainment expenses of €93 thousand and sundry expenses of €169 thousand.

For a breakdown of other revenue and related party operating expense, reference should be made to note 27 on related parties and the directors' report ("Management and coordination and related party transactions" section).

30. Purchases and services

(€'000)	2014	2013
Materials from third parties	144,198	124,447
Change in raw materials	91	3,860
Total purchases from third parties	**144,289**	**128,307**
Purchases from related parties	57,807	34,431
Total purchases	**202,097**	**162,738**
Services from third parties	220,796	212,488
Rentals and operating leases	3,943	4,036
Hire expense	3,850	3,391
Total services from third parties	**228,589**	**219,914**
Services from related parties	95,377	85,614
Total services	**323,966**	**305,528**
Total	**526,063**	**468,266**

Total purchases and services for 2014 (€526,063 thousand) increased on 2013 by €57,797 thousand due to greater production volumes developed during the year.
Purchases of raw materials, consumables, supplies and goods amounted to €202,097 thousand (2013: €162,738 thousand), up €39,359 thousand.
Services amount to €323,966 thousand (2013: €305,528 thousand), up €18,438 thousand.

Rentals and operating leases mainly relate to long-term rentals of company cars, software licences and the lease of the premises housing the Naples offices from the related party AnsaldoBreda.

For a breakdown of costs for purchases and services from related parties, reference should be made to note 27 on related parties and the directors' report ("Management and coordination and related party transactions" section).

31. Personnel expense

(€'000)	2014	2013
Wages and salaries	90,472	86,897
Stock grant plans	1,384	643
Social security and pension contributions	25,682	24,677
Italian post-employment benefits	269	238
Other defined benefit plans	383	(33)
Defined contribution plans	4,150	4,070
Disputes with personnel	-	-
Restructuring costs	5,970	460
Recharge of personnel expense	(2,656)	(2,720)
Other costs	3,133	541
Total	**128,786**	**114,773**

Personnel expense for 2014 amounts to €128,786 thousand (2013: €114,773 thousand).
The €14,013 thousand increase is due to higher restructuring costs (2014: €5,970 thousand; 2013: €460 thousand) following the redundancy plan implemented in 2014 and the increased average workforce and employees made redundant under the plan.
Recharge of personnel expense relates to personnel seconded to "related" companies as follows: €1,761 thousand related to Ansaldo STS group companies, €112 thousand to Metro Service AS, €283 thousand to MM4 consortium, €127 thousand to MetroBrescia, €92 thousand to Ansaldo Energia, €149 thousand to AnsaldoBreda and €132 thousand to the parent Finmeccanica.

The headcount at 31 December 2014 numbered 1,526, compared to 1,514 employees in the previous year.

The table below shows employees by category and average number:

(€'000)	**31 December 2014**	31 December 2013
Managers	69	70
Junior managers	311	305
White collars	1,090	1,082
Blue collars	56	58
Total	**1,526**	**1,514**

In relation to incentive plans through assigning shares to employees, on 1 March 2012, the appointments and remuneration committee of Ansaldo STS approved a stock grant plan for 2012 and 2013 which was subsequently approved by the shareholders in their meeting of 7 May 2012. This plan, which applies to a maximum of 56 employees plus the CEO and key managers, has the same vesting conditions as the 2011 plan (EVA, FOCF and share performance against the FTSE Italia All-Share). The plan provides for a three-year vesting period for all beneficiaries and, for this reason, the related shares will be assigned starting from next year.
On 17 February 2014, the Remuneration committee approved a three-year stock grant plan (2014-2016) which was subsequently passed by the shareholders on 15 April 2014. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).
The stock grant plan cost is recognised on an accruals basis in the reporting period in which the services are rendered. The amount therefore relates to the portion pertaining to the year of the shares related to the 2014 vesting conditions (as per the 2014-2016 plan), which will be assigned in 2014, considering the three-year vesting conditions.
The cost is determined on the basis of the estimated number of shares to be assigned and their fair value at the date the related parameters were approved by the appointments and remuneration committee (17 February 2014 for the 2014-2016 plan, i.e., the grant date).
In accordance with IFRS 2 "Share-based payment" and IFRIC 11 "Group and treasury share transactions" and their current interpretations, the cost for the 2014 stock grant plan, equal to €1,384 thousand (2013: €643 thousand), was recognised with a balancing entry in an equity reserve.

32. Changes in finished goods, work-in-progress and semi-finished products

(€'000)	**2014**	2013
Changes in finished goods, work-in-progress and semi-finished products	**(380)**	**(1,007)**

This caption improved by €627 thousand, from a negative €1,007 thousand in 2013 to a negative €380 thousand in 2014.

33. Amortisation, depreciation and impairment losses

(€'000)	**2014**	2013
Amortisation and depreciation:		
- intangible assets	4,391	3,443
- property, plant and equipment	4,244	4,187
	8,635	**7,629**
Impairment losses:		
- current loans and receivables	3,389	1,815
- other non-current assets	-	-
	3,389	**1,815**
Total amortisation, depreciation and impairment losses	**12,024**	**9,444**

Amortisation and depreciation amounted to €8,635 thousand, up by €1,006 thousand on 2013.
Specifically, €4,391 thousand relates to intangible assets and €4,244 thousand to property, plant and equipment. The balance is shown net of deferred income of €17 thousand for grants related to assets (Law no. 488/92) and for the satellite project (€533 thousand).
Impairment losses on current loans and receivables are higher than in 2013 due to the impairment of certain doubtful trade receivables in 2014.

