Ansaldo STS A Hitachi Group Company

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

Draft financial statements

Ansaldo STS S.p.A.

2015 ANNUAL REPORT

Ansaldo STS S.p.A.
Registered office: Via P. Mantovani 3-5, Genoa
Paid-up share capital: €100,000,000
Genoa company registration no. and tax code: 01371160662

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<u>Statement on the separate financial statements at 31 December 2015</u>

COMPANY BODIES AND COMMITTEES

BOARD OF DIRECTORS
(elected by the shareholders on 2 November 2015 for the 2015 - 2017 three-year period)

ALISTAIR DORMER
Chairperson

KAREN BOSWELL
Deputy chairperson *

STEFANO SIRAGUSA
Chief executive officer
and general manager

GIOVANNI CAVALLINI (1)

GIULIO GALLAZZI (2)

PAOLA GIANNOTTI (1)

BRUNO PAVESI (1) (2)

ALESSANDRA PICCININO ** (2)

MARIO GARRAFFO ***

FILIPPO CORSI ****
Board secretary

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

GIACINTO SARUBBI
Chairperson

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.

* Position held by Ryoichi Hirayanagi from 2 November 2015 to 20 November 2015. Karen Boswell was appointed deputy chairperson by the board of directors during the meeting of 25 November 2015.
** Appointed pursuant to article 2386 of the Italian Civil Code by the board of directors on 9 November 2015 to replace Barbara Poggiali. Ms. Piccinino will remain in office until the next shareholders' meeting.
*** Appointed pursuant to article 2386 of the Italian Civil Code by the board of directors on 25 November 2015 to replace Mr. Hirayanagi. Mr. Garraffo will remain in office until the next shareholders' meeting.
**** Appointed on 30 October 2015 to replace Grazia Guazzi.
(1) Member of the risk and control committee.
(2) Member of the appointments and remuneration committee.

DIRECTORS' REPORT AT 31 DECEMBER 2015

Dear shareholders

The profit for 2015 totalled €35.9 million (€32.7 million in 2014) and equity came to €362.6 million (2014: €355.0 million).
In general, the company's performance was positive in 2015 and in line with expectations.

We have the following comments about the significant corporate and governance transactions that were carried out during the year:

On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. communicated their signing of a binding contract for Hitachi's purchase of Finmeccanica's entire investment in Ansaldo STS S.p.A., equal to approximately 40% of its share capital, and the AnsaldoBreda S.p.A. business except for certain revamping activities and specific residual contracts.
As a result, on 2 November 2015, Finmeccanica S.p.A. executed the sale of its investment in Ansaldo STS (80,131,081 shares for 40.07% of its share capital) to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd.. Accordingly, Hitachi Ltd. became the company's controlling shareholder pursuant to article 2359.1.2 of the Italian Civil Code and article 93 of the Consolidated finance act.
On the same date and following the sale of the above shares, the legal conditions materialised obliging Hitachi Rail Italy Investments S.r.l., Hitachi Ltd.'s subsidiary, to make a takeover bid for all the company's remaining ordinary shares (119,869,919 shares equal to 59.93% of its share capital) pursuant to articles 102 and 106.1-*bis* of the Consolidated finance act (the "takeover bid").
On 21 December 2015, the company's board of directors verified that it is managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

More information about the takeover bid is provided in the communications and documentation made available to the public pursuant to the relevant legislation on the company's website page http://www.ansaldo-sts.com/it/investor-relations/offerta-pubblica-d'acquisto.

KEY EVENTS OF THE YEAR

The company's 2015 results were satisfactory.

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

(€'000)	*2015*	*2014*
New orders	451,911	1,314,637
Order backlog	5,206,525	5,160,123
Revenue	721,731	691,895
Turnover	650,942	681,785
Gross profit	104,667	111,663
Gross profit %	*14.5%*	*16.1%*
Operating profit (EBIT)	49,834	48,001
Adjusted EBIT	49,834	53,971
ROS	*6.9%*	*6.9%*
Profit for the year	35,901	32,728
Net financial position	(57,627)	(81,043)
Net cash flows	(23,416)	(1,886)
EVA	8,721	7,349
Headcount	1,551	1,486
Research and development	20,697	17,248

New orders approximated €452 million (roughly €1,315 million in 2014), mainly characterised by variations and updates to ongoing contracts as well as component and service contracts and the extension of operation & maintenance contracts. The major contracts awarded in 2014 related to the construction of the Lima metro (approximately €513 million) and Line 4 of the Milan metro (roughly €216 thousand).

The order backlog totalled €5,207 million at 31 December 2015 (€5,160 million at 31 December 2014), including the effect of revaluing some foreign currency contracts.

Revenue increased to €721.7 million from €691.9 million in 2014 (+€29.8 million) due to progress on the contracts acquired in the past few years including Line 3 of the Riyadh metro, the Copenhagen Cityringen metro line and the Lima metro.

Operating profit came to €49.8 million, €1.8 million better than the 2014 figure of €48.0 million, as a result of the smaller gross profit caused by the different contract mix and higher R&D costs, which were more than offset by the lower structural and restructuring costs.

The profit for the year of €35.9 million was better than that for 2014 (€32.7 million), thanks to the improved operating profit and the smaller tax expense.

The company's net financial position was €57.6 million (€81.0 million at 31 December 2014) and net cash outflows came to €23.4 million (€1.9 million in 2014), including the dividend pay-out of €30.0 million (€28.8 million in 2014).

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The company's reclassified schedules showing its financial position and results of operations are presented below.

Income statement

Reclassified schedules are presented by nature and function for 2015 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)	*2015*	*2014*
Revenue	721,731	691,895
Purchases and personnel expense (*)	(677,277)	(644,849)
Change in work-in-progress, semi-finished products and finished goods	85	(380)
Amortisation, depreciation and impairment losses	(12,104)	(12,024)
Other net operating income (**)	17,399	19,329
Adjusted EBITA	**49,834**	**53,971**
Restructuring costs	0	(5,970)
Operating profit (EBIT)	**49,834**	**48,001**
Net financial income	1,708	1,863
Income taxes	(15,641)	(17,136)
Profit for the year before discontinued operations	**35,901**	**32,728**
Profit (loss) from discontinued operations		
Profit for the year	**35,901**	**32,728**

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 "Internal work capitalised".
(**) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs and accrual to (use of) the provision for expected losses to complete contracts).

2015 revenue totalled €721,731 thousand, up €29,836 thousand on 2014 (4.3%) due to the development of the significant order backlog and, specifically, the progress made on projects in Saudi Arabia, Denmark and Peru. Revenue earned on the Italian market came to €321,228 thousand (€325,465 thousand in 2014) and €400,503 thousand on the foreign market (€366,430 thousand in 2014).

Total purchases and personnel expense increased by €32,428 thousand, mainly due to greater volumes.

EBIT came to €49,834 thousand (6.9% as a percentage of revenue), compared to €48,001 thousand (6.9% as a percentage of revenue) in 2014.

Net financial income (€1,708 thousand) is in line with 2014 (€1,863 thousand).

Income taxes equalled €15,641 thousand (2.2% as a percentage of revenue) compared to €17,136 thousand (2.5% as a percentage of revenue) in 2014; as a percentage of pre-tax profit, they came to 30.3% (2014: 34.4%). This 4.1% decrease is mainly due to the higher dividends collected in 2015 compared to the previous year (€6,041 thousand vs €2,450 thousand) and the lower IRAP expense following the new law which allows deduction of personnel expenses for employees with open-ended contracts introduced by the 2015 Stability Law.

Profit for the year totalled €35,901 thousand (5.0% as a percentage of revenue), compared to €32,728 thousand (4.7% as a percentage of revenue) in 2014.

The income statement reclassified by function is as follows:

(€'000)	*2015*	*2014*
Revenue	721,731	691,895
Operating expense	(617,064)	(580,232)
Gross operating profit	104,667	111,663
Gross operating profit as a percentage of revenue	*14.5%*	*16.1%*
Overheads	(62,095)	(66,337)
Net operating income	7,262	2,675
Operating profit (EBIT)	**49,834**	**48,001**

The increase in revenue over 2014 is mainly attributable to the progress on the metro contracts won in the past few years. Total average profitability was down on the previous year due to the different mix and profitability of contracts in the two years.

Overheads decreased by €4,242 thousand due to smaller commercial and administrative overheads (€7,691 thousand), partially offset by higher research expense (€3,449 thousand).

Net operating income amounts to €7,262 thousand (2014: €2,675 thousand); the improvement is mainly due to the restructuring costs recognised in 2014 (€5,970 thousand).

Statement of financial position

The company's statement of financial position as at 31 December 2015 and corresponding previous year figures are set out below:

(€'000)	*31.12.2015*	*31.12.2014*
Non-current assets	305,089	297,417
Non-current liabilities	(30,199)	(32,763)
	274,890	**264,655**
Inventories	95,642	80,022
Contract work in progress (net)	179,483	170,326
Trade receivables	548,539	556,717
Trade payables	(345,525)	(302,451)
Progress payments and advances from customers (net)	(455,573)	(497,557)
Working capital	**22,566**	**7,057**
Provisions for risks and charges - current portion	(2,475)	(1,851)
Other current assets, net (*)	10,000	4,058
Net working capital	**30,091**	**9,264**
Net invested capital	304,981	273,919
Equity	**362,608**	**354,961**
Net financial position	**(57,627)**	**(81,043)**

Reconciliation between the reclassified statement of financial position and the statement of financial position included in the separate 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 (€274,890 thousand) increased by €10,235 thousand due to the capital increases of 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 increased €20,827 thousand from €9,264 thousand to €30,091 thousand.

This increase was due to the change in net work in progress and inventories, partly countered by the rise in trade payables and reduction in trade receivables. Moreover, the higher balance of other current assets and liabilities contributed to the improved net working capital, mainly due to the company's VAT asset.

The €7,647 thousand increase in equity follows the recognition of profit for the year of €35,901 thousand, the payment of €30,000 thousand in dividends for 2014, the increase of €3,781 thousand in the translation reserve, net of the tax effect, and the decrease of €2,290 thousand in the hedging reserve, net of the tax effect.

Net financial position

The company's net financial position at 31 December 2015 and 2014 is set out below:

(€'000)	***31.12.2015***	***31.12.2014***
Current loans and borrowings	1,607	1,973
Cash and cash equivalents	(178,636)	(179,381)
Bank loans and borrowings	**(177,029)**	**(177,408)**
Related party loan assets	(22,079)	(42,163)
Other loan assets	(28,443)	(28,443)
Loan assets	**(50,522)**	**(70,606)**
Related party loans and borrowings	169,924	166,971
Other loans and borrowings	-	-
Loans and borrowings	**169,924**	**166,971**
Net financial position	**(57,627)**	**(81,043)**

The company's net financial position of €57,627 thousand at 31 December 2015 compares with €81,043 thousand at the previous year end.

Specifically, of the loan assets of €50,522 thousand at 31 December 2015 (31 December 2014: €70,606 thousand), €563 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 Malaysia SDN BHD and Ansaldo STS UK LTD (with the latter fully impaired).

Loan assets include the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya deposited in a local bank (€28,443 thousand).

The net financial position includes the €29,345 thousand (31 December 2014: €70,643 thousand) remainder of the advance received from the Russian customer, Zarubezhstroytechnology (ZST), for the project agreed 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 2013 with ZCT for the enforcement of the advance payment bond. At the end of November 2013, the Milan Court authorised Credit Agricole to release part of the advance, confirming that ZST only has the right to partial repayment thereof. An international arbitration proceeding has commenced before the Vienna International Arbitral Centre. Following the hearing of September 2015 in Paris and presentation of the documentation requested after this hearing, the arbitration panel is expected to publish its award in 2016. Reference should be made to the section on litigation for further information.

The company's reclassified *statement of cash flows* for 2015 is presented below, with corresponding prior year figures.

(€'000)	*2015*		*2014*	
Opening cash and cash equivalents	**179,381**		**94,305**	
Gross cash flows from operating activities	64,628		62,311	
Changes in other operating assets and liabilities	(23,894)		(14,524)	
Funds from operations		**40,734**		**47,787**
Change in working capital	(15,509)		(4,833)	
Cash flows from operating activities	**25,225**		**42,954**	
Cash flows used in ordinary investing activities	(6,238)		(8,630)	
Free operating cash flow		**18,987**		**34,324**
Strategic transactions	(15,503)		(7,410)	
Dividends from ASTS group companies	3,100			
Cash flows used in investing activities	**(18,641)**		**(16,040)**	
Dividends paid	(30,000)		(28,800)	
Cash flows from financing activities	22,671		86,962	
Cash flows from (used in) other financing activities	**(7,329)**		**58,162**	
Net increase (decrease) in cash and cash equivalents	(745)		85,076	
Closing cash and cash equivalents	**178,636**		**179,381**	

The free operating cash flow decreased in 2015 due to the smaller cash flows generated by the change in operating working capital and the greater use of cash for variations in other operating assets and liabilities.

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.
As required by CESR communication 05 - 17b, the components of each of these indicators are described below:

- **Operating profit (EBIT)**: the unadjusted profit before income taxes and financial income and expense.
- **Adjusted EBIT**: is the EBIT as described above, net of the following items (where applicable):
  - any impairment losses on goodwill;
  - amortisation of the portion of any purchase price allocated to intangible assets 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)**: the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investments in and disinvestments of property, plant and equipment, intangible assets and equity investments, net of cash flows for acquisitions or disposals of equity investments which qualify as "strategic transactions" given their nature or materiality. The method used to calculate the FOCF for the current and previous years is shown in the paragraph entitled "Net financial position".
- **Funds From Operations (FFO)**: the cash flows generated by (used in) operating activities, net of changes in working capital. The method used to calculate the FFO for 2015 and 2014 is shown in the reclassified statement of cash flows in the previous section.
- **Economic value added (EVA)**: the difference between operating profit net of income taxes and the cost of the average invested capital of the two years under comparison, calculated using the weighted average cost of capital (WACC).
- **Working capital**: includes trade receivables and payables, work in progress and progress payments and advances from customers.

- **Net working capital**: working capital net of the current portion of provisions for risks and other current assets and liabilities.
- **Net invested capital**: the sum of non-current assets, non-current liabilities and net working capital.
- **Net cash flows**: the change in the statement of cash flows for the current and previous years.
- **Net financial position or debt**: the calculation method used complies with paragraph 127 of CESR recommendation 05-054b, implementing EC regulation 809/2004.
- **New orders**: 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**: 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**: the number of employees recorded in the relevant register on the reporting date.
- **Return on Sales (ROS):** the ratio of operating profit to revenue.
- **Research and development expense**: the 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 2015 totalled €451.9 million (2014: €1,314.6 million).

The key events of the year are described by geographical segment below:

ITALY

New orders acquired in 2015 approximate €173.9 million, mainly relating to variations and updates of existing contracts as well as contracts for components, maintenance and services. They include updates and customised work for Line 6 of the Naples metro (€29.7 million), variations to the Turin-Padua line (€19.1 million), the Genoa junction ACC multistation (€7.4 million) and the master agreement with Trenitalia covering the repair of devices (€13.2 million).

REST OF EUROPE

New orders approximate €188.6 million, mainly acquired in northern Europe.

Contracts acquired in Denmark of €120.4 million nearly entirely relate to variations for the Copenhagen Cityringer metro to increase the number of trains and extend the operations & maintenance contract.

Greek contracts include €40.4 million mainly related to the price revisions for the Thessalonica contract.

The company has contracts in Switzerland with Siemens and Stadler for the supply of on-board devices worth €10.3 million and €3.4 million, respectively.

NORTH AFRICA AND THE MIDDLE EAST

The contracts in this area amount to approximately €71.7 million and include the variation for the Iconic Stations as part of the Riyadh metro project (€61.7 million) and the order variation relating to the contract for the maintenance of the Princess Noura University for Women metro in Riyadh (€7.0 million).

AMERICAS

New orders total €1.3 million, mostly related to the supply of components for the US subsidiary.

ASIA PACIFIC

New orders come to €16.6 million, of which €7.9 million for the Australian subsidiary for the Rio Tinto and Roy Hill projects and €7.9 million for the Chinese subsidiary to supply equipment.

Order backlog

The company's order backlog at 31 December 2015 totalled €5,207 thousand, compared to €5,160 thousand at the previous year end and mainly consists of the Copenhagen metro (approximately 16.4%); the Honolulu metro (roughly 16.9%); the Lima metro (11.4%); the Riyadh metro (10.8%); the concessions to build the Naples and Genoa metros (around 5.6%); the Brescia and Milan automated metros (approximately 4.8%); the Taipei metro (3.1%); the Thessaloniki metro (3.5%); Line C of the Rome metro (2.2%); the construction of the Aarhus tram line (1.9%); the ACS-related projects both in Italy and abroad (around 3.5%); high-speed railways (approximately 1.3%) and components and services (around 1.4%).

These orders include €456.3 million (8.8%) related to projects in Libya, which are still halted and for which significant variations did not take place during the year.

PRODUCTION PERFORMANCE

Revenue totalled €721.7 million (2014: €691.9 million).

The main events by geographical segment are presented below:

ITALY

HIGH-SPEED RAILWAYS:

Production activities were focused on the Treviglio-Brescia section as part of the Saturno consortium, which agreed the functionalities and logics of the IXL RBD technology to be applied with the customer. The laying of cables along the line commenced as well as in the equipment rooms and the Milan Greco control room.