34. Internal work capitalised

In 2014, this caption amounted to €4,388 thousand (2013: €2,156 thousand).
The "Satellite and Rail Telecom" project to develop satellite technologies for new railway signalling systems began in 2012. Costs incurred during the year amount to €4,388 thousand. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

35. Net financial income/(expense)

	2014			2013		
(€'000)	**Income**	**Expense**	**Net**	Income	Expense	Net
Interest	425	19	406	110	8	102
Interest on Italian post-employment benefits	-	447	(447)	-	511	(511)
Exchange rate gains and losses	16,977	9,574	7,403	1,700	5,478	(3,778)
Fair value gains and losses	4,360	11,380	(7,020)	10,914	7,151	3,763
Cash flow gains and losses	166	223	(57)	8	88	(80)
Other financial income and expense	-	733	(733)	-	797	(797)
Total net financial expense	**21,928**	**22,376**	**(448)**	**12,732**	**14,033**	**(1,301)**
Dividends	2,450	-	2,450	-	-	-
Impairment loss on investment	-	755	(755)	-	1,399	(1,399)
Interest and other financial income/(expense)	1,135	519	616	1,213	281	932
Net related party financial income/(expense)	**3,585**	**1,274**	**2,311**	**1,213**	**1,680**	**(467)**
Total	**25,513**	**23,650**	**1,863**	**13,945**	**15,713**	**(1,768)**

Net financial income for 2014 amounted to €1,863 thousand compared to expense of €1,768 thousand for 2013.
The increase is mainly due to related party transactions for dividends received in 2014 from International Metro Service S.r.l. (€2,450 thousand) and the reduced impairment loss on the amount to the subsidiary Ansaldo STS UK (€755 thousand in 2014 compared to €1,399 thousand in 2013).
Related party financial income of €675 thousand (2013: €950 thousand) relates to interest on joint current accounts with the subsidiaries which, during the year, showed debit positions of €60 thousand (2013: €217 thousand), to deposits and joint current accounts with the parent Finmeccanica and to an interest-bearing loan granted to SP M4 S.c.p.a. (€400 thousand).

Third party income and expense can be analysed as follows:

- interest income mainly due to interest collected on a grant for a research project of €425 thousand (2013: €110 thousand for interest on a current account) and interest expense on current accounts of €19 thousand (2013: €8 thousand);
- interest cost on Italian post-employment benefits of €447 thousand (2013: €511 thousand) arising from the actuarial calculation carried out in accordance with IAS 19;
- exchange rate gains of €4,360 thousand (2013: €10,914 thousand) and exchange rate losses of €11,380 thousand (2013: €7,151 thousand) which relate to currency risk hedging transactions;

- exchange rate gains/losses from the translation of current account balances in foreign currency using closing rates: positive effects on the 2014 profit and loss account of €16,977 thousand (2013: €1,700 thousand) and negative effects of €9,574 thousand (2014: €5,478 thousand);
- exchange rate gains and losses of €166 thousand and €223 thousand, respectively, arising from currency risk hedging transactions;
- finally, sundry financial expense of €733 thousand related to fees on the sureties (€354 thousand) agreed by the company on behalf of its foreign subsidiaries and recharged (to "related party income") and of €379 thousand related to banking fees and commissions.

For a breakdown of related party financial income and expense, reference should be made to note 27 on related parties and the directors' report ("Management and coordination and related party transactions" section).

36. Income taxes

Income taxes for 2014 amount to €17,136 thousand and may be analysed as follows:

(€'000)	**2014**	2013
IRES	12,385	12,211
IRAP	4,887	4,814
Income from tax consolidation scheme	-	-
Other foreign taxes	-	-
Prior year taxes	(22)	(343)
Provisions for tax risks	30	-
Net deferred tax (income)/expense	(144)	1,768
Total	**17,136**	**18,450**

The difference between the theoretical and effective tax rates is analysed below:

	2014			2013		
(€'000)	**Taxable amounts**	**Income taxes**	%	Taxable amounts	Income taxes	%
Pre-tax profit	**49,863**	**-**	**-**	**50,625**	**-**	**-**
Taxes calculated at ruling tax rates	-	13,712	27.50%	-	13,922	27.50%
Deferred tax assets recoverable during the year	-	-	-	-	-	-
Permanent differences						
- non-deductible expense	4,763	1,310	2.63%	5,663	1,557	3.08%
- tax-exempt dividends (95%)	(2,328)	(640)	-1.28%	–	–	–
- tax benefit (ACE)	(4,040)	(1,111)	-2.23%	(2,929)	(805)	-1.59%
- IRAP deduction - personnel expense	(3,161)	(869)	-1.74%	(3,002)	(826)	-1.63%
- tax-exempt income	-	-	0.00%	(163)	(45)	-0.09%
Profit net of permanent differences	**45,097**	**12,402**	**24.87%**	**50,194**	**13,803**	**27.27%**
Effective IRES recognised in profit or loss and effective tax rate	-	12,402	24.87%	-	13,803	27.27%
IRAP	-	4,726	9.48%	-	4,990	9.86%
Prior year taxes	-	8	0.02%	-	(343)	-0.69%
Adjustment to new nominal rates	-	-	0.00%	-	–	–
Total effective taxes recognised in profit or loss and related rate	**-**	**17,136**	**34.37%**	**-**	**18,450**	**36.44%**

At 31 December 2014, the effective tax rate was equal to 34.37%, compared to 36.44% in 2013. The 2% decrease is mainly due to the effects of the dividends paid by International Metro Service S.r.l. (€2,450 thousand) in 2014 on which IRES is applied only to the extent of 5%.

The following table shows temporary differences and related balances:

(€/000)	31.12.2014 Temporary differences	Tax rate	Deferred tax assets/ liabilities	Equity effect	Riclassification	Financial effect (+income/ -expenses), net of reclassif.	31.12.2013 Temporary differences	Tax rate	Deferred tax assets/ liabilities	Equity effect	Financial effect (+income/ -expenses), net of reclassif.
Deferred tax assets											
Write-downs of work in progress	22,850	27.50%	6,284	-	-	1,499	17,400	27.50%	4,785	-	-2,621
Write-downs of work in progress (only IRAP)	22,850	4.18%	955	-	-	228	17,400	4.18%	727	-	-384
Write-downs o f inventories (IRES)	3,540	27.50%	974	-	-	-76	3,818	27.50%	1,050	-	612
Write-downs of inventories (IRAP)	-	4.18%	-	-	-	-	-	4.18%	-	-	-
Provisions for risks and charges (only IRES)	1,451	27.50%	399	-	-	-1,137	5,587	27.50%	1,536	-	101
Provisions for completed contracts and warranty provisions (IRES/IRAP)	399	31.68%	126	-	-	-	400	31.68%	127	-	16
Non-deductible amortization / depreciation (IRES/IRAP)	1,120	31.68%	355	-	-	27	1,034	31.68%	328	-	29
Non-deductible amortization / depreciation (IRES)	142	27.50%	39	-	-	-	142	27.50%	39	-	-
Translation differences - branch	443	27.50%	122	-	-	-	443	27.50%	122	-	-
Costs deductible in subsequent years (IRES/IRAP)	75	31.68%	24	-	-	-10	108	31.68%	34	-	-10
Loss-making contracts (IRES)	8,462	27.50%	2,327	-	-	99	8,103	27.50%	2,228	-	1,446
Loss-making contracts (IRAP)	8,462	4.18%	354	-	-	15	8,103	4.18%	339	-	220
Goddwill amortization (IRES/IRAP)	3,732	31.68%	1,182	-	-	-263	4,561	31.68%	1,445	-	-263
Goddwill amortization (IRAP)	1,658	4.18%	69	-	-	-48	2,817	4.18%	118	-	20
Non-deductible italian post-retirement benefits	1,534	27.50%	422	-	-	422	-	27.50%	0	-	-22
Allowance for impairment	2,691	27.50%	740	-	-	-	2,691	27.50%	740	-644	-1,628
Exchange rate losses	14	27.50%	4	-	-	-128	537	27.50%	148	-	20
Allowance for impairment for interests in arrears	10,111	27.50%	2,781	-	-	186	9,435	27.50%	2,595	644	1,951
Interests in arrears	8,610	27.50%	2,368	-	-	-589	10,750	27.50%	2,956	-	1,342
Research grants	-	31.68%	-	-	-	-	-	31.68%	-	-	-
Deductible costs in subsequent years (IRES)	697	27.50%	192	-	-	-6	720	27.50%	198	-	28
Stock grant	-	27.50%	-	-	-	-84	305	27.50%	84	-	-
Net equity effect on traslation difference branch	1,103	27.50%	303	303	-	-					
Other	1,032	27.50%	285	-	-	-575	3,119	27.50%	858	11	-14
Total	**100,976**	**-**	**20,303**	**303**	**-**	**-442**	**97,473**		**20,456**	**11**	**842**

	Temporary differences	Tax rate	Deferred tax assets/ liabilities	Equity effect	Riclassification	Financial effect (+income/ -expenses), net of reclassif.	Temporary differences	Tax rate	Deferred tax assets/ liabilities	Equity effect	Financial effect (+income/ -expenses), net of reclassif.
Deferred tax liabilities											
Research grants (IRES/IRAP)	285	31.68%	90	-	-	-	285	31.68%	90	-	-5
Research grants (IRES)	5,716	27.50%	1,572	-	-	-157	6,287	27.50%	1,729	71	151
Allowance for impairment (EC framework)	2,106	27.50%	579	-	-	-	2,313	27.50%	636	-	-
Uncollecter interest for arreas	21,230	27.50%	5,838	-	-	-1,082	25,487	27.50%	7,009	-	2,482
Italian post-employment benefits (IAS 19)	-	27.50%	-	-627	-	627	-	27.50%	-	254	-254
Translation differences branch	91	27.50%	25	-	-	-	91	27.50%	25	-	-
Hedging reserve	3,369	27.50%	926	718	-	-	757	27.50%	208	201	-
Other	563	27.50%	155	-	-	141	-	-	-	-	-
Exchange rate gains	54	27.50%	15	-	-	-115	479	27.50%	132	-	16
Total	**33,414**	**-**	**9,201**	**91**	**-**	**-585**	**35,699**	**-**	**9,829**	**526**	**2,390**

The IRES and IRAP rates used for deferred taxes are those estimated when temporary differences will reverse, specifically, 27.5% and 4.18%, respectively. The IRAP nominal rate rose by 3.9% as a consequence of the increase in the regions' health care deficit based on a local allocation (up 1.07% in Campania and 0.92% in Lazio).