RAILWAYS - CENTRAL AUTOMATED SYSTEM:

2015 production mainly related to the project for the technological upgrade of the Turin-Padua line. In February, the 4.1 milestone relating to the partial completion of the project was reached with the activation of eight systems between Rezzato, Lonato, Desenzano, Peschiera, Sommacampagna and Brescia and a part of the line between Brescia and Verona. The 2.2 milestone was reached in April with activation of the systems for the Milan Centrale - Milan Lambrate section and the related peripheral stations. The 1.1.1 milestone relating to the partial completion of the project was achieved in June with the completion of the peripheral stations along the Avignana-Collegno section. By year end, another two important contractual deadlines had been met: the 3.2 milestone in November and the 2.3 milestone in December for the activation of five ACCM systems at the Milan Greco control room and an SCCM system at the Milan junction.

Work for the construction of the central automated systems at the Brescia Centrale, Genoa and Villa Literno stations continued at the same time while work for the Palermo Centrale station is nearing completion.

ON-BOARD SYSTEMS:

With respect to the SCMT/ERTMS systems, work to equip the ETR1000 high speed trains for the Trenitalia fleet continued using the ASTS on-board technology. By year end, 18 trains had been completed and delivered.

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 (now Hitachi Rail Italy) 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:

Work on the civil works continued at the Arco Mirelli station, following the release from seizure of the station shaft, and the Mergellina-S. Pasquale line, where the electro-mechanical installations also continued. As scheduled, the first tests on the wayside/on-board communication systems started in October for the Mergellina-S. Pasquale line under the supervision of the ministerial commission. The customer continues to encounter difficulties in obtaining the funds necessary to complete the contract.

ROME METRO LINE C:

After the inauguration of Parco di Centocelle-Lodi section in June 2015 with the opening of six stations (Mirti, Gardenie, Teano, Malatesta, Pigneto and Lodi), construction work on the San Giovanni station was again delayed and completion has now been postponed to mid 2016. Work on section T3 (from San Giovanni to Fori Imperiali) has been suspended by the Metro C consortium due to the financial dispute with the customer.

MILAN METRO LINE 5:

This contract is nearing completion. As part of Expo 2015, the five stations of Domodossola, Lotto, Segesta, S. Siro Ippodromo and S. Siro Statio were opened in April 2015. The other stations on the line (Portello, Cenisio, Gerusalemme, Monumentale and Tre Torri) were opened to the public between June to November.

MILAN METRO LINE 4:

The project team carried out executive design activities and materials procurement during the year. Initial access to the work sites has been postponed until 2016 as the civil works are still in progress.

GENOA METRO:

The contract has been affected by delays in the civil works at the Dinegro depot. Completion is slated for 2016.

REST OF EUROPE

TURKEY:

In Turkey, works to install and roll out the multi-station devices relating to the Mersin-Toprakkale project continued at full speed, in compliance with the agreement formalised with the customer TCDD in the second half of the previous year. The last MS2 (Yesilhisar, Akkory and Arapli) and MS3 (Huyak, Ovacik and Nidge) devices were completed in December and the CTC supervisory system for the south section was installed at Adana.
In relation to the Ankara metro, activation of the M1 line in DTP mode was completed, although the line has yet to be activated given the unavailability of the customer’s trains. However, the aim is to complete the wayside CBTC technology for the M1, M2 and M3 lines in 2016.

GREECE

Activities to equip rolling stock with Level 1 ERTMS systems for the Greek railways continued, equipping all the working trains. The certification activities have to be finalised and management of the inactive trains still needs to be defined with the customer.

Work on the Thessaloniki metro has been delayed over the years due to archaeological finds, the problems encountered in expropriation activities and changes in the design of civil works due to hydrogeological conditions as well as Greece’s political/economic instability.

As part of the arbitration to obtain the recognition of sundry greater expense and/or extra costs incurred in executing the contract, the customer invited the consortium of which Ansaldo STS is a member to a negotiating table. A settlement is being negotiated, which would lay the basis for recommencing work. However, non-resumption would not affect the company’s financial position or performance.

DENMARK:

Progress on the Copenhaghen Cityringen project is very satisfactory. The company has been awarded additional work to equip the trains and provide operation & maintenance services, while the design and procurement of the materials continued. At the start of October, the dynamic testing of the driverless CBTC technology was commenced successfully on a trial rail with positive feedback.

Meanwhile, the activities for the design and procurement of materials for the construction of the tram line in Aarhus are also going ahead and the related preliminary designs were completed at the end of November.

NORTH AFRICA AND THE MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, the design activities for the Riyadh Metro System project have been delayed compared to the initial schedule due to variations requested by the customer. Other variations in the contract scope are being discussed with the customer and the company’s partners.

LIBYA:

The Libyan railway project is still on hold and it is difficult to say when it will resume. The arbitration procedure related to the consequences of the work suspension with respect to the Russian customer Zarubezhstroytechnology continued before the Vienna International Arbitral Centre. Following the hearing held in Paris last September and presentation of the documentation requested after that hearing, the company is waiting for the arbitration panel to issue its award (expected during 2016).

AMERICAS

USA:

Activities for the construction of the Honolulu metro continued in Hawaii, specifically, design and production activities and mobilisation of the construction team. At year end, with respect to the technological activities, work for the ATC and power systems had commenced along the line. Under the revised work plan, the first part of the line is slated to open by the end of 2017.

PERU:

The design and procurement activities continued on Lines 2 and 4 of the Lima metro, while the civil works are still affected by the delays caused by the difficulties in acquiring the areas to be expropriated.

ASIA PACIFIC

TAIWAN:

Design and production activities continued for the construction of the Taipei Metro Circular Line metro. The delays in civil works will further impact the construction times of the metro, which is set to be completed in 2020. Initial access to the depot areas is expected to take place in 2016.

CHINA:

With respect to the project for the Zhuhai cable-free tramway, some technical issues which arose during the field tests are being analysed. They have led to a delay in completion of the works now slated for early 2016.

INDIA:

The Kolkata Metro project continues to incur delays caused by the civil works, the unavailability of design inputs and cancellation of the rolling stock supply contract which should be reassigned in the first half of 2016 with the related reorganisation of the works.

INVESTMENTS

Investments in property, plant and equipment and intangible assets and deferred expense recognised in 2015 approximated €9.6 million.

They may be analysed as follows:

- Buildings €0.2 million
- Plant €0.5 million
- Equipment €0.9 million
- Other assets €1.6 million
- Licences and software €1.9 million
- Capitalised development expense €4.5 million

The Satellite and Rail Telecom project launched in 2012 continued in 2015. This is a development plan to include satellite technologies in the new railway signalling systems. Costs of €4.5 million were incurred in 2015 and capitalised as development expense for which the company received grants of €1.9 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 market (demand and offer) 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 (strategic, operational, financial and IT) and uncertainties faced by the company are outlined below. 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 separate 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. Moreover, the market has seen greater volatility in the acquisition of contacts, due partly to the fact that projects 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. This leads to tougher competition, with decreasing prices and market consolidation even though the market shows modest growth in the medium term. The clauses in new contracts are more complex and generate greater, risks which include the greater resort to project financing due to the contraction in funding available to customers. This market situation could negatively impact Ansaldo STS's competitive edge and performance, e.g., difficulties in obtaining new contracts, contracting margins on new orders and exposure to less advantageous contractual terms.

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, the slowdown in growth in China and South America, the drop in raw material prices, which reduces customers' spending capacity in certain markets, political instability in some geographical areas of interest and plans to reduce public debt could generate delays or reductions in new orders, delays in payments and less favourable terms for new contracts, having a negative impact on Ansaldo STS's performance.
The company's strategy may not be immediately updated and adjusted in response to these many variables and uncertainties in the macroeconomic and market context, negatively impacting its 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 efficiency/optimisation in the use of resources during project implementation. Streamlining projects commenced some time ago, including the most recent "Value to Actions - V2A" project launched in 2015 and continued in 2015, with a view to reducing both external and internal costs via the optimisation of operating processes. The anticipated benefits have already been seen, especially in structural and operating costs.
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, their results are weaker than anticipated or take longer than expected or that the greater operating efficiency achieved is not maintained over time, 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 regularly assess products' technical competitiveness are in place to mitigate these risks and ensure greater optimisation when making bids.

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, expose it to risks such as: political, social and economic instability, not accurately evaluating local legislation (as applies to companies, the sector and tax), 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. Any mitigating actions are also contemplated at the time the bids are prepared and contracts managed.

Reference should be made to the paragraph of this report covering the halt of the contracts in Libya due to the instability and unrest 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 turnkey systems business, on complex long-term contracts of a significant amount.

Delays, amendments, revisions or cancellations of one or more significant long-term 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 bid is made and throughout project implementation, as well as lifecycle management processes involving the regular comparison of physical and accounting progress.

E) <u>Budgeting and risk management project planning</u>

Ineffective project planning and control processes and weak project technical management 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 related remedial actions as well as 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.

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 turnkey projects business, the company also carries out contracts in conjunction with other operators. In these cases, each operator generally has joint and several responsibility vis-à-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-à-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 qualification of partners, suppliers, 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, in some cases, 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 suppliers, subcontractors and subsuppliers, it works with known and reliable partners, it defines, agrees and manages appropriate contractual and joint venture clauses, it has risk management processes and it requests specific guarantees, where applicable.

G) Efficient technical operations and relevant technical references

Development and engineering activities carried out without a clear understanding of the requirements or specifications or effective configuration management 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 to ensure quality, compliance with deadlines and efficiency in projects and development management. It has rolled out special projects to monitor the proper implementation of these processes during projects.

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 when the bid is being prepared. It is managed through processes designed to ensure adequate interaction between the engineering unit, which communicates the customers' requirements, the portfolio unit, which assesses the market's technical requirements and possible technical solutions, and the development unit, as well as via the development and monitoring of the product development roadmap.

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 Ansaldo STS 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 in line with the risk management process.

I) Legal disputes

The complexity of dealings with third parties (customers, subcontractors/subsuppliers and partners), especially for international projects and 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, disputes are monitored closely, contractual clauses are examined carefully 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 group and market context and on complex projects.

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.

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, terrorist attacks 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, subject to internal and external monitoring and integrated with the security processes monitored by an independent internal unit. These management systems are certified (to OHSAS 18001 standard for workplace safety and ISO14001 for the environment).

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 company's various units 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 funding 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 its financial position and results of operations, which is usually based on various indices including an analysis of its 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 2015, it had guarantees of €3,764,868 thousand.

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 its 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 its cash flows; its financial position is solid and the contract parameters are assessed right from the time of the bid stage.

In the present 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.

IT risks

O) 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 network and 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 took into account 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, including cyber-security aspects.

RESEARCH AND DEVELOPMENT

Research and development expense taken directly to profit or loss for the year ended 31 December 2015 totalled €23.5 million (€21.5 million in the previous year), against grants approximating €2.9 million (€4.3 million in the previous year).

With respect to the main financed projects:

- SFERE, funded by the Ministry for Research, studied the use of power-line supercapacitators to increase the energy efficiency of powering tram systems;
- MERLIN, funded by the European Commission, dealt with power supply architectures and software to optimise main line energy flows;
- OSIRIS, funded by the European Commission, studied solutions using low-enthalpy resources to reduce the consumption of auxiliary metro systems;
- MAXBE, funded by the European Commission, dealt with monitoring railway infrastructure;
- VERO (Virtual Engineering for Railways and automotive), for the construction of simulators to determine the optimal size of signalling systems;
- PON01 projects, funded by the Ministry for Research: DIGITAL PATTERN DEVELOPMENT, coordinated by FIAT, for the development of simulation systems used in the design and production of road and rail transport systems and components, and SICURFER, for the development of technologies to monitor railway infrastructures in order to raise safety and security levels);
- TESYIS RAIL, funded by the Ministry for University and Research (MIUR), to define strategies for the energy optimisation of rail traffic.

The following PON3 projects, funded by the MUIR through the Campania district DATTILO (High technology district for transport and logistics) and the Campania laboratory TOP IN (Optoelectronic technologies for industry), are also underway:

- MODISTA, which deals with innovative solutions for the monitoring and preventative diagnosis of infrastructure and vehicle fleets in order to increase the levels of availability, efficiency and safety;
- OPTOFER for the application of innovative optoelectronic technologies for railway infrastructure monitoring and diagnosis;

- FERSAT, which studies a railway signalling system based on the innovative use of satellite technologies suitable for urban environments and their integration with existing technologies;
- NEMBO for the study and experimentation of highly-efficient innovative embedded systems for railway applications.

As part of the activities of the Liguria District on Research in collaboration with the MIUR, the PLUG IN project was launched. The project provides for the development of an urban mobility platform to manage multi-source information, to determine current traffic and forecast its development.
Other projects financed by the European Commission are:
- CRYSTAL, aimed at the development of safety tools*;*
- NGTC, aimed at developing future rail and urban traffic control systems. Ansaldo STS heads up the work package related to satellite positioning;
- MANTIS, financed by the ECSEL Joint Undertaking (a public private body which provides European Commission grants for embedded system innovation) and the Ministry for Research;
- IN2RAIL, funded by the European Commission as part of the Shif2Rail project;
the project, started in May, is aimed at optimising railway infrastructure by reducing the construction and maintenance costs and increasing capacity.

The European Commission also finances satellite technology projects.
Specifically, the ERSAT EAV project was launched in April 2015. The aim of this project, coordinated by Ansaldo STS, is to adopt and customise satellite technologies for railway signalling, notably with respect to checking that the EGNSS/EGNOS technology and the new Galileo services can be used in ERTMS signalling.

Meanwhile, activities for the 3InSat project have almost been successfully completed, including the development of a satellite localisation system and its integration with the ERTMS railway signalling system, to support LDS development as part of the Roy Hill contract. Largescale campaigns to collect and analyse experimental data at the Sardinian trial site were carried out in 2015. The objective is to quantify the performance of the ASTS ERTMS system based on satellite location and TETRA radio communications or GSM Public. To date, the quantitative assessment of performance confirmed the expected results resulting in the commencement of a technical consultation with RFI and Trenitalia in preparation for the design of a signalling system in Sardinia for commercial roll-out using a satellite and TLC technology based on GMS Public.

Development activities also took place on the following projects which do not receive external funding:

- Standard/freight RBC/ERTMS;
- FDU (new entity controllers);
- On-board;
- Automatic Train Supervision (ATS) – Metro;
- Intelligent Circuit Controller (ICC) for the M23 switch machine.

Activities also continued in respect of the backward compatibility of the new Interlocking MacroLok platform with the existing peripheral stations and MacroLok geo-redundancy to ensure disaster recovery; completion of LED signals for Italian projects and approval of the M23 switch machine for the Australian market.

Research and development expense net of grants amounts to €20.7 million (€17.2 million in 2014).

HUMAN RESOURCES

HEADCOUNT

The headcount at 31 December 2015 numbered 1,551 (including 123 at foreign branches), compared to 1,486 at 31 December 2014. There were 59 managers, 319 junior managers, 1,129 white collars and 44 blue collars.

The 65 employee increase on 31 December 2014 was a result of 123 new hires and 58 employees leaving the company.

New employees included:

- 21 new employees, hired with open-ended contracts;
- 5 employees, transferred from other group companies;
- one employee, hired with a fixed-term contract;
- 40 employees, previously hired with temporary work contracts or from related sectors;
- 53 employees, hired at branches, considering the new orders of the year.

Outgoing personnel was as follows:

- 2 agreed terminations;
- 23 resignations;
- 10 employees who retired;
- 5 employees for other reasons (death, transfers);
- 18 employees of branches which were closed.

TRAINING

1,033 employees took part in training courses in 2015, for a total of 25,078 hours, equal to an average per capita of approximately 9.5 hours.
The key initiatives were as follows:

Technical-specialist training:

- Project Management Programme;
- Welding technologies;
- Specialist courses in railway techniques.

Managerial training:

- Seminars on talent and key resources;
- 50-50 programme.

Compliance training:

- Safety training courses (the "365 SafetyDays 365 SafetYes" campaigns) for building site personnel;
- Specific risks course as per article 37 of Legislative decree no. 81/08.

Language training:

- English project offering traditional classroom 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

The company met with the trade unions in May 2015 to provide greater disclosure on its position. During the meeting, the current situation, company performance, human resources and personnel expense, the outcome of the redundancy procedure completed in 2014 and the stabilisation plan scheduled for 2015 were presented.

The calculation of the 2014 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 2015 Performance bonus.

Once again in 2015, 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. The intention is to manage two-year, post-secondary school courses and provide more challenging and in-depth training to students at technical institutes. In 2015, Ansaldo STS hosted 11 technical institute students, who started their training in 2014, for two-month internships.

Incentive plans

The Ansaldo STS group 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 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

2014-2016 stock grant plan

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 index).

Like the previous plan, the 2014-2016 stock grant plan 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, and confirms:

- 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 checked that the objectives underlying the granting of the portion related to 2014 were achieved.

The three objectives assigned of EVA, FOCF and share performance compared to the FTSE IT All-Share index were met for 2014 and the related costs were recognised in that year.

Accordingly, in compliance with the plan regulation, 100% of the shares initially earmarked were assigned to the beneficiaries.

The total shares due to the 38 current beneficiaries numbered 254,252. As a result of the three-year vesting period, the shares will actually be delivered in April 2017.

At the end of 2015, the company checked whether the objectives for the share assignment had been met. As all the objectives linked to EVA, FOCF and share performance compared to the FTSE Italia All-Share index related to 2015 were reached, the related costs were accrued.
The results achieved will be formally calculated in 2016 and, as a result of the three-year *vesting* period, the shares will actually be delivered during 2018.