With respect to the above temporary differences, the write-down of work in progress led to deferred tax assets of €7,239 thousand – related to the fully taxed allowance for write-down of €22,850 thousand: indeed, following the legislative changes introduced as of 2005, accruals to the allowance for write-down are entirely undeductible.

Net deferred tax assets of €137 thousand recognised against equity in 2014 and in prior years arose from the allocation of actuarial gains/losses on Italian post-employment benefits to equity (deferred tax assets of €759 thousand against actuarial losses of €2,761 thousand) using the equity method as per IAS 19, and the hedging reserve (deferred tax liabilities of €927 thousand against an equity reserve of a positive €3,369 thousand) and the reserve for exchange rate gains or losses related to the branches (deferred tax assets of €304 thousand against net reserves of €1,104 thousand).

37. Cash flows from operating activities

(€'000)	**2014**	2013
Profit for the year	32,728	32,175
Amortisation, depreciation and impairment losses	12,023	9,444
Income taxes	17,136	18,450
Accruals to provisions	250	845
Italian post-employment benefits	269	238
Defined benefit plans and stock grant plans	1,768	610
Financial income/(expense), net of impairment losses on equity investments measured at cost	(1,863)	1,768
Gross cash flows from operating activities	**62,311**	**63,530**

(€'000)	**2014**	2013
Inventories	3,541	10,889
Work-in-progress, net of progress payments and advances from customers	16,133	(40,423)
Trade receivables and payables	(24,507)	(53,087)
Changes in working capital	**(4,833)**	**(82,621)**

(€'000)	**2014**	2013
Payment of Italian and other post-employment benefits and stock grants	(1,225)	(739)
Utilisation of the provisions for risks	(307)	(426)
Changes in other operating items	(12,992)	(42,672)
Total changes in other operating items and net financial expense and taxes paid	**(14,524)**	**(43,837)**

Gross cash flows from operating activities are in line with 2013. The change in working capital reflects the progress of contracts which generated significantly positive cash flows during the year.

38. Financial risk management

The following disclosure about financial risks and financial instruments is given as required by IFRS 7 "Financial instruments: disclosures" and article 2428.2.6-bis of the Italian Civil Code.

The company's operations expose it to the following financial risks:
- *market risks*, related to the company's exposure to interest-bearing financial instruments (interest rate risks) and to operations in areas that use currencies other than the company's functional currency (currency risk);
- *liquidity risks*, related to the availability of financial resources and access to the credit market;
- *credit risk*, arising from normal trading transactions or financing activities.

The company specifically monitors each of these financial risks and acts promptly to minimise them via tailored risk management policies and hedging derivatives.

The potential impact of hypothetical fluctuations in the reference parameters on actual results is analysed below using sensitivity analyses. As set out in IFRS 7, these analyses are based on simplified scenarios applied to the actual figures of the reference years. However, because of their nature, they cannot be considered as indicators of the real effects of future changes in reference parameters when a different financial position and results of operations and different market conditions are considered. Moreover, they do not reflect the interrelations and complexities of the reference markets.

Interest rate risk
As described in the “treasury management” policy, the aim of interest rate risk management is to reduce the negative effects of interest rate fluctuations on the company’s financial position, results of operations and weighted average cost of capital.

Ansaldo STS manages interest rate risk to pursue the following objectives:
- stabilising the weighted average cost of capital;
- minimising Ansaldo STS’ medium- and long-term weighted average cost of capital by focusing on the effects of interest rates on debt funding and equity funding;
- optimising the return on financial investments within a general risk/return trade-off;
- limiting costs related to the implementation of interest rate management policies, including direct costs related to the use of specific instruments and indirect costs linked to the internal structure needed to manage the risk.

Excess liquidity is invested in the short term. Consequently, financial indebtedness is mainly of a short-term nature. Thanks to joint short-term management of assets and liabilities, the company’s exposure to interest rate fluctuations in the long term is relatively neutral.
Also in 2014, the company managed this risk without the use of derivatives.

Cash flows from operations are deposited in a current account held with the parent, setting up from time to time short-term time deposits (not more than three months) for amounts in excess of operating requirements, which are remunerated with greater interest rates. The company uses third party financial resources: specifically it applies for fixed-rate subsidised loans when the interest payable is lower than the interest receivable on available financial resources.

At year end, the loan asset from the parent Finmeccanica in respect of the joint current account amounted to €10,351 thousand following the payment of overdue trade payables. In 2014, the interest rate applied was the Euribor 1-month, plus a spread calculated monthly.

Sensitivity analysis of interest rates
Interest rate risks are measured using sensitivity analyses in accordance with IFRS 7. With respect to the liquidity bearing floating rates, assuming an increase or decrease of 50 basis points in interest rates at year end, profit for the year, (gross of the tax effect), and equity would have been greater (smaller) by €607 thousand, respectively.

(€'000)	31 December 2013 Value at Floating Rate	31 December 2014 Value at Floating Rate	Average	31 December 2014 Assumption 1	31 December 2014 Assumption 2
				50,00	-50,00
Non-current related party loans and receivables	10,048	16,189	13,119	66	(66)
Trade receivables	85,671	79,208	82,440	412	(412)
Assets at fair value	-	-	-	-	-
Third party loan assets	30,046	28,443	29,245	146	(146)
Related party loan assets	83,417	42,163	62,790	314	(314)
Derivative assets - CV Hedge	1,433	362	898	4	(4)
Derivative assets - FV hedges (no back to back)	625	1,519	1,072	5	(5)
Cash and cash equivalents	94,305	179,381	136,843	684	(684)
Assets	**305,545**	**347,264**	**326,405**	**1,632**	**(1,632)**
Third party trade payables	65,539	53,526	59,533	298	(298)
Third party financial liabilities	-	-	-	-	-
Related party financial liabilities	122,375	166,971	144,673	723	(723)
Derivative liabilities - CV Hedge	118	167	143	1	(1)
Derivative liabilities - FV Hedge (no back to back)	269	1,210	739	4	(4)
Liabilities	**188,301**	**221,874**	**205,088**	**1,025**	**(1,025)**
Total	**117,244**	**125,390**	**121,317**	**607**	**(607)**

Currency risk

As described in the above directive, the company manages currency risk by pursuing the following objectives:
- limiting potential losses generated by unfavourable exchange rate fluctuations against the currencies used by Ansaldo STS and its subsidiaries. Losses are defined in cash flows rather than accounting terms;
- limiting forecast or actual costs related to the implementation of currency risk management policies.

Currency risk shall only be hedged if it has a material impact on cash flows, compared to the functional currency. Costs and risks related to a hedging policy (hedge, no hedge or partial hedge) must be acceptable in both financial and commercial terms.

Currency risk may be hedged using the following tools:
- purchase and sale of currency forwards: these are the most commonly used cash flows hedges;
- currency/cross currency swaps: used in conjunction with currency forwards to dynamically hedge currency risks represented by the early or deferred impact of future cash flows in currencies other than the functional currency;
- funding/lending in foreign currency: used to reduce the currency risk related to similar receivable and payable positions with banks or group companies.

The use of funding and lending in foreign currency as a hedging instrument shall only take place when consistent with the company's overall treasury management and financial position (both long- and short-term).
The purchase and sale of foreign currency is generally the hedge tool used when foreign markets are not sufficiently liquid or when it is the most cost effective method of hedging.

Currency risk hedging
There are three main types of currency risk:
1. Economic risk:
    - is the impact exchange rate fluctuations can have on capital budgeting decisions (investments, the location of production facilities and supply markets).
2. Transaction risk:
    - is the possibility that exchange rates may fluctuate between the time a commitment is undertaken to make future collections or payments in foreign currency (price list, budgets, orders preparation and invoicing) and when the actual collection or payment takes place, generating either exchange rate gains or losses.
3. Translation risk:
    - is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities when exchange rates adopted for consolidation purposes differ from one reporting period to the next.

The company hedges the transaction risk in line with the "Foreign Exchange Risk management policy", i.e., via the systematic hedge of cash flows generated by firm contractual commitments to buy and sell, in order to fix the exchange rates at the date the construction contracts are agreed, thereby neutralising the effects of exchange rate fluctuations.

Fair value hedges
These hedge fair value changes in a recognised asset or liability, an unrecognised firm commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.
The company hedges fair value gains or losses related to the currency risk on recognised assets and liabilities.

Hedges are mainly undertaken with banks. The company has contracts in place for the following notional foreign currency amounts at the reporting date:

(local currency '000)	***Sell14***	***Buy14***	**31.12.2014**	*Sell13*	*Buy13*	31.12.2013
US dollar	6,580	14,920	21,500	138,208	14,620	152,828
GBP	-	-	-	7,402	-	7,402
Swedish krona	-	-	-	-	215,105	215,105
Australian dollar	-	-	-	-	82,400	82,400
United Arab Emirates dirham	20,000	-	20,000	78,000	-	78,000
Indian rupee	101,478	-	101,478	101,478	-	101,478
Total in €'000	**11,227**	**12,042**	**23,269**	**125,682**	**88,308**	**213,990**

The net fair value of the derivatives in place at 31 December 2014 was a positive €505 thousand (31 December 2013: a positive €1,670 thousand). Notional amounts are shown in the above table. The balance includes back-to-back contracts (see note 17).

During the year, no significant forward sale transactions of foreign currency took place against trade collections in foreign currency.
The currency risk relates to foreign currency receivables and payables and the balances of the company's permanent establishments.
Exchange rate gains and losses arise from the adoption of the local currency in preparing the financial position of permanent establishments. No hedging transactions were carried out with respect to the exchange rate differences related to foreign permanent establishments as the cost of the transaction would have exceeded the expected benefits.

Sensitivity analysis of exchange rates
For the purposes of the presentation of market risks, IFRS 7 requires a sensitivity analysis that shows the effects of the hypothetical changes in the most significant market variables on profit or loss and equity.
Currency risks arise from recognised financial instruments (including trade receivables and payables) or highly probable cash flows denominated in a currency other than the functional currency.