2012-2013 stock grant plan

In May 2015, the shares for the 2012 instalment of the 2012-2013 stock grant plan were delivered. Only the FOCF objective of the three objectives assigned for 2012 (EVA, FOCF and share performance compared to the FTSE Italia All-Share index) was not met.

The company assigned 138,244 shares, net of the quota withheld from Italian investors to comply with the legal tax requirements and the quota for the lock-up clause.

LTIPs

2012-2014 cash plan - 2014 instalment
This plan was set up for the CEO and one key manager.

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.
The plan also includes an access threshold defined as the company's profit for the year which, as it was not reached, meant that no incentives were earned. Accordingly, checking that the 2014 objectives were met was immaterial even though the company did check them for documentary completeness.

2013-2015 cash plan - 2014 instalment

This plan was set up for the CEO and one key manager.
It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.
The plan also includes an access threshold defined as the company's profit for the year which, as it was not reached, meant that no incentives were earned. Accordingly, checking that the 2014 objectives were met was immaterial even though the company did check them for documentary completeness.

2014-2016 cash plan - 2014 instalment

This plan was set up for the CEO and three key managers.
It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.
The plan also includes an access threshold defined as the company's profit for the year.
As the access threshold and the two performance objectives (turnover and working capital) were met, 100% of the amounts due will be paid to the beneficiaries. As a result of the annual vesting period, the cash will actually be paid in May 2016.

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 3A 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 Bucharest (Romania), Athens and Thessaloniki (Greece), Tunis (Tunisia), Copenhagen (Denmark), Taipei (Taiwan), Ankara (Turkey), Riyadh (Saudi Arabia), Tripoli (Libya), Kolkata and Mumbai (India - project office), Abu Dhabi (United Arab Emirates) and Lima (Peru).
The company also forms part of a joint venture 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 tailor 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 parent, in terms of its business model, strategies and targets, is accurately evaluated by the financial market.
Total actual coverage decreased from 13 investment banks in 2014 to 10 in 2015, partly and predominantly due to the communication of the sale of 40% of the company by Finmeccanica to Hitachi on 24 February 2015 and the latter's launch of a mandatory takeover bid for the remaining Ansaldo STS shares.
On a quarterly basis before the financial results are issued, the Investor Relations department requests brokers assigned to the company's share for their latest forecasts on its key financial 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 disseminate and communicate the group's market analyses, policies and strategies.
Following the announcement of Finmeccanica's sale of 40% of Ansaldo STS to Hitachi and the latter's subsequent takeover bid for the rest of the company's shares, Ansaldo STS decided not to take part in conferences and roadshows in 2015 but rather to focus communication activities with analysts and investors mainly through conference calls.

With the same resources and quality of its activities compared to 2014, the investor relations department continued to monitor and analyse the market and the competition in 2015, in order to support management.
In addition to the usual day-to-day focus on and weekly collection of market "rumours", the department periodically distributes in-depth updated analyses on the performance of competitors, markets and main business sector analyses.

The website remains the tool used to gather financial information and disclose it to stakeholders. The company set up a new page in the IR section in 2015 on Hitachi's takeover bid for its shares held on the market.

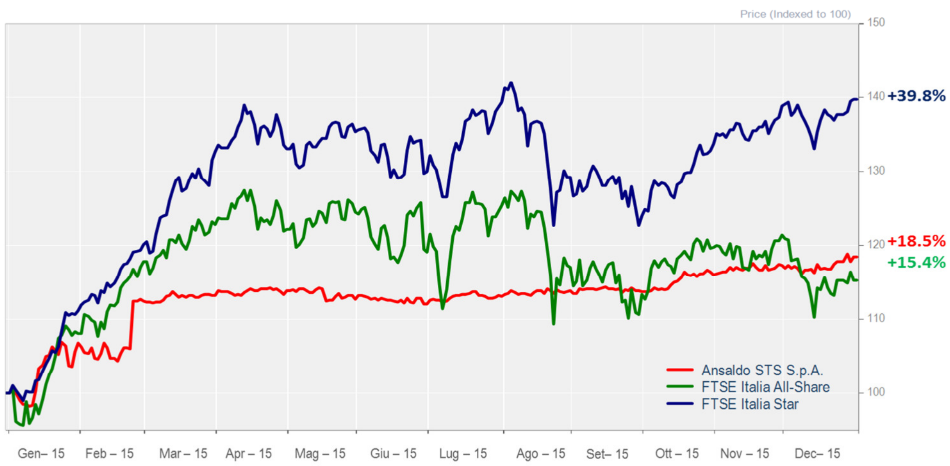
Share performance

The official share price in the **31 December 2014 to 31 December 2015** period rose from €8.33 to €9.87, up 18.5%.

The share's high for the year and all-time company record of €9.90 was recorded on 28 December 2015 and its low for the year of €8.19 on 9 January 2015.

An average 1,308,883 shares were traded daily in the year, compared to 1,038,047 in 2014. The FTSE Italia All-Share index gained 15.4% during the year while the FTSE Italia STAR index gained 39.8%.

On 21 December, following the normal review of the FTSE MIB index (which consists of the 40 most-capitalised shares on the stock exchange), Borsa Italiana communicated Ansaldo STS's exclusion from the index. Accordingly, the Ansaldo STS share is now included in the FTSE Italia STAR and FTSE Italia Mid Cap indices.



Key shareholders at 31 December 2015

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 2015:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	80,131,081	40.066
UBS	12,826,677	6.413
OLD MUTUAL PLC	5,941,981	2.970
AMBER CAPITAL	4,762,795	2.381

Dividend per share

(in euro)	2015	2014
Dividend per share	**0.18***	**0.15**

*proposed to the shareholders

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 2015 profit totalled €36,000 thousand (compared to €30,000 thousand for 2014).

LITIGATION

In general, the following should be noted:

1. 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-à-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.

2. Metro C Società Consortile per Azioni versus Roma Metropolitane S.r.l.

In 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 executive designs.

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.

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 in the Italian Official Journal in June 2013.

Instead of implementing the provisions of the settlement agreement, the newly-installed municipal council challenged the contents. The situation became more tense and Metro C was forced to suspend/slow works given the enormous financial difficulties produced by the persistent failure to pay. Following the events which developed from the CIPE resolution, in September 2013, Metro C and Roma Metropolitane signed the "Implementing deed for CIPE resolution no. 217 of 11 December 2012 and resulting adjustment of the Contract of 12 October 2006" which, inter alia, recalculated the deadlines for the completion of the functional stages following the variations made during the work, ruled that Metro C was due €230 million plus €90 million for general contractor costs and VAT for the higher costs claimed, excluding any amounts related to additional claims, provided that Metro C waived all claims recognised at the deed date and that Roma Metropolitane would renounce appealing the partial award.

As the amounts certified and invoiced as per the Implementing deed were not paid (mainly the general contractor costs), 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 court order, requesting authorisation to summon the financing bodies, which was granted by the appeal judge at the first hearing held on 16 September 2014. Accordingly, a second hearing was fixed, where Metro C was not granted the provisional seizure of the amounts not yet paid by Roma Metropolitane to date, in addition to accrued interest. The hearing for the final judgement will take place in September 2016.

At the end of 2015, as the amount provided for in the Implementing deed had not been paid nor the amounts invoiced for work regularly performed and certified, Metro C sued Roma Metropolitane S.r.l. and the Rome municipality, challenging a number of instances of non-compliance in the period from September 2013 to October 2015. It also requested payments of various amounts including the outstanding receivables of approximately €350 million refered to in the claim form.

The first appearance of the parties in court is set for March 2016, unless the Rome Court decides otherwise.

3. Ansaldo STS versus Metro Campania Nord Est

In April 2011, Ansaldo STS obtained two orders of the court against Metro Campania Nord Est (MCNE), as part of the Alifana project, for unpaid invoices approximating €31 million. MCNE challenged the decrees, regarding Ansaldo STS'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 Ansaldo STS collected the first initial payment in December.

Considering MCNE's claims about the contractual nullity, the Judge referred the case for a cross-examination to a hearing scheduled for March 2016.

4. Ansaldo STS versus Naples municipality

With respect to the court order filed by the company against the Naples municipality in 2011 for the collection of outstanding receivables, the final hearing is expected to take place in March 2016 to complete the proceedings commenced as a result of the municipality's opposition to the order.

In the meantime, the parties came to an agreement to settle their claims.

5. 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.

The alleged crimes are 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*".

In 2015 and until the first hearing before the Judge for the Preliminary Hearing, the company's defendants were called for spontaneous questioning. Based on the results of this questioning and the findings of the preliminary investigations, two employees were committed for trial while the motion to dismiss the case for the third employee is pending. During the preliminary hearing of June 2015, certain third parties joined the proceeding as civil parties seeking damages, including the Naples municipality. The Judge for the Preliminary Hearing set another hearing for 15 December, during which the company held liable for compensation for pecuniary and moral damage to the civil parties. The first date set for the hearings is in early 2016.

With respect to the civil proceedings related to the collapse of the buildings, 14 cases are currently pending, including one for potential damage as per article 1172 of the Italian Civil Code and 13 claims for damages. During 2015, five cases were closed, including three for preliminary technical inspections and two for potential damage as per article 1172 of the Italian Civil Code.

Negotiations for Via Riviera di Chiaia 72 related to the partial collapse of the building and the demands of the counterparties are still pending.

6. Ansaldo STS versus the Russian customer Zarubezhstroytechnology (ZST)

In relation to the project for the construction of a 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 joint arrangement - 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.

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 court costs.

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 2013, paid the bank €41.3 million.

Subsequently, in March 2014, ZST issued the statement of claim and 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 chairperson, in addition to the arbitrators. In January 2015, the ASTS-Selex joint arrangement filed its Statement of defence and counterclaim with the VIAC. Following the hearing, the parties are awaiting the arbitration panel’s decision.

7. AISA JV - Attiko Metro arbitration

In January 2014, the AIASA joint venture (of which Ansaldo STS holds 22%) 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 venture in completing the contract for the design and construction of the Thessaloniki metro.

Given the considerable number of issues under arbitration, and for a more efficient settlement of the dispute, six different arbitration panels were set up, each resolving on a certain group of claims made by the AIASA joint venture against ATTIKO METRO.

In December 2014, the arbitration panel deciding on Dispute 66 ruled that the current work schedule discretionally set by the customer 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, the AIASA JV and the customer Attiko Metro are attempting to find a come to an arrangement that would enable work to resume.

With respect to the proceedings that more directly involve Ansaldo STS, the plea of inadmissibility related to the lack of service proposed with the administrative appeal by Attiko Metro as the project leader for proceeding no. 47, Signalling System, award no. 101/2015 was rejected. With respect to proceeding no. 63, FD1 - FD2 Approval, delay attributed to AM, award no. 105/2015, it was established that the contractor shall receive compensation for the costs incurred as a result of Attiko Metro’s delay in the period from March 2008 (when the notice was presented) to June 2010 of roughly €6 million plus legal interest starting from November 2012. Attiko Metro filed an appeal to cancel the arbitration award no. 105/2015 with the Athens Court of Appeals. The objections of inadmissibility were rejected in proceeding no. NDD/9, CBTC Train Control System - Acceptance of variations compared to the contractual specifications for solutions about its implementation, award no. 131/2015.

8. ASTS /Alstom consortium - Société Nationale des Chemins de Fer Tunisiens arbitration

An arbitration panel 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 panel that will rule in accordance with the procedural rules of the International Chamber of Commerce (ICC) and pursuant to applicable French law. Following the filing of the defence briefs and discussion of the claims and issues presented by the parties, the arbitration panel has set the final hearing for February 2016. The definitive award is not expected to be published before summer 2016.

9. Ansaldo STS S.p.A. - Metro C S.p.A. arbitration

In December 2014, the procedure to form the arbitration panel for the dispute introduced by Ansaldo STS versus Metro C S.p.A. commenced. It involved the company's request for greater expense and extra costs (for delays in the delivery of areas, archaeological finds and requests for variations from the customer) incurred due to delays which led to longer times to complete the contracts for the system engineering, construction of the sub systems for the automated train controls and on-board communications. Following the appointment of a court-appointed expert, the arbitration panel has ordered that the report be delivered by March 2016.

10. 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 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 until 31 December 2014, was reduced to 30 June 2014 by article 17.5 of Decree law no. 16/2014. Accordingly, actions are in place with possible enforcement procedures.

However, the parties are attempting to meet n 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 Italiana S.p.A. since 29 March 2006.

They were included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were included in the FTSE MIB index again from 7 April 2015 until 20 December 2015. Since 21 December 2015, the shares have been included in the FTSE Italia Mid-Cap index again.

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 became compliant 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 comply with them. The committee adopted a new version of such code in July 2014 and, furthermore, in July 2015; Ansaldo STS's corporate governance system basically comply with the latest version.

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 2015, approved by the board of directors on 25 February 2016, published at the same time as this annual report.

On 2 November 2015, the sale of the entire investment of Finmeccanica S.p.A. in Ansaldo STS S.p.A. (80,131,081 shares for 40.07% of its share capital) to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd., has been executed. Accordingly, Hitachi Ltd., by its wholly owned controlled company, became the company's controlling shareholder of Ansaldo STS S.p.A., pursuant to article 2359 Paragraph 1, n°2 of the Italian Civil Code and article 93 of the Consolidated finance act. On 21 December 2015, the company's board of directors verified that Ansaldo STS S.p.A. is managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

As part of the agreements for the sale of the above shares, on 2 November 2015 a shareholders' meeting has been called by request of Finmeccanica S.p.A., pursuant to article 2367 of the Italian Civil Code. Such meeting has been called as a consequence of the resignation of the directors elected from the majority list on 15 April 2014. The shareholders appointed a new board of directors for the three-years term from 2015 to 2017, after setting the new number of directors in nine. The newly-appointed directors were Alistair Dormer (chairperson), Karen Boswell, Stefano Siragusa, Giovanni Cavallini, Giulio Gallazzi, Paola Giannotti, Ryoichi Hirayanagi, Bruno Pavesi and Barbara Poggiali.

On 3 November 2015, with immediate effect before the board of directors' meeting held on the same day, Barbara Poggiali resigned from her position as director of Ansaldo STS.

The Board of Directors, on 3 November 2015, appointed Stefano Siragusa as CEO and Ryoichi Hirayanagi as deputy chairperson. In addition, the Board also appointed Mr. Siragusa as the company's general manager.

On 9 November 2015, in relation to Ms. Poggiali's resignation, the board of directors, pursuant to article 2386 of the Italian Civil Code, appointed Alessandra Piccinino as new non-executive independent director.

On 20 November 2015, Mr. Hirayanagi resigned from his positions as director and deputy chairperson with immediate effect.

On 25 November 2015, in relation to Mr. Hirayanagi's resignation, the board of directors pursuant to article 2386 of the Italian Civil Code, appointed Mario Garraffo as new non-executive independent director.

On the same date, the directors appointed Karen Boswell as the company's new deputy chairperson.

Ms. Piccinino and Mr. Garraffo will remain in office until the next shareholders' meeting as provided for by article 2386 Paragraph1 second part of the Italian Civil Code.

The company's board of statutory auditors, appointed for the three-year term from 2014 to 2016 by the shareholders on 15 April 2014, includes Giacinto Sarubbi (chairperson), Renato Righetti and Maria Enrica Spinardi and the substitute statutory auditors Fabrizio Riccardo Di Giusto, Giorgio Mosci and Daniela Rosina.

On 10 November 2015, the board of directors also appointed the members of the risk and control committee (Giovanni Cavallini - chairperson, Bruno Pavesi and Paolo Giannotti), the appointments and remuneration committee (Giulio Gallazzi - chairperson, Bruno Pavesi and Alessandra Piccinino) and confirmed the CFO Roberto Carassai manager in charge of financial reporting pursuant to article 154-*bis* of Legislative decree no. 58/1998.

On 3 November 2015, the board of directors appointed Filippo Corsi, head of the company's general counsel & compliance department, as board secretary.
On their appointment, the directors Giovanni Cavallini, Giulio Gallazzi, Bruno Pavesi, Paola Giannotti, Alessandra Piccinino and Mario Garraffo confirmed they meet the requirements for independence pursuant to the current legislation and the Code of conduct. The board of directors also assessed these requirements on 9 November 2015 and, with respect to Mr. Garraffo, on 25 November 2015. The board of statutory auditors, verified that the criteria adopted by the board were properly applied.

Furthermore, in the meeting held on 10 November 2015, pursuant to principle 7.P.3 of the Code of conduct, 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 the basis of Mr. Siragusa's proposal, with the prior approval of the risk and control committee and having consulted the board of statutory auditors, the board of directors confirmed Mauro Giganti as head of the internal audit department.

Pursuant to the Code of conduct, during the first meeting of the board of statutory auditors, held on 15 April 2014, the statutory auditors Giacinto Sarubbi, Renato Righetti and Maria Enrica Spinardi, also confirmed that they meet the independence requirements pursuant to current legislation and stated thereby at the time of their appointment. Compliance with the independence requirements was subsequently verified and confirmed by the members of the board of statutory auditors during the meetings held on 9 December 2014 and, for 2015, on 2 February 2016.
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..

On 25 March 2015, 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 3 March 2015.
On 25 March 2015, after discussion with the appointments and remuneration committee, the board of directors also approved the remuneration report prepared by the company pursuant to article 123-*ter* of the Consolidated finance act and article 84-*quater* of the Issuer regulation.

Finally, pursuant to article 123-*ter*, paragraph 6 of the Consolidated finance act, the ordinary shareholders' meeting held on 23 April 2015, approved the first section of the above-mentioned report required by article 123-*ter*, paragraph 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, paragraph 8 of the Issuer regulation, we note that, on 28 January 2013, in compliance with articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer regulation, the Board of directors resolved to opt out of the requirement to publish the relevant documents for transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.