Since the US dollar is the primary foreign currency used by the company, a sensitivity analysis was performed on financial instruments denominated in US dollars in place at 31 December 2014, assuming a 5% appreciation (depreciation) of the euro against the US dollar.
This analysis showed that an appreciation or depreciation of the euro against the US dollar would have the following impact on the company's financial statements:

	31 December 2014		31 December 2013	
(€'000)	**+5% - appreciation of the euro against the US dollar**	**-5% - depreciation of the euro against the US dollar**	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar
Income statement	(4,444)	4,912	102	(112)

Liquidity risk
Liquidity risk can result in the inability to efficiently manage ordinary business and investment operations and to repay the amounts due at their expiry date.
The company has rolled out a series of tools to optimise treasury management with a view to the efficient management of cash and cash equivalents and to help its business grow. This was achieved by centralising the treasury function and an active presence on financial markets to obtain short- and medium-term credit lines. In this context, the company obtained short- and long-term non-revolving cash and unsecured credit lines to meet its needs and those of the group.
It had a net financial position of €81,043 thousand at 31 December 2014 (31 December 2013: €82,929 thousand).
Considering the positive net financial position, comprised of on-demand liquidity and current account overdrafts of €56,000 thousand, management believes the company can meet its needs for investing activities and working capital management and settle its payables on their expiry dates.

Liquidity analysis

(€'000) - 31 December 2014	**Within one year**	**Between one and five years**	**After five years**
A – Financial liabilities excluding derivatives			
Non-current liabilities			
Third party loans and borrowings	-	-	-
Related party loans and borrowings	-	-	-
Other non-current liabilities	-	-	-
Current liabilities			
Related party trade payables	75,059	276	-
Third party trade payables	226,379	738	-
Related party financial liabilities	166,971	-	-
Third party financial liabilities	1,973	-	-
Other financial liabilities	-	-	-
Total A	**470,381**	**1,014**	**-**
B – Negative value of derivatives			
Hedging derivatives (including back-to-back derivatives)	8,793	-	-
Trading derivatives (hedging)	-	-	-
Total B	**8,793**	**-**	**-**
Total A + B	**479,174**	**1,014**	**-**

The following financial assets are recognised against financial liabilities for a total amount of €480,188 thousand:

(€'000)	
C - Financial assets	
Securities held for trading	-
Cash-in-hand and cash and cash equivalents	179,381
Third party trade receivables	362,311
Related party trade receivables	194,406
Third party loan assets	28,443
Related party loan assets	42,163
Positive value of derivatives (including back to back)	9,298
TOTAL FINANCIAL ASSETS	**816,002**
D - Unsecured credit lines	**56,000**
TOTAL C + D	**872,002**
C+D-(A+B)	**391,814**

The company has a net credit position and has available liquidity to self-finance and does not have to use banks to finance its operations. Consequently, it has relatively limited exposure to the liquidity market pressures seen in the last part of the year.

Credit risk

The company does not have significant credit risks, either in terms of its trading counterparties or its financing and investing activities.

With respect to commercial transactions, its main customers are public entities or related to public bodies, mostly in the Eurozone. With respect to counterparty risks, for contracts with countries with which the company does not have regular trading transactions, solvency is analysed at the time the offer is placed, in order to avoid future credit risks. The nature of the company's customers is a guarantee of solvency; however, collection times (particularly in certain countries) may be significantly longer than those typical of other businesses, with sometimes considerable overdue amounts which may also trigger disposal transactions. As described below, this situation is particularly marked during this period of crisis.
At 31 December 2014, third party trade receivables amounted to €362,311 thousand (31 December 2013: €382,692 thousand) and were overdue for €205,626 thousand, of which €110,121 thousand by more than 12 months.
With respect to the concentration of third party trade receivables at year end, the following table gives a breakdown of trade receivables by public body and other customers, geographical area and overdue bracket.

	Public bodies			Other customers			
(€'000)	Europe	America	Other	Europe	America	Other	Total
Retentions	3,013	3,067	23,544	5,750	-	-	35,374
Not overdue	43,326	1,073	20,521	56,391	-	-	121,311
Overdue by less than one year	36,597	-	3,094	55,814	-	-	95,505
Overdue between one and five years	29,005	-	47,728	33,387	-	-	110,121
Overdue by more than five years	-	-	-	-	-	-	-
Total	**111,941**	**4,140**	**94,888**	**151,342**	**-**	**-**	**362,311**

Classification of financial assets and liabilities

The table below gives a breakdown of the company financial assets and liabilities by measurement category. Financial liabilities are all recognised using the amortised cost method.

(€'000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Loans and receivables	-	4,631	-	-	4,631	4,631
Related party loan assets	-	16,371	-	-	16,371	16,371
Current assets						
Third party assets at fair value	-	-	-	-	-	-
Third party trade receivables	-	362,311	-	-	362,311	362,311
Related party trade receivables	-	194,406	-	-	194,406	194,406
Third party loan assets	-	28,443	-	-	28,443	28,443
Related party loan assets	-	42,163	-	-	42,163	42,163

IFRS 7 requires the classification of the fair value of derivatives on the basis of reference parameters that can be inferred from the market or from other financial indicators (for example: exchange rates, interest rate curve, etc.). Financial derivatives on currencies to hedge the currency risk fall within Level 2 of the hierarchy since the fair value of these instruments is determined by recalculating the present value through official fixing of closing exchange and interest rates listed on the market.

The table below shows the fair values of financial instruments in portfolio, excluding back-to-back instruments.