The key corporate governance tools that the company has implemented in compliance with the most recent legislative and regulatory requirements, as well as 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.

Mauro Giganti, head of the company's internal audit department, handed in his notice on 20 January 2016 and will leave the company on 31 March 2016

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 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 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 health and safety (HSE) regulations, Ansaldo STS pursues sustainable management of social and environmental matters linked to the services in all its business areas.

Ansaldo STS's commitment to "sustainable development" has seen it focus on:

- quality of life;
- ensuring the protection of natural resources;

- ensuring the safeguarding 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.

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, regulations 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.

Strategic orientation and management approach

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

It has defined local policies in relation to the environment, safety and instructions in order to achieve the following objectives:

- ensuring the best available technologies are used and international best practices adopted in order to continuously improve operating management, the rational and efficient use of energy, the prevention of pollution and the reduction of the environmental impact related to the use of fossil fuels;
- ensuring liquid waste, gas emissions and waste from assets in running conditions and activities performed are controlled, gradually reduced and kept at a minimum;
- 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 follows the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing its management systems. Certification is regarded as key to developing an entrenched environmental awareness and has been obtained for the Tito production site.

Innovation and the promotion of good practices

The environmental management system adopted by Ansaldo STS is applied to the following:

- **PRODUCTION FACILITIES** for products used in safety, control and monitoring systems supplied by Ansaldo STS.
- **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 operating control procedures, 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 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 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. This entails definition of a emission reduction objective.

The following principles underpin Ansaldo STS's climate strategy:

1. A global approach: developing mechanisms that take into account the commitment of all Ansaldo STS 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: research into advanced technological solutions.

Communication, training and education

The company's 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 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 business development.

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.

General environment-related information

The operations of Ansaldo STS's subsidiaries mainly comprise office-based activities which ensure full control 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.

Management of water resources

Water consumption is purely for sanitary uses and is monitored and subject to regular sampling. Ansaldo STS 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.

Energy consumption, CO2 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 has obtained RECS (Renewable Energy Certificate System) certification for the consumption of electrical energy at its Italian facilities. These 1 MWh certificates attest the use of renewable resources.

Management of dangerous substances

Dangerous substances used in company processes are handled in full respect of the environment by adopting all possible precautions.

DISCLOSURE ON MANAGEMENT AND COORDINATION AND RELATED PARTY TRANSACTIONS

As described in the introduction, Finmeccanica executed the sale of its entire investment in the company to Hitachi Rail Italy Investments S.r.l., wholly controlled by Hitachi Ltd., on 2 November 2015.

Pursuant to article 2497-*bis* of the Italian Civil Code, we note that, as ascertained on 21 December 2015 by the company's directors, the company is managed and controlled by Hitachi Ltd..

Key figures from the most recently-approved financial statements of Hitachi Ltd. are presented in the table under note 40.

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 2015 and the previous year.

The other companies subject to management and coordination by Hitachi Ltd. are those included in the consolidated financial statements of Hitachi Ltd., pursuant to article 2497-*sexies* of the Italian Civil Code. They include, as well as Hitachi Ltd. itself, all the subsidiaries of Ansaldo STS and Hitachi Ltd..

As mentioned above, as Hitachi Ltd. acquired 40.07% of the company from Finmeccanica on 2 November 2015, the data relating to transactions with related parties include those with the companies included in Finmeccanica's consolidated financial statements as well as Ansaldo STS's subsidiaries.

In addition to showing the effects of transactions with companies included in Hitachi Ltd.'s consolidated financial statements for 2015, information about the transactions carried out with the companies included in Finmeccanica's consolidated financial statements up to 2 November 2015 is also provided.

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.

The tables presented in notes 10 and 27 of the notes to the financial statements also disclose details of the companies that are related parties in Hitachi Ltd's consolidated financial statements due to the total investments held by the Hitachi Ltd. Group companies in Ansaldo STS companies. 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 Hitachi Ltd.'s consolidated financial statements and directors, statutory auditors' and key managers' fees, represent the related party disclosure required by IAS 24 "Related party disclosures".

2015 (Hitachi group companies)

(€'000)	Loan assets	Trade receivables	Other current financial assets	Total
FINANCIAL ASSETS AT 31 DECEMBE 2015				
Parents	-	301	-	301
Subsidiaries	21,516	36,897	-	58,412
Associates	563	13,515	-	14,078
Consortia	-	41,560	4	41,564
Total	**22,079**	**92,273**	**4**	**114,356**
% of the total corresponding financial statements caption	**44%**	**17%**	**0.01%**	

(€'000)	Loans and borrowings	Trade payables	Other current financial liabilities	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2015				
Parents	-	-	-	-
Subsidiaries	167,424	12,247	3	179,676
Associates	2,500	21,517	-	24,015
Consortia	-	3,314	29	3,343
Total	**169,924**	**37,078**	**32**	**207,034**
% of the total corresponding financial statements caption	**99%**	**11%**	**0.1%**	

(€'000) **2015**	Revenue	Other operating income	Expense	Recovery of expense	Financial income	Financial expense
Parents	-	-	-	301	-	-
Subsidiaries	31,863	11,345	29,500	1,459	3,646	2,572
Associates	29,944	4,151	60,303	6,041	3,161	-
Consortia	43,540	-	2,672	68	-	-
Total	**105,347**	**15,496**	**92,475**	**7,869**	**6,807**	**2,572**
% of the total corresponding financial statements caption	**15%**	**71%**	**15%**		**29%**	**12%**

2014 (FNM group companies)

(€'000) FINANCIAL ASSETS AT 31 DECEMBER 2014	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%**	

(€'000) FINANCIAL LIABILITIES AT 31 DECEMBER 2014	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%**	

(€'000) 2014	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%**

The company did not carry out any transactions with Hitachi Ltd. during the year.

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 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 2015 are credit balances due from Ansaldo STS Malaysia (€21,516 thousand), and debit balances due to Ansaldo STS France (€102,933 thousand), Ansaldo STS Australia (€34,577 thousand) and ASTS Sweden AB (€29,915 thousand). The terms applied to the current accounts with Ansaldo STS group companies are presented below.

For those contracts expressed in Euros:

- 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 and subsupplies by the subsidiary Ansaldo STS France;
- important contracts are in place with the subsidiary Ansaldo STS USA International Co. for the Metro C, Milan, Riyadh, Ankara metro, Copenhagen metro, Thessalonica metro and Lima 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 to fulfil 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 €9,497 thousand;
- recovery of expense mainly relates to the recharge of costs of €842 thousand to use the “Ansaldo” trademark and of €522 thousand for 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 Hitachi Rail Italy S.p.A. (for the contracts transferred by AnsaldoBreda S.p.A. following the closing of the deal with Hitachi Ltd.) for the vehicle supply contracts for the Genoa and Copenhagen metro projects.

The most significant of the non-trading transactions with related parties include the lease instalment and recharge for the management and use of shared services in the Naples facilities by Hitachi Rail Italy S.p.A. (AnsaldoBreda S.p.A. until 2 November 215). The 2015 lease payment equalled €894 thousand, including €149 thousand recharged by Hitachi Rail Italy S.p.A. for November and December 2015 and €745 thousand by AnsaldoBreda S.p.A. for the period from January to October 2015 while the recharge for the shared services was €1,999 thousand, including €333 thousand recharged by Hitachi Rail Italy S.p.A. for November and December 2015 and €1,666 thousand by Ansaldo Breda S.p.A. for the other months of the year.

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

The following table shows the effects on profit or loss of transactions performed with Finmeccanica and all its group companies for the period from January to 2 November 2015.

Transactions with companies included in Finmeccanica's consolidated financial statements for the period from 1 January 2015 to 2 November 2015

(€'000) FOR THE PERIOD FROM 1 JANUARY TO 2 NOVEMBER 2015	Revenue	Other operating income	Expense	Recovery of expense	Other operating expense	Financial income	Financial expense
Parents	-	-	4,655	11	18	17	35
Associates	120,024	71	37,861	1,230	1	-	-
Total	**120,024**	**71**	**42,516**	**1,241**	**19**	**17**	**35**

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

- a joint current account used to settle trading items with Finmeccanica S.p.A. and Finmeccanica group companies. The financial income generated by this transaction totalled €17 thousand for the first ten months of 2015;

- expense totalling €4,655 thousand, related mainly to the recharge of commissions on sureties (€1,545 thousand), insurance costs (€749 thousand), group security services (€960 thousand) and the licence to use the "Ansaldo" trademark for a period of 20 years (€1,341 thousand to the end of October 2015). Current and non-current prepayments of 1,610 thousand and €14,479 thousand, respectively, relate to this transaction.

Transactions with other Finmeccanica group related companies mainly relate to trading transactions with Selex ES for the Abu Dhabi project and Lines 5 and 4 of the Milan metro and with AnsaldoBreda S.p.A. for the MetroGenova and Copenhagen New Ring projects.

Revenue for the first ten months of 2015 from Ferrovie dello Stato group companies and Eni goup totalled €97,475 thousand and €7,528 thousand, respectively. 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 recharge by Selex ES, mainly for the supply of ITC services under the contract for ordinary activities for €2,865 thousand;
- the "Shared Services Company" contact with the related company, Finmeccanica Global Service for €497 thousand;
- the cost from Fata Logistic System related to inventory management services.

Related party transactions with 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

Information about the takeover bid made by Hitachi Rail Italy Investments S.r.l. is provided in the communications and documentation made available to the public pursuant to the relevant legislation on the company's website page http://www.ansaldo-sts.com/it/investor-relations/offerta-pubblica-d'acquisto.

OUTLOOK

2016 will see progress on the contracts acquired in the past few years with a related increase in revenue.

PROPOSAL TO THE SHAREHOLDERS

Dear shareholders

We present the 2015 financial statements for your approval, which show profit for 2015 of €35,900,886.62.

Pursuant to article 2433 of the Italian Civil Code, the shareholders are also required to resolve on the allocation of the profit for the year shown in the statutory financial statements.

In this regard the company's board of directors formulated a proposal for the allocation of the profit for the year and dividend distribution included in the relevant report required by article 125-ter of Legislative decree no. 58 of 24 February 1998 ("*TUF*"), as amended, made available to the public in the manner and within the timeframe provided for by enacted legislation.

This proposal provides for: (i) the distribution of a €0.18 dividend, gross of withholdings, to shareholders, for each of the shares with a nominal amount of €0.50, currently outstanding and bearing the right to dividends; (ii) the use of the entire profit for the year and retained earnings for the remainder.

It 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.

Specifically, the above proposal provided for the allocation of the entire profit for the year of €35,900,886.62 and retained earnings of €99,113.38, for a total of €36,000,000.00, to shareholders in the form of a dividend of €0.18, gross of withholdings, for each of the 200,000,000 shares currently outstanding and bearing the right to dividends.

The total amount of the dividend proposed for distribution corresponds to 36% of the share capital, being the entire amount of the profit for the year of Ansaldo STS S.p.A. and €99,113.38 of retained earnings, and around 39% of the group's profit for 2015, which amounts to €93,227,959.06.

For further information about detachment, payable dividends date and the relevant record date pursuant to ex article 83-quarter ("*TUF*"), please refers to the above mentioned report formulated by the company's board of directors pursuant to article 125-ter ("*TUF*").

****

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 2015,

- and having acknowledged the report of the independent auditors, KPMG S.p.A.

resolve

to approve the directors' report and the financial statements at 31 December 2015."

Milan, 25 February 2016

On behalf of the board of directors
The Chairperson

Alistair Dormer
(signed on the original)

SEPARATE FINANCIAL STATEMENTS AT

31 DECEMBER 2015 AND NOTES THERETO

INCOME STATEMENT

in euros	*Note*	*2015*	*of which, related parties*	*2014*	*of which, related parties*
Income	28	721,730,800	105,347,373	691,894,974	249,044,256
Other operating income	29	21,895,916	15,496,056	23,742,504	11,878,598
Purchases	30	(222,092,924)	(19,741,621)	(202,096,568)	(57,807,209)
Services	30	(327,321,269)	(64,864,925)	(323,966,329)	(95,377,020)
Personnel expense	31	(128,781,324)	1,655,524	(128,786,428)	-
Amortisation, depreciation and impairment losses	33	(12,103,590)	-	(12,023,719)	-
Other operating expense	29	(8,272,397)	-	(4,771,718)	(72,878)
Changes in finished goods, work-in-progress and semi-finished products	32	85,170	-	(380,269)	-
(-) Internal work capitalised	34	4,693,608	-	4,388,281	-
Operating profit		**49,833,990**		**48,000,728**	
Financial income	35	23,626,798	6,807,354	25,513,024	3,584,818
Financial expense	35	(21,918,494)	(2,572,357)	(23,650,283)	(1,273,509)
Profit before taxes and discontinued operations		**51,542,294**		**49,863,469**	
Income taxes	36	(15,641,407)	-	(17,135,761)	-
Profit (loss) from discontinued operations					
Profit for the year		**35,900,887**		**32,727,708**	

STATEMENT OF COMPREHENSIVE INCOME

in euros	***2015***	***2014***
Profit for the year	35,900,887	32,727,708
Items that will not be reclassified to profit or loss:		
- Actuarial gain (loss) on defined benefit plans	527,271	(2,280,984)
- Income tax	(145,000)	627,271
	382,271	(1,653,713)
Items that will or may be reclassified to profit or loss:		
- Change in fair value of cash flow hedges	(3,158,877)	2,611,997
- Foreign operations – foreign currency translation differences	5,215,420	5,097,410
- Income tax	(565,550)	(414,877)
	1,490,993	7,294,530
Other comprehensive income, net of taxes	**1,873,264**	**5,640,816**
Comprehensive income for the year	**37,774,151**	**38,368,524**

STATEMENT OF FINANCIAL POSITION

in euros		***31 December 2015***	***of which, related parties***	***31 December 2014***	***of which, related parties***
Non-current assets					
Intangible assets	7	12,252,228	-	12,983,443	-
Property, plant and equipment	8	63,767,725	-	65,099,745	-
Equity investments	9	167,181,485	-	157,481,799	-
Loans and receivables	11	25,234,362	20,914,360	21,001,886	16,371,486
Deferred tax assets	36	18,320,643	-	20,303,399	-
Other non-current assets	18	18,332,007	36,041	20,547,114	16,089,610
		305,088,450		**297,417,386**	
Current assets					
Inventories	12	95,642,164	-	80,022,277	-
Contract work in progress	13	179,482,642	-	170,325,964	-
Trade receivables	14	548,538,790	92,272,983	556,717,406	194,406,408
Tax assets	16	15,008,472	-	10,792,933	-
Loan assets	14	50,521,847	22,078,842	70,605,553	42,162,548
Derivatives	17	8,437,775	-	9,298,036	-
Other current assets	18	64,811,967	4,334	54,657,756	250,584
Cash and cash equivalents	19	178,636,361	-	179,380,984	-
		1,141,080,018		**1,131,800,909**	
Total assets		**1,446,168,468**		**1,429,218,295**	
Equity					
Share/quota capital	20	100,000,000	-	99,999,298	-
Other reserves	20	95,418,260	-	93,382,631	-
Retained earnings, including the profit for the year	20	167,190,109	-	161,579,071	-
Total equity		**362,608,369**		**354,961,000**	
Non-current liabilities					
Employee benefits	23	17,947,846	-	20,119,721	-
Deferred tax liabilities	16	8,730,698	-	9,200,540	-
Other non-current liabilities	24	3,520,020	-	3,442,449	-
		30,198,564		**32,762,710**	
Current liabilities					
Progress payments and advances from customers	13	455,572,919	-	497,557,420	-
Trade payables	25	345,524,783	37,078,022	302,451,034	75,334,313
Loans and borrowings	25	171,531,126	169,923,893	168,943,824	166,971,025
Tax liabilities	36	4,726,387	-	720,787	-
Provisions for risks and charges	22	2,475,119	-	1,851,123	-
Derivatives	17	16,436,212	-	8,793,359	-
Other current liabilities	24	57,094,989	31,609	61,177,038	601,758
		1,053,361,535		**1,041,494,585**	
Total liabilities		**1,083,560,099**		**1,074,257,295**	
Total liabilities and equity		**1,446,168,468**		**1,429,218,295**	

STATEMENT OF CASH FLOWS

in euros	*Note*	***2015***	***of which, related parties***	***2014***	***of which, related parties***
Cash flows from operating activities:					
Gross cash flows from operating activities	37	64,628,049	-	62,310,676	-
Change in operating working capital	37	(15,508,700)	35,246,258	(4,832,888)	(39,422,459)
Changes in other operating assets and liabilities	37	(9,999,108)	(246,524)	(6,349,491)	-
Net interest paid	37	(7,706,439)	(4,234,997)	5,766,394	(2,311,309)
Income taxes paid	37	(6,188,142)	-	(13,941,563)	-
Cash flows from operating activities		**25,225,660**		**42,953,128**	
Cash flows from investing activities:					
Acquisitions of companies, net of cash acquired		(15,502,713)	-	(7,409,970)	-
Investments in property, plant and equipment and intangible assets		(4,221,421)	-	(4,031,927)	-
Dividends received from ASTS group companies		3,100,000	3,100,000		
Other investing activities		(2,017,368)	(4,542,874)	(4,597,739)	(2,895,992)
Cash flows used in investing activities		**(18,641,502)**		**(16,039,636)**	
***Cash flows from financing activities*:**					
Net change in loan assets and loans and borrowings		22,671,008	33,387,496	86,962,432	85,850,481
Dividends paid		(29,999,789)	-	(28,799,865)	(11,756,346)
Cash flows from (used in) financing activities		**(7,328,781)**		**58,162,567**	
Net increase (decrease) in cash and cash equivalents		(744,623)	-	85,076,059	-
Opening cash and cash equivalents[2]		179,380,984	-	94,304,925	-
Closing cash and cash equivalents		**178,636,361**		**179,380,984**	

STATEMENT OF CHANGES IN EQUITY

in euros	Share capital	Retained earnings	Stock grant reserve	Hedging reserve	Other reserves	Total equity
Equity at 1 January 2014	**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**
Use of treasury shares for SGP	702	-	-	-	-	702
Other comprehensive income (expense), net of taxes	-	-	-	(3,158,878)	5,032,142	1,873,264
Change in SGP reserves - Ansaldo STS S.p.A.	-	(290,059)	189,242	-	-	(100,817)
Change in SGP reserves - other companies	-	-	-	-	(26,877)	(26,877)
Dividends (199,998,595 x 0.15)	-	(29,999,789)	-	-	-	(29,999,789)
Profit for the year ended 31 December 2015	-	35,900,887	-	-	-	35,900,887
Equity at 31 December 2015	**100,000,000**	**167,190,109**	**3,372,584**	**210,367**	**91,835,309**	**362,608,369**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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 plant in Tito (Potenza) and an office in Piossasco (Turin).
The Ansaldo STS shares have been listed on the Star segment of the markets organised and managed by Borsa Italiana S.p.A. since 29 March 2006.
The company's shares were included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were re-included again in the FTSE MIB index starting from 7 April 2015 until 20 December 2015. Since 21 December 2015, the company's shares have again been included in the FTSE Italia Mid Cap index.

On 2 November 2015, Finmeccanica S.p.A. executed the sale of its entire investment in Ansaldo STS (80,131,081 shares for 40.07% of the share capital) to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd.. Accordingly, Hitachi Ltd. became the company's controlling shareholder pursuant to article 2359.1.2) of the Italian Civil Code and article 93 of the Consolidated finance act. On 21 December 2015, the company's board of directors of verified that it is managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

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 turnkey 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 2015 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 Standards Board (IASB).

These separate financial statements have been prepared on a cost basis, except for derivative financial instruments and financial assets 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 or 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 2015 were approved and authorised for publication on 25 February 2016 by the board of directors in accordance with ruling legislation.

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 transaction date exchange rate. Subsequently, monetary amounts are translated into the functional currency at the closing rate and any translation differences are taken to profit or loss. Non-monetary amounts are maintained at the exchange rate ruling at the transaction date, 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 third-party know-how or software. 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.

If these conditions are not met, development expense is recognised in profit or loss when incurred. This expense, which is capitalised only when the above four 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 sales 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 the investee’s activities;
- “associates”, in which the investor has significant influence (at least 20% of votes in ordinary shareholders’ meetings). Jointly controlled entities (e.g., joint arrangements) are included in this category);
- “parents”, when the investee 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 sale 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 2015 approved by the relevant board of directors, while the carrying amounts of investments in 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 ordinary production capacity.

Net realisable value is the estimated sales 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 company uses the cost-to-cost percentage of completion method.
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 in full 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 sale 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 unlisted 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 the next twelve months 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 company's underlying assets, liabilities or commitments.
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 analyses 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 loss. 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 purchase, 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 their tax base. 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 expense, 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 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 their 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. 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 separate 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 (excluding the annual improvements) and potential impacts on the company are as follows:

IFRS - IFRIC		**Impacts on the company**
• IFRS 2 • IFRS 3 • IFRS 8 • IAS 16 • IAS 24 • IAS 38 • IFRS 5 • IFRS 7 • IAS 19 IAS 34	• Share-based Payment • Business Combinations • Operating Segments • Property, Plant and Machinery • Related Party Disclosures • Intangible Assets • Non-current Assets Held for Sale and Discontinued Operations • Financial Instruments: Disclosures • Employee Benefits • Interim Financial Reporting	The 2010-2012 and 2012-2014 improvements introduced changes to such standards. Application of these amendments are not expected to have any significant effect on the company's financial statements. The company will apply these amendments 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. Application of these amendments are not expected to have any significant effect on the company's financial statements. The company will apply these amendments starting from 1 January 2016.
Amendment to IAS 1	Disclosure	The amendments to this standard are mainly designed to make the presentation of the captions related to other comprehensive income clearer, with a distinction between the comprehensive income items and the entity's share of other comprehensive income items of associates and joint ventures accounted for using the equity method. The company will apply these amendments starting from 1 January 2016.
IAS 27	Separate financial statements	The standard provides for the possibility of measuring investments in subsidiaries, joint ventures and related companies at equity. 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. Moreover, the IASB has published a document on measuring financial instruments at amortised cost and assessing any impairment indicators. However, the competent bodies are still discussing the new general approach to financial instruments and, at present, no adoption date can be determined. The impact on the group of adopting such amendment is currently being analysed. The current version of IFRS 9 will be applicable as of 1 January 2018, 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 requires that additional disclosure be provided. The impact on the company of adopting such standard is currently being analysed. The company will apply this standard starting from 1 January 2018.

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 sectors 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, extra 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.

<u>(ii) Impairment losses</u>: 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 adopted the amendment to IAS 19 on 1 January 2015, which introduced a simplification of the accounting treatment of certain types of contributions to defined benefit plans by employees or third parties. This has not impacted the company's financial position and results of operations.

6. SEGMENT REPORTING

Geographical segment reporting follows.

A breakdown of revenue by geographical segments is as follows:

(€'000)	**2015**	**2014**
Revenue:		
Italy	321,228	325,465
Rest of Europe	189,568	200,491
North Africa and the Middle East	93,603	94,622
Americas	53,500	17,436
Asia/Pacific	63,832	53,881
Total revenue	**721,731**	**691,895**

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

(€'000)	**2015**	**2014**
Assets:		
Italy	75,486	77,654
Rest of Europe	171	188
North Africa and the Middle East	184	120
Americas	138	61
Asia/Pacific	41	60
Total	**76,020**	**78,083**

7. INTANGIBLE ASSETS

(€'000)	**Development expense**	**Patents and similar rights**	**Concessions, licences and trademarks and other similar rights**	**Other**	**Assets under development**	**Total**
At 31 December 2014						
Cost	17,602	16,706	4,626	3,022	1,849	43,805
Grants	(2,667)	0	(9)	-	-	(2,676)
Amortisation, depreciation 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**
Changes of 2015						
Investments	4,569	1,622	254	3	-	6,448
Transfers from assets under development		1,849	-	-	(1,849)	-
Grants	(1,950)	-	-	-	-	(1,950)
Amortisation	(1,446)	(3,498)	(277)	(9)	-	(5,229)
At 31 December 2015						
Cost	22,171	20,177	4,880	3,025	-	50,253
Grants	(4,617)	-	(9)	-	-	(4,626)
Amortisation, depreciation and impairment losses	(13,118)	(12,813)	(4,430)	(3,014)	-	(33,375)
Carrying amount	**4,436**	**7,364**	**441**	**11**	**-**	**12,252**

Intangible assets totalled €12,252 thousand, down by €731 thousand on €12,983 thousand at 31 December 2014.

They can be analysed as follows:

- "Development expense" (€4,436 thousand) mainly includes the Satellite and Rail Telecom project to develop satellite technologies. This caption rose €4,569 thousand, gross of the €1,950 thousand grant and amortisation of €1,446 thousand. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.
  The Stream project was fully amortised in previous years.

- "Patents and similar rights" (€7,364 thousand) fell €28 thousand.
  Specifically, the fall is due to new investments (€1,622 thousand), amortisation (€3,498 thousand) and prior year assets under development (€1,849 thousand).

More specifically, the increase relates to the SW Configuration and Requirement Management Global System (SCM) (€500 thousand) and Strategic Tool Alignment to New Org (€471 thousand) projects.
Other projects launched as part of a major global reorganisation process (Fast Forward Driven by Business) are: Deployment of India Branch (€270 thousand) and Implementation of new func. to SAP VIM France (€68 thousand).

Transfers from assets under development of €1,849 thousand refer to the completion of the SW Configuration and Requirement Management Global System (SCM) (€335 thousand) project for the development of the centralised application systems that can be used by all ASTS facilities, the Strategic Tool Alignment to New Org project (€1,449 thousand), related to the roll out on the ERP systems (SAP) and Global Reporting supporting the ASTS global control model and the completion of development activities for new Teamcenter system functionalities (€65 thousand).

- "Concessions, licences and trademarks and other similar rights" (€441 thousand) relate to software licences. Investments of the year amount to €254 thousand and mainly relate to the purchase of Microsoft SCCM, Exchange and Lync licences (€83 thousand), and McAfee licences to support the Data Insight Protection process for the company's financial, administrative, commercial and technical data (€68 thousand).

  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 €11 thousand, net of accumulated amortisation, rose €3 thousand with amortisation of €9 thousand.

- "Assets under development" had a nil balance due to the decrease of the year (€1,849 thousand) related to the transfer discussed above.

8. PROPERTY, PLANT AND EQUIPMENT

(€'000)	**Land and buildings**	**Plant and machinery**	**Equipment**	**Other**	**Assets under construction**	**Total**
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**
Changes of 2015						
Investments	159	463	957	1,621	12	3,212
Transfers from assets under construction	-	358	-	-	(358)	-
Write-offs	-	-	(168)	-	-	(168)
Depreciation	(2,025)	(630)	(781)	(940)	-	(4,376)
At 31 December 2015						
Cost	81,106	15,352	12,026	12,926	12	121,422
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(25,306)	(11,156)	(9,933)	(9,797)	-	(56,191)
Carrying amount	**55,629**	**3,311**	**1,687**	**3,129**	**12**	**63,768**

"Property, plant and equipment", net of accumulated depreciation, amount to €63,768 thousand (31 December 2014: €65,100 thousand).

Specifically:

"Land and buildings" of €55,629 thousand (net of accumulated depreciation and grants) relate to the real estate complex in via Salita della Grotta, Naples (€1,731 thousand), the industrial buildings in Turin and Tito (€7,220 thousand) and the property purchased in via Paolo Mantovani 3/5, Genoa (€46,679 thousand) for a consideration of €62,378 thousand.

The decrease of the year is due to new investments (€159 thousand) into the maintenance of the Tito (€47 thousand) and Turin (€112 thousand) facilities and depreciation (€2,025 thousand).

"Plant and machinery" amount to €3,311 thousand, net of accumulated depreciation (31 December 2014: €3,119 thousand).

The variation of the year is the sum of the increase, €463 thousand, depreciation of €630 thousand and the transfers from assets under construction of €358 thousand related to the updating and safety works for the elevator, goods lift and lift system at the Genoa facility (€356 thousand) and the maintenance of the external lighting system at the Piossasco facility (€2 thousand).

The increases of the year are as follows:

- the Tito production unit (€50 thousand) related to the re-layout of the production areas (€33 thousand), the Areas 1 and 4 lighting system (€12 thousand) and the burn-in system for interlocking lines (€5 thousand);
- the Turin office (€355 thousand) relating to bringing the "open space" lighting system and external areas up to regulations (€117 thousand), the overhaul of the air conditioning and aeraulic systems (€148 thousand) and facilities upgrading (€90 thousand);
- the Naples offices (€3 thousand) relating to the Naples East CDZ machine;
- to the Genoa branch for €55 thousand related to the updating and safety works for the elevator, goods lift and lift system.

"Equipment" (€1,687 thousand) rose as a consequence of investments of the year (€957 thousand) and fell as a result of depreciation (€781 thousand) and the write-off (€168 thousand) following the sale of Atexi Fixture equipment for testing activities.

Investments relate to:

- the Tito plant (€513 thousand) related to the roll out of testing solutions for the burn-in testing of the new interlocking products in the EDA chamber (€94 thousand), the development of hardware and software for the automatic testing on standard PXI platform for the circuit boards of the American AF-90x family (€66 thousand) for new products (€41 thousand) and new testing (€11 thousand), the reconditioning of FLEXY machines to ATEXI for compatibility with all testing solutions (€37 thousand), the BTMS simulation system (€35 thousand), the upgrade of the AUREL laser system (€12 thousand), the repair and testing of BOAF circuit boards (€19 thousand), LRRT BOA testing instruments (€20 thousand) and new laboratory equipment (€178 thousand);
- the Genoa offices (€252 thousand) for Eurobalise test room laboratory equipment (€24 thousand), the upgrade of equipment for new RAMS projects (€69 thousand), and other production equipment (€159 thousand);
- the Piossasco facility (€179 thousand) for instruments and tools for MIS activities on Italian and foreign plant (€30 thousand) and new laboratory equipment (€149 thousand);
- the Naples offices (€13 thousand) related to the upgrade of electrical measurement instruments and RAMS laboratory equipment.

"Other assets" (€3,129 thousand) rose as a consequence of investments of the year (€1,621 thousand). They relate to the renewal or replacement of IT equipment used by company personnel (€411 thousand), the installation of shared storage in each server farm of the various company sites (€69 thousand), the LAN upgrade (Tito €28 thousand; Naples €100 thousand), the wifi infrastructure for all facilities (€31 thousand), the TMS hardware and complete network development system (€187 thousand), laboratory instruments and equipment (Genoa €173 thousand; Naples €185 thousand; Piossasco €82 thousand), the roll out of data insight protection (€17 thousand), the Piossasco aeraulic and air conditioning system (€11 thousand) and the purchase of furniture and fittings for the Naples site (€14 thousand). The residual €313 thousand relates to the capitalisation of branch costs. The €940 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 grants 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 €12 thousand due to maintenance works on the Piossasco facility buildings. The €358 thousand decrease is due to the completion of the updating and safety works for the elevator, goods lift and lift system at the Genoa facility (€356 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 Piossasco municipality (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 Piossasco municipality placed a restriction on such area that the canteen may also be used by third parties.

9. EQUITY INVESTMENTS

At 31 December 2015, equity investments amounted to €167,181 thousand, up by €9,699 thousand, net, on the previous year.

(€'000)	*31 December 2015*	*31 December 2014*
Opening balance	157,482	145,543
Acquisitions/subscriptions and capital increases	11,202	11,417
Reversals of impairment losses/impairment losses	(1,389)	-
Principal repayment	(86)	-
Sales	(1)	(21)
Other changes	(27)	543
Closing balance	**167,181**	**157,482**

The increase is mainly due to the subscription of Metro de Lima linea 2 S.A. (€9,293 thousand) and SPV Linea M4 S.p.A. (€1,576 thousand) shares in connection with the performance of the assigned work, and to the impairment loss (€1,389 thousand) and repayment of the residual capital (€86 thousand) following the closure of the subsidiary ASTS Ireland during 2015.