			Fair value at 31.12.2014	Fair value at 31.12.2013
(€'000)	Fair value hierarchy at the reporting date		Level 2	Level 2
Assets	*Interest rate swaps*			
		Trading	-	-
		Fair value hedges	-	-
		Cash flow hedges	-	-
	Currency forwards/swaps/options			
		Trading		
		Fair value hedges	1,519	625
		Cash flow hedges	362	1,433
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-
Liabilities	*Interest rate swaps*			
		Trading	-	-
		Fair value hedges	-	-
		Cash flow hedges	-	-
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	1,210	269
		Cash flow hedges	167	118
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-

39. Directors' and statutory auditors' fees and the general manager's and key managers' remuneration

Fees paid to those who have the power and responsibility to plan, manage and control the company, including executive and non-executive directors, amount to €3,253 thousand (31 December 2013: €1,619 thousand). The increase is due to the appointment of new key managers following the definition of a new organisational structure.

(€'000)	**31 December 2014**	31 December 2013
Fees	2,965	1,619
Post-employment benefits	288	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Stock grants	-	-
Total	**3,253**	**1,619**

Fees include those paid to the members of the board of directors and the supervisory bodies.
In order to implement an incentive and loyalty scheme for the group's employees and consultants, the company has launched several incentive plans which, upon reaching set vesting conditions, provide for the awarding of Ansaldo STS shares.

No stock grants were awarded in 2014 as the 2013 vesting conditions part of the 2012-2013 plan have a three-year term. Conversely, the shares for the 2014 vesting conditions as part of the 2014-2016 plan were accrued.

Shares held by members of the board of directors, the general manager and key managers are as follows:

Name and surname	Position	No. of shares held at the end of the previous year	Increase for bonus issue	No. of shares awarded	No. of shares purchased	No. of shares sold	No. of shares held at the end of the year
Sergio De Luca	Chairman	92,737	10,304	-	-	-	103,041
Stefano Siragusa	Chief executive officer and General manager	-	-	-	-	-	-
Christian Andi	Key manager	11,951	1,328	-	-	-	13,279
Michele Fracchiolla	Key manager	1,421	158	-	-	-	1,579
Giuseppe Gaudiello	Key manager	-	-	-	-	-	-

Annual fees paid to directors and statutory auditors are as follows:

(in euros)

POSITION							
Name and surname	Position	Date of appointment	End of term	Fees for the position held in the reporting company for 2014	Non-monetary benefits	Bonuses and other incentives	Other fees paid
Luigi Calabria	Deputy chairman of the BoD from 01/01/2014 to 01/10/2014	15/04/2014	01/10/2014	37,500 (1)	-	-	-
Sergio De Luca	Chairman of the BoD as of 01/01/2014	15/04/2014	Approval of 2016 financial statements	75,000 (2)	-	-	64,871*
Paola Pierri (d)	Director	15/04/2014	Approval of 2016 financial statements	53,425 (3)	-	-	-
Stefano Siragusa	Chief executive officer and General manager	15/04/2014	Approval of 2016 financial statements	80,000 (4)	36,513	-	311,398**
Barbara Poggiali (d)	Director	15/04/2014	Approval of 2016 financial statements	53,425 (3)	-	-	-
Domenico Braccialarghe	Deputy chairman BoD as of 01/10/2014	01/10/2014	Approval of 2014 financial statements	12,500 (5)	-	-	-
Alessandra Genco	Director	15/04/2014	Approval of 2016 financial statements	35,616 (6)	-	-	-
Giulio Gallazzi (b)	Director	15/04/2014	Approval of 2016 financial statements	46,301 (7)	-	-	-
Giovanni Cavallini (c) and (b)	Director	15/04/2014	Approval of 2016 financial statements	87,753 (8)	-	-	-
Maurizio Cereda	Director	14/06/2006	15/04/2014	27,206 (9)	-	-	-
Paola Girdinio	Director	05/04/2011	15/04/2014	20,083 (10)	-	-	-
Bruno Pavesi (a)	Director	15/04/2014	Approval of 2016 financial statements	70,000 (11)	-	-	-
Tatiana Rizzante	Director	05/04/2011	15/04/2014	14,384 (12)	-	-	-
Attilio Salvetti	Director	24/03/2006	15/04/2014	21,507 (13)	-	-	-
Nicoletta Garaventa (e)	Chairman of the supervisory body	06/05/2013	Three-year term	25,000	-	-	-
Alberto Quagli (f)	Member of the supervisory body	06/05/2013	Three-year term	20,000	-	-	-
Giacinto Sarubbi	Chairman of the board of statutory auditors	15/04/2014	Approval of 2016 financial statements	75,000	-	-	15,000***
Maria Enrica Spinardi	Statutory auditor	15/04/2014	Approval of 2016 financial statements	35,616	-	-	7,124***
Renato Righetti	Statutory auditor	15/04/2014	Approval of 2016 financial statements	50,000	-	-	10,000***
Massimo Scotton	Statutory auditor	01/04/2008	15/04/2014	14,384	-	-	2,876***

* Variable remuneration paid when position was terminated.
** Fixed remuneration for the position of general manager and other fees. No variable remuneration was paid for such position in 2014.
*** Fees for positions on committees.