The table below lists equity investments at 31 December 2015 and provides the additional disclosures required by CONSOB (the Italian commission for listed companies and the stock exchange) 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	31.12.2015	ITAGaap	26,00	EUR	26	0	671	645	65,85%	65,85%	N/A	N/A	N/A	N/A	17	17
Alifana Due S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2015	ITAGaap	26,00	EUR	26	0	1.469	1.443	53,34%	53,34%	N/A	N/A	N/A	N/A	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	Transportation	31.12.2015	IFRS	426,00	SEK	28.559	3.580	68.850	40.291	100,00%	100,00%	N/A	N/A	N/A	N/A	28.559	240
Ansaldo STS France S.A.	Les Ulis (France)	Transportation	31.12.2015	IFRS	5.000,00	EUR	67.598	26.012	267.559	199.961	100,00%	100,00%	N/A	N/A	N/A	N/A	67.598	22.285
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	Transportation	31.12.2015	IFRS	-	USD	119.827	11.722	184.900	65.073	100,00%	100,00%	N/A	N/A	N/A	N/A	119.827	55.504
Ansaldo STS UK Ltd.	Londra (United Kingdom)	Transportation	31.12.2015	IFRS	1.362,00	GBP	- 10.056	284	776	10.832	100,00%	100,00%	N/A	N/A	N/A	N/A	- 10.056	-
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	Transportation	31.12.2015	IFRS	3.374,00	AUD	77.808	3.535	130.159	52.351	100,00%	100,00%	N/A	N/A	N/A	N/A	77.808	26.035
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	Transportation	31.12.2015	IFRS	77.934,00	INR	17.066	-2.963	35.596	18.530	0,00%	0,00%	N/A	N/A	N/A	N/A	0	0
Ansaldo STS Deutschland GmbH	Berlino (Germany)	Transportation	31.12.2015	IFRS	26,00	EUR	2.011	116	12.407	10.396	100,00%	100,00%	N/A	N/A	N/A	N/A	2.011	2.176
KazakhstanTz-AnsaldoSTS Italy LLP	Astana (Kazakhstan)	Transportation	31.12.2015	IFRS	65,00	KZT	65	0	3.157	3.092	49,00%	49,00%	N/A	N/A	N/A	N/A	32	57
Ansaldo STS do Brazil Sistema de Transporte Ferroviario e Metropolitano LTDA	Fortaleza (Brazil)	Transportation	31.12.2015	Local GAAP	232,00	BLR	213	-16	215	2	99,99%	99,99%	N/A	N/A	N/A	N/A	213	334
Ansaldo Railway System Trading (Beijing) Ltd	Pechino (China)	Transportation	31.12.2015	IFRS	1.360,00	CNY	23.461	11.522	44.550	21.089	100,00%	100,00%	N/A	N/A	N/A	N/A	23.461	1.078
																		107.740
Investments in associates																		
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2014	ITAGaap	700	EUR	11.065	7.515	11.407	342	49%	49,00%	N/A	✓	N/A	N/A	5.422	343
MetroBrescia Srl	Brescia (Italy)	Transportation	31.12.2014	ITAGaap	4.020	EUR	4393	242	41.812	37.419	19,80%	19,80%	N/A	N/A	N/A	✓	870	796
S.P.M4 S.C.p.a.	Milan (Italy)	Transportation	31.12.2014	ITAGaap	360	EUR	360	0	204.351	203.991	16,90%	16,90%	N/A	N/A	N/A	✓	61	61
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2014	ITAGaap	53.300	EUR	61.802	5561	348.322	286.520	24,60%	24,60%	N/A	N/A	N/A	N/A	15.203	13.112
Pegaso S.c.r.l. (in liquidazione)	Rome (Italy)	Construction	31.12.2013	ITAGaap	260	EUR	260	0	4.362	4.102	46,87%	46,87%	N/A	✓	N/A	N/A	122	122
																		14.434
Investments in jointly-controlled entities																		
Consorzio SATURNO	Rome (Italy)	Transportation	31.12.2013	ITAGaap	31	EUR	31	0	2.408.862	2.408.831	50,00%	50,00%	N/A	✓	N/A	N/A	16	15
Consorzio ASCOSA QUATTRO	Rome (Italy)	Transportation	31.12.2014	ITAGaap	57	EUR	57	0	78.574	78.517	25%	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	0	48.327	48.255	25%	25,00%	N/A	N/A	✓	N/A	18	18
Consorzio CRIS	Naples (Italy)	Research	31.12.2014	ITAGaap	2.377	EUR	2.445	0	6.002	3.577	1%	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	0	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	✓	7	6
Consorzio TRAIN	Rome (Italy)	Transportation	31.12.2014	ITAGaap	120	EUR	1.180	0	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	0	6.171	6.099	25%	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	0	227.885	227.730	25%	25,00%	N/A	N/A	N/A	N/A	39	39
Consorzio IRICAV Uno	Rome (Italy)	Transportation	31.12.2014	ITAGaap	520	EUR	520	0	9.681	9.161	17,44%	17,44%	N/A	N/A	N/A	✓	91	91
MetroB srl	Rome (Italy)	Transportation	31.12.2014	ITAGaap	20.000	EUR	18.037	-467	18.147	110	2,47%	2,47%	N/A	N/A	N/A	✓	446	494
Dattilo Scarl	Naples (Italy)	Transportation	31.12.2014	ITAGaap	100	EUR	99	0	104	5	14,00%	14,00%	N/A	N/A	N/A	✓	14	14
Consorzio MM4	Milan (Italy)	Transportation	31.12.2014	ITAGaap	200	EUR	200	0	24.773	24.573	17,68%	18,20%	N/A	N/A	N/A	✓	36	35
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	✓	5,00	5
Consorzio TOP IN Scarl	Naples (Italy)	Transportation	31.12.2013	ITAGaap	70	EUR	75	0	83	8	5,03%	5,03%	N/A	N/A	N/A	N/A	4,00	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	55	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	N/A	5.640
Consorzio IRICAV Due	Rome (Italy)	Transportation	31.12.2014	ITAGaap	510	EUR	516	0	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	31.12.2015	IFRS	55112	USD	118064	6345	198713	80649	12,24%	16,90%	N/A	N/A	N/A	✓	19.953	16.639
																		23.202
Other companies																		
I.M. Intermetro S.p.A. in liquidazione	Rome (Italy)	Transportation	31.12.2014	ITAGaap	2.461	EUR	2.136	-530	6.421	4.285	16,67%	16,67%	N/A	N/A	N/A	✓	356	523
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2014	ITAGaap	150.000	EUR	149.518	0	393.371	243.853	14%	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	31.12.2014	ITAGaap	100	EUR	102	1	762	660	2%	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	31.12.2014	ITAGaap	7.000	EUR	10.454	1.731	122.398	111.944	3,80%	3,80%	N/A	N/A	N/A	N/A	397	266
																		21.805
TOTAL EQUITY INVESTMENTS AT 31.12.2015																		**167.181**

* certain investees have applied accounting standards other than the IFRS, however, no significant adjustments are expected form their harmonization.

Changes of the year are as follows:

1. a €9,293 thousand increase following the capital increase of Metro de Lima line 2 S.A., the SPE set up following the awarding of the contract to construct the Lima metro in Peru. The investment is equal to 16.90%;
2. a €1,576 thousand increase for the share capital increase of 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;
3. increase of €334 thousand following the establishment of Ansaldo STS do Brasil Sistemas de Trasporte Ferroviario e Metropolitano LTDA;
4. decrease of €1,475 thousand following the liquidation of the subsidiary, Ansaldo STS Ireland LTD, with reimbursement of the share capital of €86 thousand and impairment of the residual amount of the equity investment (€1,389 thousand);
5. the €27 thousand decrease 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 2015 shares as per the 2014-2016 Stock grant plan and the delivery of the 2012 shares after the three-year vesting period provided for by the 2012-2013 stock grant plan.

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, a shareholder loan of €3,813 thousand was disbursed which, together with the loans granted in the previous year, brings the total loans to €20,732 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").

In relation to the investment in Iricav Due consortium, undertakings were signed for the transfer of the stakes to civil partners which have not yet come into effect.

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 method.
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 distributions.
These cash flows are discounted using the WACC (Weighted Average Cost of Capital) method which is calculated based on the Capital Asset Pricing Model. At 31 December 2015 the average WACC is 7.45% compared to 7.19% used in previous year.
The comparables panel has been updated in 2015; using the same panel of the previous year the average WACC would be 6.70%.
The performed test has pointed out a level of coverage; in addition, there is no other external indicators showing evidence of impairment.
The recoverable amount is calculated using the Discounted Cash Flow (DCF) methodology – Average Ros has been higher to fair value calculated using the fair value (multiple) methodology.
The Company performed a sensitivity analysis considering a WACC about 0.5%, 1.0% and 1.35% and, at the same time, to shorten the terminal value growth rate about 0.5% and 1.0%. The analysis shows a broad coverage about the recoverability of the assets under impairment test.

The impairment test carried out at 31 December 2015, on the basis on the Five-year strategic plan (2016-2020) approved by the company's board of directors towards the end of 2015 had a positive outcome. In relation to the subsidiary Ansaldo STS UK Ltd, for which the carrying amount of the investment was already fully impaired (€12,785 thousand), a further decrease was prudently made by decreasing loan assets by €400 thousand which, together with the impairment loss recognised in prior years, led to a decrease in the overall amount of loan assets due from the English subsidiary (€10,031 thousand).

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

10. RELATED PARTY ASSETS AND LIABILITIES

Related party assets and liabilities at 31 December 2015 and 2014 are shown below:

€'000	**Loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
FINANCIAL ASSETS AT 31 DECEMBER 2015				
Parents				
Hitachi Rail Europe LTD		301		**301**
Associates				
International Metro Service S.r.l.		121		**121**
Hitachi Rail Italy S.p.A.		9,689		**9,689**
MetroBrescia S.r.l.		1,070		**1,070**
S.P. M4 S.c.p.a.	563	-		**563**
Metro 5 S.p.A.		1,733		**1,733**
I.M. Intermetro S.p.A.		389		**389**
Metro Service AS		512		**512**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited		1,251		**1,251**
Ansaldo STS Australia PTY Ltd.		7,215		**7,215**
Ansaldo STS Deutschland GmbH		2,270		**2,270**
Ansaldo STS France S.A.		4,377		**4,377**
Ansaldo Railway System Trading (Beijing) Ltd		3,062		**3,062**
Ansaldo STS UK Ltd.		48		**48**
Ansaldo STS Sweden AB		12,603		**12,603**
Ansaldo STS Southern Africa PTY LTD - Botswana		25		**25**
Ansaldo STS Espana S.A.U.		16		**16**
Ansaldo STS USA Inc.		4,338		**4,338**
Ansaldo STS Canada Inc		3		**3**
Ansaldo STS Malaysia SDN BHD	21,516	1,200		**22,715**
Alifana Due S.c.r.l.		360		**360**
Alifana S.c.a.r.l.		128		**128**
Consortia				

Saturno Consortium		23,536		**23,536**
San Giorgio Volla Due consortium		1,137	4	**1,141**
San Giorgio Volla consortium		1,421		**1,421**
Ascosa Quattro consortium		1,157		**1,157**
Ferroviario Vesuviano consortium		1,168		**1,168**
MM4 consortium		13,141		**13,141**
	22,079	**92,273**	**4**	**114,356**
% of the total corresponding financial statements caption	**44%**	**17%**	**0.01%**	

€'000	Loans and borrowings	Trade payables	Other current financial liabilities	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2015				
Parents				
Associates				
Metro Service AS		4,821		**4,821**
I.M. Intermetro S.p.A.		2		
MetroBrescia S.r.l.		142		**142**
S.P. M4 S.c.p.a.		553		**553**
Hitachi Rail Italy S.p.A.	2,500	15,998		**18,498**
Subsidiaries				
Ansaldo STS Australia PTY Ltd.	34,577	98		**34,675**
Ansaldo STS Southern Africa PTY LTD - Botswana				0
Ansaldo STS Espana S.A.U.		22		**22**
Ansaldo STS Malaysia SDN BHD		161		**161**
Ansaldo STS USA Inc.		1,102		**1,102**
Ansaldo STS France S.A.	102,933	5,428		**108,361**
Ansaldo Railway System Trading (Beijing) Ltd		154		**154**
Ansaldo STS Transportation Systems India Private Limited		318		**318**
Ansaldo STS Sweden AB	29,915			**29,915**
Ansaldo STS Deutschland GmbH		476		**476**
Ansaldo STS USA International CO.		4,081		**4,081**
Alifana Due S.c.r.l.		313		**313**
Alifana S.c.a.r.l.		93	3	**96**
Consortia				
Saturno Consortium		2,232	5	**2,237**
CRIS consortium		1		**1**
MM4 consortium		592		**592**
San Giorgio Volla Due consortium		181		**181**
San Giorgio Volla consortium		5	8	**13**
Ascosa Quattro consortium		157	8	**165**
Ferroviario Vesuviano consortium		145	8	**153**
Total	**169,924**	**37,078**	**32**	**207,034**
% of the total corresponding financial statements caption	**99%**	**11%**	**0.1%**	

€000	Loan assets	Trade receivables	Other current financial assets	Total
FINANCIAL ASSETS AT 31 DECEMBER 2014				
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 S.c.p.a.	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**
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**
Ansaldo STS UK Ltd.	-	145	-	**145**
Ansaldo STS Ireland LTD	-	0	-	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**
	42,163	**194,406**	**250**	**236,820**
% of the total corresponding financial statements caption	**60%**	**35%**	**0.5%**	

€000	Loans and borrowings	Trade payables	Other current financial liabilities	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2014				
Parents				
Finmeccanica S.p.A.	10,351	850	-	**11,200**
Associates				
Metro Service AS	-	1,390	-	**1,390**
MetroBrescia S.r.l.	-	69	-	**69**
ENEL group	-	7	-	**7**
Ferrovie dello Stato group	-	933	-	**933**
Eni group	-	6	-	**6**
MetroB S.r.l.	-	-	371	**371**
E-Geos S.p.A.	-	17	-	**17**
Finmeccanica Global Services S.p.A.	-	562	-	**562**
Fata Logistic System S.p.A.	-	462	-	**462**
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 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 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**
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%**	

Total related party assets amount to €114,356 thousand (31 December 2014: €236,820 thousand). The decrease is mainly attributable to lower loan assets (€22,079 thousand at 31 December 2015; €42,163 thousand at 31 December 2014), due to the zeroing of the joint account held with the subsidiary ASTS USA Inc. and the decrease in loan assets due from the associate

S.P. M4. Trade receivables (€92,273 thousand at 31 December 2015; €194,406 thousand at 31 December 2014) reduced mainly as a result of the company's exit from Finmeccanica group.

Total related party liabilities amount to €207,034 thousand (31 December 2014: €242,907 thousand). The decrease is mainly attributable to the trend of trade payables, which decreased by €38,256 thousand following the exit from Finmeccanica group.

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

11. LOANS AND RECEIVABLES AND OTHER NON-CURRENT ASSETS

(€'000)	*31 December 2015*	*31 December 2014*
Guarantee deposits	923	915
Other	24,311	20,087
Non-current financial assets	**25,234**	**21,002**
Other prepayments - non-current portion	18,296	4,457
Other prepayments - associates	36	16,090
Other non-current assets	**18,332**	**20,547**

Non-current financial assets at 31 December 2015 amount to €25,234 thousand (31 December 2014 €21,002 thousand). They mainly include:

- €20,732 thousand related to the shareholder loan (principal of €18,259 thousand and accrued interest of €2,473 thousand) of Metro 5 S.p.A. following the agreements to construct the related section of the Milan metro;
- €2,314 thousand (31 December 2014: €2,787 thousand) related to the advance paid by the partners of the Thessaloniki metro AIASA joint arrangement which was contracted to construct this metro. The company also participates in the expenses that the joint arrangement has incurred

and will incur to start up the contract. The advance will be repaid as per the agreements which are currently being discussed by the partners;
- €788 thousand related to a loan granted to Tram di Firenze on which a pledge exists in favour of the financing bodies. The same guarantee was used in respect of the investment held therein;
- €182 thousand paid to the MM4 consortium to cover costs incurred before activities began;
- €296 thousand paid as an advance to Consorcio EPC Lima to cover costs on related projects;
- €923 thousand (31 December 2014: €915 thousand) related to guarantee deposits for premises and areas leased after the opening of work sites.

At 31 December 2015, there are no receivables due after more than five years.

Other non-current assets amount to €18,332 thousand (31 December 2014: €20,547 thousand). They can be analysed as follows:
- €3,853 thousand (31 December 2013: €4,457 thousand) related to prepaid insurance, down €604 thousand on the previous year;
- €14,479 thousand (31 December 2014: €16,090 thousand) related to the deferred income on the "Ansaldo" trademark which fell by €1,611 thousand, with respect to the portion for the year. With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica on 27 December 2005 allowing the company 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 Ansaldo the exclusive right to use this trademark for twenty years.

12. INVENTORIES

(€'000)	***31 December 2015***	***31 December 2014***
Raw materials, consumables and supplies	6,299	3,584
Work-in-progress and semi-finished products	7,245	6,912
Finished goods	1,440	1,689
Advances to suppliers	80,658	67,837
Total	**95,642**	**80,022**

Net inventories amount to €95,642 thousand, compared to €80,022 thousand at 31 December 2014.

The €15,620 thousand increase is mainly due to the rise in advances to suppliers, following the final calculation of specific contracts (€12,821 thousand).

The carrying amount of raw materials increase by €1,712 thousand on the previous year and they were recognised net of the allowance for write-down (€1,225 thousand; 31 December 2014: €3,541 thousand). The decrease in the allowance (€2,316 thousand) is due to the scrapping of obsolete codes which could no longer be used.

Third party assets with the company amount to €3 thousand (31 December 2014: €3 thousand), while the company's assets with third parties total €14,895 thousand (31 December 2014: €20,239 thousand).

The company outsourced its warehouse management to the service company, Fata Logistic System.

13. CONTRACT WORK IN PROGRESS AND PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

(€'000)	*31 December 2015*	*31 December 2014*
Work in progress (gross)	2,078,289	1,770,457
Progress payments	(1,842,741)	(1,549,950)
Advances from customers	(32,761)	(27,830)
Provision for expected losses to complete contracts	(5,854)	(4,701)
Allowance for write-down	(17,450)	(17,650)
Work-in-progress (net)	**179,483**	**170,326**
Progress payments	(1,739,850)	(3,854,735)
Work-in-progress	1,659,996	3,719,834
Advances from customers	(364,634)	(353,696)
Provision for expected losses to complete contracts	(6,385)	(3,760)
Allowance for write-down	(4,700)	(5,200)
Progress payments and advances from customers (net)	**(455,573)**	**(497,557)**
Work-in-progress, net of progress payments and advances from customers	**(276,090)**	**(327,231)**

Work in progress, net of progress payments and advances from customers, is a negative €276,090 thousand, improving €51,141 thousand on the €327,231 thousand of the previous year. This is mainly due to the smaller turnover of the year in relation to the production volume.
The net balance of work in progress includes net advances of €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.
Finally, as already described in the directors' report, in relation to the Lybian contracts, 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.

Contract work in progress, net, increased from €170,326 thousand at 31 December 2014 to €179,483 thousand at 31 December 2015, while progress payments and advances from customers decreased from €497,557 thousand at 31 December 2014 to €455,573 thousand at 31 December 2015. The latter caption includes advances from customers of €397,395 thousand (31 December 2014: €381,526 thousand).

Specifically, work in progress under assets net of the provision for expected losses to complete contracts amounted to €2,072,435 thousand (31 December 2014: €1,765,765 thousand) and included costs of €2,186,045 thousand (31 December 2014: €1,718,114 thousand) and profit of €319,620 thousand (31 December 2014: €249,177 thousand), gross of final billing.

Work in progress under liabilities net of the provision for expected losses to complete contracts amounted to €1,653,611 thousand (31 December 2014: €3,716,074 thousand) and included costs of €3,780,715 thousand (31 December 2014: €3,591,266 thousand) and profit of €882,137 thousand (31 December 2014: €930,684 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 2015, amounted to €22,150 thousand (31 December 2014: €22,850 thousand).