(a) Chairman of the appointments and remuneration committee
(b) Member of the appointments and remuneration committee
(c) Chairman of the risk and control committee
(d) Member of the risk and control committee
(e) Chairman of the supervisory body
(f) Member of the supervisory body

(1) 9 months chairman of the BoD (since 01/10/2014, no longer holds positions within the company)
(2) 12 months chairman of the BoD
(3) 8 months BoD + 8 months RCC
(4) 12 months GM
(5) 3 months deputy chairman of the BoD
(6) 8 months BoD
(7) 8 months BoD + 8 months appoint. and rem. commit.
(8) 12 months BoD + 12 months appoint. and rem. commit. + 8 months chair. RCC
(9) 4 months BoD + 4 months chair. appoint. and rem. commit. + 4 months RCC
(10) 4 months BoD + 4 months RCC
(11) 12 months BoD + 8 months chair. appoint. and rem. commit. + 4 months appoint. and rem. commit.
(12) 4 months BoD
(13) 4 months BoD + 4 months chair. RCC.

(in euros)	Annual unit fees
Chairman of the board of directors	75,000
Member of the board of directors	50,000
Chairman of the supervisory body	25,000
Member of the supervisory body	20,000
Chairman of the appointments and remuneration committee	20,000
Member of the appointments and remuneration committee	15,000
Chairman of the risk and control committee	30,000
Member of the risk and control committee	25,000

40. Highlights at 31 december 2013 of the company that carries out management and coordination activities (article 2497-bis of the italian civil code)

The highlights of the parent Finmeccanica S.p.A., shown in the summary schedule as required by article 2497 bis of the Italian Civil Code, were taken from the financial statements at 31 December 2013.
For an adequate and comprehensive picture of Finmeccanica S.p.A.'s financial position and results of operations as at and for the year ended 31 December 2013, reference should be made to Finmeccanica's financial statements, which are available as required by law along with the report of the independent auditors.

FINMECCANICA SPA
(€'000)

STATEMENT OF FINANCIAL POSITION	
Assets	
Non-current assets	8,273,637
Current assets	3,656,233
Non-current assets held for sale	-
Total assets	**11,929,870**
Liabilities	
Equity:	
- Share capital	2,524,859
- Reserves and retained earnings	1,706,164
- Profit for the year	(355,418)
	3,875,605
Non-current liabilities	3,972,163
Current liabilities	4,082,102
Liabilities associated with assets held for sale	-
Total liabilities	**11,929,870**
INCOME STATEMENT	
Revenue	161,259
Expense	(184,374)
Net financial expense	(355,561)
Income taxes	23,258
Profit (loss) from discontinued operations	-
Loss for the year	**(355,418)**

Finmeccanica SpA prepares consolidated financial statements.

41. Information pursuant to article 149-duodecies of the issuer regulation

The following schedule was prepared in accordance with article 149-duodecies of Consob regulation no. 11971/1999 and subsequent amendments (Issuer regulation) and shows the fees for 2014 related to services provided by the audit company or entities belonging to its network.

(€'000)	Service provider	2014 fees
Audit	KPMG S.p.A.	250
Attestation services	KPMG S.p.A.	48
Tax consultancy services	KPMG S.p.A.	-
Other services	KPMG S.p.A.	86
		384

Genoa, 6 March 2015

On behalf of the board of directors
The Chairman
Sergio De Luca

Statement on the separate financial statements pursuant to article 81-ter of consob regulation no. 11971 Of 14 may 1999 and subsequent amendments and integrations and article 154-bis.2 Of legislative decree no. 58 Of 24 february 1998 and subsequent amendments and integrations

1. The undersigned, Stefano Siracusa, as CEO and General manager, and Roberto Carassai as Manager in charge of financial reporting for Ansaldo STS S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998 and subsequent amendments and integrations, state that the administrative and accounting procedures used to draft the separate financial statements at 31 December 2014:
   - are appropriate in relation to the nature of the business and
   - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:
   3.1 the separate financial statements:
      a) are drafted in compliance with the IFRS endorsed by the European Community, pursuant to EC regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;
      b) are consistent with the accounting ledgers and accounting entries;
      c) give a true and fair view of the issuer's financial position and results of operations.
   3.2. The directors' report accompanying the separate financial statements provides a reliable analysis of the important events taking place in the year, together with a description of the key risks and uncertainties.

Genoa, 6 March 2015

(signed on the original)
The CEO
and General manager
Stefano Siragusa

(signed on the original)
The manager in charge of
financial reporting
Roberto Carassai

KPMG S.p.A.
Revisione e organizzazione contabile
Via Francesco Caracciolo, 17
80122 NAPOLI NA

Telefono +39 081 660785
Telefax +39 081 662752
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Ansaldo STS S.p.A.

1 We have audited the separate financial statements of Ansaldo STS S.p.A. as at and for the year ended 31 December 2014, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 18 March 2014 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Ansaldo STS S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Ansaldo STS S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

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

5 The directors of Ansaldo STS S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure, published in the Corporate Governance section of Ansaldo STS S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the separate financial statements of Ansaldo STS S.p.A. as at and for the year ended 31 December 2014.

Naples, 16 March 2015

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

Strategic Concept, Graphic Design and Execution by:

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Ansaldo STS
A Finmeccanica Company

ANSALDO STS S.p.A.
Registered Office:
16151 Genoa
Via Paolo Mantovani, 3 - 5
Paid-in Share Capital Euro 100.000.000
R.E.A. n. 421689
Register of Enterprises of Genoa
Tax Code 01371160662

www.ansaldo-sts.com

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