The allowance for write-down refers about ten contracts. Specifically, €17,450 thousand reflects the decrease in “contract work in progress, net” and €4,700 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 of 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, €5,854 thousand (31 December 2014: €4,701 thousand) reflects the decrease in "contract work in progress, net" and €6,385 thousand (31 December 2014: €3,760 thousand) that of "progress payments and advances from customers".

14. TRADE RECEIVABLES AND LOAN ASSETS

	31 December 2015		*31 December 2014*	
(€'000)	**Trade receivables**	**Loan assets**	**Trade receivables**	**Loan assets**
Third parties	456,266	28,443	362,311	28,443
Related parties	92,273	22,079	194,406	42,163
Total	**548,539**	**50,522**	**556,717**	**70,606**

Trade receivables amount to €548,539 thousand and are substantially in line with the €556,717 thousand at 31 December 2014.
Specifically, related party trade receivables decreased by €102,133 thousand mainly as a result of the reclassifications of the amounts due from Ferrovie dello Stato group and ENI group following the company's exit from Finmeccanica group during the year. Conversely, third party trade receivables increased by €93,955 thousand.
Trade receivables are shown net of the allowance for impairment of €21,971 thousand (31 December 2014: €19,863 thousand). Of this amount, €255 thousand relates to related parties. The increase of the year is due to the collection risk of doubtful receivables. The €4,785 thousand included in the 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 €20,084 thousand mainly due to the zeroing of the joint current account with the subsidiary ASTS USA (31 December 2014: €12,374 thousand), and to the reimbursement of loan assets granted to Sp M4 S.c.p.A. (€10,146 thousand).

This caption also includes the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Lybia 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 2015, there are no financial assets measured at fair value through profit or loss.

16. TAX ASSETS AND LIABILITIES

	31 December 2015		*31 December 2014*	
(€'000)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Direct taxes	15,008	4,726	10,793	721
Total	**15,008**	**4,726**	**10,793**	**721**

Tax assets equalled €15,008 thousand, up on the €10,793 thousand at 31 December 2014. The increase on 2014 is due to the greater assets generated during the year by the branches.

They are comprised of foreign tax assets of €9,974 thousand (31 December 2014: €6,096 thousand); a tax credit recognised in December 2012 in connection with the claim for reimbursement pursuant to article 2.1-*quater* of Law decree no. 201/2011, related to the smaller IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€3,716 thousand); an IRES tax credit of €70 thousand which refers to the 10% flat rate deduction of the IRAP tax paid in 2006 and 2007 pursuant to Law decree no. 185/2008 (the so-called Anti-Crisis Decree) and discussed by the Tax authorities with circular 16/E of 14 April 2009; the current IRAP credit of €304 thousand (31 December 2014: liability of €146 thousand). Other assets include the IRES tax assets pertaining to 2004 (€154 thousand) pending receipt from Finmeccanica S.p.A. which, as former parent, had filed a claim for reimbursement and it will be collected from Tax Authories.

Tax liabilities relate to current IRES for €4,726 thousand (31 December 2014: €575 thousand).

17. DERIVATIVES

Derivative assets and liabilities may be analysed as follows:

	31 December 2015		31 December 2014	
(€'000)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedges	8,331	7,364	8,936	8,627
Currency hedges				
Cash flow hedges	107	9,072	362	166
Currency hedges				
	8,438	**16,436**	**9,298**	**8,793**

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 2015, the fair value of these transactions amounted to €7,254 thousand (31 December 2014: €7,417 thousand). The related effects are netted in financial income and expense.

At 31 December 2015, 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 €1,076 thousand (31 December 2014: €1,519 thousand) and €110 thousand (31 December 2014: €1,210 thousand), respectively.

At 31 December 2015, the company also had cash flow hedges relating to the cash flows of the Abu Dhabi, Riyadh Metro, Lima and Kolkata Metro contracts.

18. OTHER CURRENT ASSETS

(€'000)	***31 December 2015***	***31 December 2014***
Prepayments - current portion	5,836	7,962
Grants	18,013	15,134
Employees	1,189	1,063
Social security institutions	38	95
Other tax assets	33,373	23,731
Other	6,359	6,422
Total current third party assets	**64,808**	**54,407**
Total current related party assets	4	251
Total	**64,812**	**54,658**

Other current third party assets amounted to €64,812 thousand at 31 December 2015 (31 December 2014: €54,658 thousand). As shown by the order of the amounts in the table, the increase is mainly due to grants and tax assets.

At the reporting date, grants amounted to €18,013 thousand (31 December 2014: €15,134 thousand). They can be analysed as follows:

- grants for projects financed by the European Community or the Ministry for Education and Research (€17,718 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).

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

Other tax assets amount to €33,373 thousand (31 December 2014: €23,731 thousand) and are mainly related to the VAT credit in Italy for €24,206 thousand and the branches for €8,977 thousand, and a receivable for undeducted VAT on the use of vehicles and other receivables requested for reimbursement for €190 thousand.

Prepayments amount to €5,836 thousand (31 December 2014: €7,962 thousand) and mainly relate to insurance premiums pertaining to subsequent years (€2,716 thousand), fees on sureties paid early (€888 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 2015*	*31 December 2014*
Cash-in-hand	65	49
Bank accounts	178,571	179,332
Total	**178,636**	**179,381**

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

Moreover, it includes the advances (€2,755 thousand) received from the customer Iricav Uno consortium through the investee Pegaso S.c.r.l., which constructed the high-speed railway Rome-Naples section on behalf of the company (31 December 2014: €3,034 thousand) and advances of €155 thousand (31 December 2014: €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 2015, equity amounted to €362,608 thousand, up by a net €7,647 thousand on 31 December 2014 (€354,961 thousand).
The increase is due to the profit for the year (€35,901 thousand), the dividend distribution related to 2014 (€30,000 thousand), the increase in the translation reserve (€3,781 thousand) and the net decrease in the hedging reserve (€2,290 thousand).

Equity can be analysed as follows:

Share/quota capital

	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**
Use of treasury shares for SGP			702	702
	200,000,000	**100,000,000**	**0**	**100,000,000**

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 final instalment of the bonus issue (€10,000,000), issuing 20,000,000 ordinary shares with a nominal amount of €0.50 each.

The company does not have treasury shares at 31 December 2015 as the 1,405 residual shares following the completion of the process to purchase and grant shares to the company managers as part of the 2012 Stock Grant Plan ("SGP") were sold on the market in September 2015.
At 31 December 2015, share capital was as follows:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	80,131,081	40.066
UBS	12,826,677	6.413
OLD MUTUAL PLC	5,941,981	2.970
AMBER CAPITAL	4,762,795	2.381
Other shareholders with an investment of less than 2%	96,337,466	48.17

Retained earnings, including the profit for the year

(€'000)

	Retained earnings	Profit for the year	Total
31 December 2014	**128,851**	**32,728**	**161,579**
Allocation of profit for the year:			
- dividends	-	(30,000)	(30,000)
- retained earnings	2,438	(2,728)	(290)
Profit for the year	-	35,901	35,901
31 December 2015	**131,289**	**35,901**	**167,190**

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

- "Retained earnings" rose from €128,851 thousand at 31 December 2014 to €131,289 thousand at 31 December 2015, following the decision of the shareholders who approved the 2014 financial statements to allocate €2,728 thousand of the profit thereto, net of €290 thousand due to the settlement of the previous years' SGP plans;
- the profit for the year of €35,901 thousand (€32,728 thousand in 2014).

Other reserves

(€'000)	Legal reserve	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	Coverage of losses	Actuarial gains and losses on Italian post-employment benefits	Translation reserve	Total
31 December 2014	**20,000**	**67,216**	**832**	**145**	**209**	**854**	**4,449**	**137**	**3,369**	**37**	**(2,761)**	**(1,104)**	**93,383**
Stock grant plans:													
- 2015 Stock grant plan allocation - ASTS	-	-	-	-	-	-	1,444	-	-	-	-	-	**1,444**
- Stock grant plan disbursement	-	-	-	-	-	-	(1,255)	-	-	-	-	-	**(1,255)**
- SGP reserve - other companies	-	-	-	-	-	-	(27)	-	-	-	-	-	**(27)**
Other changes:													
- actuarial gains on 2015 Italian post-employment benefits	-	-	-	-	-	-	-	-	-	-	527	-	**527**
- deferred taxes on equity items	-	-	-	-	-	-	-	(711)	-	-	-	-	**(711)**
- hedging	-	-	-	-	-	-	-	-	(3,159)	-	-	-	**(3,159)**
- foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	5,216	**5,216**
31 December 2015	**20,000**	**67,216**	**832**	**145**	**209**	**854**	**4,611**	**(574)**	**210**	**37**	**(2,234)**	**4,112**	**95,418**

The **legal reserve** amounts to €20,000 and is unchanged from the previous year, having already reached 20% of the share capital at 31 December 2014.

Negative goodwill recognised in the 2009 financial statements amounted to €67,216 thousand. 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 goodwill included in the financial statements of Ansaldo Segnalamento Ferroviario S.p.A. (€1,825 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 S.p.A. 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.

The other transactions that led to the overall balance were:

- €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 derecognition 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;
- €2,321 thousand in 2014 following the last instalment of the bonus issue, after having fully used the reserve for capital injections (€7,679 thousand), as per the shareholders' resolution of 23 April 2010;
- There were no other changes in 2015.

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 by 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**, amounts to €145 thousand. It was already present in Ansaldo Segnalamento Ferroviario's equity and, therefore, was recognised by 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 provisional 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 by 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 by 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 €4,611 thousand (31 December 201: €4,449 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 in the balance (€162 thousand) is due to:

- €1,891 thousand attributable to the shares related to 2015 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;

- a €2,019 thousand decrease due to the 2012 awarding of shares related to the 2012-2013 stock grant plan;
- €290 thousand due to the transfer to retained earnings for the final calculation and settlement of the 2012-2013 stock grant plan. It is comprised of a €845 thousand negative difference in respect of the unallocated portion and €1,135 thousand as the price difference between the time of allocation and the delivery of the shares.

The **deferred tax reserve** amounts to -€574 thousand (31 December 2014: €137 thousand). It is comprised as follows:
- deferred taxes on the 2015 actuarial losses on Italian post-employment benefits (-€145 thousand), allocated to the specific reserve using the equity method (31 December 2015: €614 thousand);
- deferred taxes on the cash flow hedges recognised in equity during the year for €868 thousand (31 December 2014: -€57 thousand);
- deferred taxes on the translation reserve in the financial statements of the branch for -€1,434 thousand (31 December 2015: -€1,131 thousand).

The **hedging reserve** amounts to €210 thousand and fell by a net €3,159 thousand as a result of the individual transactions performed (the related tax effect of -€868 thousand is recognised in the "Deferred tax reserve").

The **actuarial reserve for defined benefit plans** amounts to -€2,234 thousand. It changed following application of the equity method to actuarial gains/losses on Italian post-employment benefits. During the year, it increased as a consequence of the actuarial gain of €527 thousand, as per the independent actuarial appraisal of Italian post-employment benefits at 31 December 2015 (the related tax effect for the year of -€145 thousand is recognised under the "Deferred tax reserve").

The **translation reserve** amounts to €4,112 thousand. It increased €5,216 thousand during the year due to 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.

Natura/Descrizione	Amount	Possible use	Available portion	Use in 2014		Use in 2013		Use in 2012	
				to cover losses	other reasons	to cover losses	other reasons	to cover losses	other reasons
Share capital (*)									
Outstanding shares	100,000								
Treasury shares									
Equity-related reserves:									
Revaluation reserve as per Law no. 413/91	832	A - B - C	832						
Capital injections	-	A - B	-				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 article 55 of Law no. 219/81 of the Consolidated income tax act	209	A - B - C	209						
Reserve as per Law no. 488/92, application 11, 2001									
Reserve as per Law no. 488/92, application 14, 2002									
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	4,611	B							
- delivery									
Translation reserve	4,112	A - B							
Hedging reserve	210								
Reserve for actuarial gains/losses (IAS 19)	- 2,234	n.a.							
Deferred tax reserve	- 574	n.a.							
Retained earnings	131,289	A - B - C	131,289						
Total	**326,707**		**200,545**	**-**	**-**	**-**	**10,000**	**-**	**10,000**
Undistributable portion			**4,436**						
Residual distributable portion			**196,109**						

Key:

A : for share capital increase

B : to cover losses

C : dividends

21. LOANS AND BORROWINGS

(€'000)	*31 December 2015*			*31 December 2014*		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bank loans and borrowings	-	-	-	33	-	33
Loans and borrowings from other financial backers	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Other loans and borrowings	1,607	-	1,607	1,940	-	1,940
Total loans and borrowings from third parties	**1,607**	**-**	**1,607**	**1,973**	**-**	**1,973**
Related party loans and borrowings	169,924	-	169,924	166,971	-	166,971
Total	**171,531**	**-**	**171,531**	**168,944**	**-**	**168,944**

Third party loans and borrowings amounted to €1,607 thousand at 31 December 2015 and related to companies part of joint ventures for which Ansaldo STS is lead contractor.

Loans and borrowings may be analysed as follows:

(€'000)	*31 December 2014*	*Increases*	*Decreases*	*Changes in scope*	*Other changes*	*31 December 2015*
Bank loans and borrowings	33	-	33	-	-	-
Loans and borrowings from other financial backers	-	-	-	-	-	-
Other loans and borrowings	1,940	-	333	-	-	1,607
Total	**1,973**	**-**	**366**	**-**	**-**	**1,607**

At 31 December 2015, the company's credit lines amounted to €56,000 thousand and are 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 2015***	***31 December 2014***
Cash-in-hand	65	49
Bank accounts	178,571	179,332
Securities held for trading	-	-
Cash and cash equivalents	**178,636**	**179,381**
Third party loan assets	28,443	28,443
Related party loan assets	22,079	42,163
Current loan assets	**50,522**	**70,606**
Current bank loans and borrowings	-	33
Current portion of non-current loans and borrowings	-	-
Other current loans and borrowings	171,531	168,911
Current financial debt	**171,531**	**168,944**
Net current financial position	**(57,627)**	**(81,043)**
Net financial position	**(57,627)**	**(81,043)**

There is no collateral on the company's assets.

22. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

(€'000)	**Disputes with employees**	**Completed contracts**	**Taxation**	**Other**	**Total**
At 1 January 2014	**564**	**400**	-	**5,024**	**5,988**
Accruals	100	250	-	-	350
Utilisation	43	251	-	857	1,151
Reversals	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 1 January 2015	**439**	**399**	-	**1,013**	**1,851**
Accruals	195	100	550	-	845
Utilisation	7	103	-	41	151
Reversals	70	-	-	-	70
Other changes	-	-	-	-	-
At 31 December 2015	**557**	**396**	**550**	**972**	**2,475**
Broken down as follows:					
Current	557	396	550	972	2,475
Non-current	-	-	-	-	-
	557	**396**	**550**	**972**	**2,475**

At 31 December 2015, the provision for risks and charges reflects probable and quantifiable risks in accordance with relevant accounting standards.

It amounts to €2,475 thousand (31 December 2014: €1,851 thousand). Specifically:

- the provision for disputes with employees reflects the assessment of disputes with a probably unfavourable outcome for the company. In 2015, €7 thousand of this provision was used for disputes that were resolved during the year and €70 thousand was absorbed for positions no longer considered at risk. It contains an accrual (€195 thousand) for the estimation of new situations that arose in 2015;

- 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 2015, this provision was used for €103 thousand, accruing €100 thousand for future works;
- the provision for taxation was set up during the year with an accrual of €550 thousand to cover a tax risk that arose during the year in relation to an inspection underway at the Danish branch;
- other provisions cover minor disputes currently underway (€972 thousand). €41 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 2015*	*31 December 2014*
Italian post-employment benefits	17,948	20,120
Other provisions for personnel	-	-
Total	**17,948**	**20,120**

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 pensions, 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 2015*	*31 December 2014*
Opening balance	**20,120**	**18,348**
Current service costs	324	269
Interest expense	289	447
Actuarial (gains) losses taken to equity	(527)	2,281
of which:		
Actuarial gains (losses) taken to equity following changes to demographic assumptions	-	-
Actuarial gains (losses) taken to equity following changes to financial assumptions	(282)	2,239
Actuarial gains (losses) taken to equity following experience-based adjustments	(245)	42
Other changes		
Benefits paid	(2,258)	(1,225)
Intragroup transfers		
Other changes		
Closing balance	**17,948**	**20,120**

	Italian post-employment benefits	
(€'000)	***31 December 2015***	***31 December 2014***
Current service costs	324	269
Personnel expense	**324**	**269**
Interest expense	289	447
Total	**613**	**716**

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

	Italian post-employment benefits	
	31 December 2015	***31 December 2014***
Discount rate	1.89%	1.75%
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 company's obligation:

	Italian post-employment benefits	
	-0.25%	*0.25%*
Discount rate (p.a.)	18,330	17,584
Inflation rate	17,667	18,235
Annual turnover rate	17,942	17,953

The average term of the Italian post-employment benefits is 13 years.

24. OTHER CURRENT AND NON-CURRENT LIABILITIES

	Non-current		Current	
(€'000)	*31 December 2015*	*31 December 2014*	*31 December 2015*	*31 December 2014*
Employees	3,520	3,442	17,283	21,362
Supplementary pension schemes and INPS Treasury fund	-	-	1,534	1,099
Social security institutions	-	-	9,268	8,460
R&D grants	-	-	8,843	8,097
Other tax liabilities	-	-	4,297	3,172
Deferred income	-	-	-	113
Other	-	-	15,838	18,272
Total other current and non-current third party liabilities	**3,520**	**3,442**	**57,063**	**60,575**
Total other related party liabilities	-	-	32	602
Total	**3,520**	**3,442**	**57,095**	**61,177**

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	
	31 December 2015	*31 December 2014*
Discount rate (p.a.)	1.91%	1.75%
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 €57,095 thousand, compared to €61,177 thousand at 31 December 2014. The decrease (€4,082 thousand) is mainly due to the decrease in payables to employees (€4,079 thousand).

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 €4,297 thousand mainly relate to withholding taxes on employees' remuneration to be paid as withholding agent.

25. TRADE PAYABLES

(€'000)	*31 December 2015*	*31 December 2014*
Trade payables	308,447	227,117
Total trade payables	**308,447**	**227,117**
Related party trade payables	37,078	75,334
Total	**345,525**	**302,451**

Total trade payables rose from €302,451 thousand at 31 December 2014 to €345,525 thousand at 31 December 2015.

The increase is due to the greater volumes, particularly in the final quarter of the year and the back-to-back contracts in respect of the credit position with the end customer, as well as the reclassification following the company's exit from the Finmeccanica group.

The decrease in related party trade payables relates to this reclassification.

As in 2014, 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 has certain operating leases mainly for use of properties, IT equipment and cars. Minimum future commitments related to operating leases amount to €5,585 thousand for properties and IT equipment (31 December 2014: €1,716 thousand) and €175 thousand for cars (31 December 2014: €423 thousand).

They may be analysed as follows:

(€'000)	*31 December 2015*		*31 December 2014*	
	Operating leases	**Finance leases**	**Operating leases**	**Finance leases**
Within one year	1,267	-	1,367	-
Between two and five years	3,662	-	772	-
After five years	831	-	-	-
Total	**5,760**	**-**	**2,139**	**-**

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 Hitachi Rail Italy S.p.A, as the lessor. The property houses the company's administrative and branch offices.

Car leases, which usually have a five-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 2015:

(€'000)	2015	2014
Sureties issued by FNM to ASTS customers*	1,447,861	1,449,332
Sureties issued by ASTS and banks and insurance companies to third party customers on behalf of subsidiaries**	898,144	1,073,213
Sureties issued by banks and insurance companies to third party customers	1,418,863	1,508,872
Total	**3,764,868**	**4,031,417**
Guarantees received	595,226	526,856
Guarantees received from related parties	533,284	983,244
Subtotal	**1,128,510**	**1,510,100**
Total	**4,893,378**	**5,541,517**

** Hitachi is currently finalising its take over of these sureties*

*** this category includes the guarantee of €5.3 million issued by the company on behalf of the Indian subsidiary for the KFW project for €5.3 million using Finmeccanica credit lines.*

Guarantees given total €3,764,868 thousand (31 December 2014: €4,031,417 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 decrease on the previous year is mainly due to:

- the completion and reduction of existing commitments, including the release of the guarantees given as part of the Brescia Metro, the Saturno Consortium high speed (Milan-Bologna section) and Iricav Uno (Rome-Naples section) projects;
- the new guarantees given for new orders, including the issue of guarantees for the Milan Line 5, Milan Line 4, Lima Metro and the release of the parent company guarantee for the PTC Project in Boston.

At 31 December 2015, the company has parent company guarantees issued by the former parent Finmeccanica (€1,262,984 thousand) to foreign customers and bank guarantees granted on credit lines of the former parent FNM (€184,877 thousand).

The balance includes the guarantee for the Honolulu project (USD 194 million).

Following the finalisation on 2 November 2015 of the sale of Finmeccanica S.p.A.'s entire stake in Ansaldo STS, to Hitachi Rail Italy Investments S.r.l., a wholly-owned subsidiary of Hitachi Ltd, a process is underway whereby Hitachi will formally succeed Finmeccanica in the guarantees stated above.

Sureties issued by ASTS, banks and insurance companies to third party customers on behalf of subsidiaries amount to €898,144 thousand and are comprised as follows:

- €676,944 thousand related to parent company guarantees and bank guarantees against the company's credit lines, given in favour of foreign customers on behalf of the subsidiaries. This category also includes the guarantee issued by the company on behalf of the Indian subsidiary for the KFW project for €5,307 thousand against the credit lines granted by the former parent Finmeccanica;
- €221,200 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 (€1,418,863 at 31 December 2015) include the counter guarantees given in favour of banks for the relevant portion of sureties in relation to participation in consortia and joint arrangements of €130,500 thousand.

Guarantees received by the company total €1,128,510 thousand (31 December 2014: €1,510,100 thousand). They can be analysed as follows:

- €595,226 thousand related to guarantees received from the company's suppliers or subcontractors for the proper fulfilment of tenders and orders, advances and retentions paid by the company;
- €533,284 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 €365,000 thousand. Part of this amount may be used for Ansaldo STS group companies. The company has available bank overdrafts of €56,000 at year end.

Purchase and sale commitments

At 31 December 2015, the following purchase and sale commitments were in place:

(€'000)	**2015**	**2014**
Third party customers order backlog	4,790,450	4,391,089
Related party customers order backlog	400,970	769,034
Third party suppliers order backlog	1,258,686	882,671
Related party suppliers order backlog	288,860	382,124
Total	**6,738,966**	**6,424,918**

These amounts include commitments to purchase property, plant and equipment and intangible assets of €568 thousand and €569 thousand, respectively.

27. RELATED PARTY TRANSACTIONS

The impact of related party transactions on profit or loss for 2015 and 2014 is shown below:

(€'000) **2015**	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expense**	**Financial income**	**Financial expense**
Parents							
Hitachi Rail Europe LTD	-	-	-	301	-	-	-
Associates							
International Metro Service S.r.l.	-	10	-	-	-	2,940	-
S.P. M4 S.c.p.a.	-	-	503	-	-	210	-
Metro 5 S.p.A.	26,390	4,067	112	-	-	-	-
Hitachi Rail Italy S.p.A.	2,162	-	14,329	245	-	-	-
MetroBrescia S.r.l.	1,370	74	60	-	-	11	-
Hitachi Rail Espana SAU	8	-	-	-	-	-	-
Metro Service AS	-	-	45,113	5,796	-	-	-
I.M. Intermetro S.p.A.	15	-	2	-	-	-	-
Pegaso S.c.r.l. (in liquidation)	-	-	185	-	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	674	16	1,613	56	-	-	(112)
Ansaldo STS Australia PTY Ltd.	12,061	3,850	1,072	405	-	-	895
Ansaldo STS UK Ltd.	261	2	-	3	-	153	400
Ansaldo STS Ireland LTD	-	-	-	-	-	3,100	1,389
Ansaldo STS Sweden AB	3,564	399	265	73	-	-	-
Ansaldo STS Deutschland GmbH	954	-	-	-	-	-	-
Ansaldo STS France S.A.	4,595	3,345	11,717	409	-	-	-
Ansaldo STS Espana S.A.U.	709	-	159	43	-	-	-
Ansaldo STS USA Inc.	156	3,733	7,254	392	-	117	-
Ansaldo STS South Africa PTY LTD	-	-	-	-	-	-	-
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	-	-	-	-	-	-
Ansaldo STS Canada Inc	-	-	-	-	-	-	-
Ansaldo STS USA International CO.	-	-	6,883	-	-	-	-
Ansaldo STS Malaysia SDN BHD	522	-	158	11	-	277	-
Ansaldo Railway System Trading (Beijing) Ltd	8,147	-	166	49	-	-	-
Alifana Due S.c.r.l.	195	-	213	19	-	-	-
Alifana S.c.a.r.l.	25	-	-	-	-	-	-
Consortia							
Saturno consortium	21,343	-	1,911	-	-	-	-
San Giorgio Volla Due consortium	668	-	70	-	-	-	-
MM4 consortium	22,468	-	604	68	-	-	-
San Giorgio Volla consortium	(80)	-	(4)	-	-	-	-
SESM consortium	-	-	-	-	-	-	-
CRIS consortium	-	-	1	-	-	-	-
Ascosa Quattro consortium	134	-	40	-	-	-	-
CESIT consortium	-	-	-	-	-	-	-
Ferroviario Vesuviano consortium	(993)	-	49	-	-	-	-
Total	**105,347**	**15,496**	**92,475**	**7,869**	**-**	**6,807**	**2,572**
% of the total corresponding financial statements caption	**15%**	**71%**	**15%**		**0%**	**29%**	**12%**

(€'000) **2014**	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expense**	**Financial income**	**Financial expense**
Parents							
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 System 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%**	**29%**		**2%**	**14%**	**5%**

The decrease in revenue with related parties (€105,347 thousand) on the previous year (€249,044 thousand) is mainly due to the reclassification of Ferrovie dello Stato group and ENI group customers as third parties following the company's exit from Finmeccanica group.
The expense decreased by €68,578 thousand, from €153,184 thousand in 2014 to €84,606 thousand in 2015.
Other operating income mainly related to services (€9,497 thousand) provided to other group companies under the general service agreement.

Financial income includes dividends received from the associate International Metro Service S.r.l. (€2,940 thousand), dividends received from the subsidiary ASTS Ireland (€3,100 thousand), interest on the joint current accounts with subsidiaries which, during the year, had a debit position (€547 thousand), and an interest-bearing loan to S.P. M4 S.c.p.A. (€210 thousand).
Financial expense, net of recharges, amounted to €2,572 thousand and mainly relates to the impairment loss recognised on the investment in Ansaldo STS IRELAND LTD (€1,389 thousand), the impairment loss recognised on the loan to Ansaldo STS UK LTD (€400 thousand) and the interest on the joint current account with the subsidiary Ansaldo STS Australia (€895 thousand) which had credit positions with the company during the year.

Moreover, the transactions with companies included in Finmeccanica's consolidated financial statements in the period from 1 January 2015 to 2 November 2015 are shown below.

(€'000) **2015**	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expense**	**Financial income**	**Financial expense**
Parents							
Finmeccanica S.p.A.	-	1	4,655	11	18	17	35
Associates							
Ansaldo Energia S.p.A.	-	-	-	-	-	-	-
Fata S.p.A.	-	-	194	-	-	-	-
Fata Logistic System S.p.A.	-	-	1,338	-	-	-	-
Ferrovie dello Stato group	97,475	-	1,692	-	-	-	-
Eni group	7,528	-	10	-	-	-	-
Enel group	-	-	69	-	-	-	-
Electron Italia S.r.l.	-	-	-	-	-	-	-
E-Geos S.p.A.	-	-	68	-	-	-	-
Telespazio S.p.A.	-	-	1	-	-	-	-
DRS - RSTA	-	-	-	-	-	-	-
Finmeccanica Global Services S.p.A.	-	-	460	-	1	-	-
Ansaldo Breda Espana	7	-	-	-	-	-	-
AnsaldoBreda S.p.A.	15,014	-	14,937	1,230	-	-	-
Selex ES S.p.A.	-	71	19,092	-	-	-	-
Total	**120,024**	**72**	**42,516**	**1,241**	**19**	**17**	**35**

Reference should be made to the directors' report ("Management and coordination and related party transactions" section) for further information on transactions with Finmeccanica group companies.

28. REVENUE

(€'000)	2015	2014
Sales - third parties	2,061,047	322,073
Sales – related parties	359,425	188,025
Total revenue from sales	**2,420,472**	**510,098**
Services - third parties	35,004	4,766
Services - related parties	17,561	60,216
Total revenue from services	**52,565**	**64,982**
Change in work in progress - third parties	(1,479,667)	116,012
Change in work in progress - related parties	(271,639)	803
Total change in work in progress	**(1,751,306)**	**116,815**
Total revenue	**721,731**	**691,895**

Total revenue increased €29,836 thousand from €691,895 thousand in 2014 to €721,731 thousand in 2015, mainly due to the progress made in metro projects in Saudi Arabia, Denmark and Peru.
Italian and foreign production amounted to €321,228 thousand (2014: €325,465 thousand) and €400,503 thousand (2014: €366,430 thousand), respectively.

During the year, revenue of €2,084,753 thousand (2014: €194,465 thousand) was recognised thanks to recording of the progress reports related to the high speed, Brescia metro and Riyadh metro projects. The final recognition of this revenue explains the amount of the change in work in progress.

29. OTHER OPERATING INCOME AND EXPENSE

(€'000)	2015 Income	2015 Expense	2014 Income	2014 Expense
R&D grants	2,843		4,245	-
Tax credit on R&D costs			-	-
Gains on sales of property, plant and equipment and intangible assets	9		-	-
Accruals/Reversals of provisions for risks and charges	70	100	3,842	250
Accruals for expected losses		3,778		359
Royalties	288		443	
Net exchange rate gains	242	396	188	524
Prior year items	385	338	239	161
Insurance compensation				
Restructuring costs				
Indirect taxes		950		786
Interest on trade receivables/payables	2,218	1,873	2,025	1,778
Other net operating income	345	837	883	842
Total other third party operating income	**6,400**	**8,272**	**11,864**	**4,699**
Total other related party operating income	15,496		11,879	73
Total	**21,896**	**8,272**	**23,743**	**4,772**

Other third party operating income amounts to €6,400 thousand (2014: €11,864 thousand), down by €5,464 thousand on the previous year.

This caption is mainly comprised as follows:

- R&D grants of €2,843 thousand (2014: €4,245 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.
- operating interest on trade receivables of €2,218 thousand (2014: €2,025 thousand);
- prior year debit items of €385 thousand (2014: €239 thousand);
- royalties on hardware licences of €288 thousand (2014: €443 thousand);
- exchange rate gains on non-financial items of €242 thousand (2014: €188 thousand);

Other third party operating expense amounts to €8,272 thousand. It (2014: €4,699 thousand) is comprised of indirect taxes of €950 thousand, other operating expense of €837 thousand, exchange rate losses on non-financial items of €396 thousand, inexistence of prior year credit items of €338 thousand, accruals to the provisions for risks and charges of €100 thousand, operating interest on trade payables of €1,873 thousand and expected losses to complete

contracts of €3,778 thousand. The €3,573 thousand increase in other third party operating expense is mainly due to the higher expected losses to complete contracts.
Other operating expense of €837 thousand relates to membership fees of €528 thousand, donations of €21 thousand, gifts and entertainment expenses of €249 thousand and sundry expenses of €39 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)	2015	2014
Materials from third parties	205,066	144,198
Change in raw materials	(2,715)	91
Total purchases from third parties	**202,351**	**144,289**
Purchases from related parties	19,742	57,807
Total purchases	**222,093**	**202,097**
Services from third parties	254,924	220,796
Rentals and operating leases	3,960	3,943
Hire expense	3,572	3,850
Total services from third parties	**262,456**	**228,589**
Services from related parties	64,865	95,377
Total services	**327,321**	**323,966**
Total	**549,414**	**526,063**

Total purchases and services for 2014 (€549,414 thousand) increased on 2014 by €23,351 thousand due to greater production volumes developed during the year.
Purchases of raw materials, consumables, supplies and goods amounted to €222,093 thousand (2014: €202,097 thousand), up €19,996 thousand.
Services amount to €327,321 thousand (31.12.2014: €323,966 thousand), up by €3,355 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.

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)	2015	2014
Wages and salaries	95,816	90,472
Stock grant plans	1,444	1,384
Social security and pension contributions	26,627	25,682
Italian post-employment benefits	324	269
Other defined benefit plans	78	383
Defined contribution plans	4,439	4,150
Disputes with personnel	195	-
Restructuring costs	-	5,970
Recharge of personnel expense	(1,990)	(2,656)
Other costs	1,848	3,133
Total	**128,781**	**128,786**

Personnel expense for 2014 amounts to €128,781 thousand (2013: €128,786 thousand).
The total amount is in line with that of the previous year, with an increase in wages and salaries and related charges of the year, offset by the absence of restructuring costs following the redundancy plan's completion in 2014.
Recharge of personnel expense relates to personnel seconded to "related" companies as follows: €1,318 thousand related to Ansaldo STS group companies, €269 thousand to MM4 consortium, €31 thousand to MetroBrescia, €9 thousand to Metro 5 S.p.A. and €28 thousand to Hitachi Rail Italy S.p.A..

The headcount at 31 December 2015 numbered 1,498, compared to 1,526 employees in the previous year.

The table below shows employees by category and average number:

	2015	2014
Managers	60	69
Junior managers	309	311
White collars	1,084	1,090
Blue collars	45	56
Total	**1,498**	**1,526**

In relation to incentive plans which involve assigning shares to employees, on 1 March 2012, Ansaldo STS's appointments and remuneration committee approved a stock grant plan for 2012 and 2013 which was subsequently passed 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 index). The plan provides for a three-year vesting period for all beneficiaries and the related shares will be delivered 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 index), with a three-year vesting period.

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 2015 vesting conditions (as per the 2014-2016 plan), which will be delivered 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 stock grant plan of 2015, equal to €1,444 thousand (2014: €1,384 thousand), was recognised with a balancing entry in an equity reserve.

32. CHANGES IN FINISHED GOODS, WORK-IN-PROGRESS AND SEMI-FINISHED PRODUCTS

(€'000)	2015	2014
Changes in finished goods, work-in-progress and semi-finished products	**85**	**(380)**

This caption improved by €465 thousand, from a negative €380 thousand in 2014 to a positive €85 thousand in 2015.

33. DEPRECIATION AND IMPAIRMENT LOSSES

(€'000)	*2015*	*2014*
Amortisation and depreciation:		
- intangible assets	5,227	4,391
- property, plant and equipment	4,376	4,244
	9,603	**8,635**
Impairment losses:		
- current loans and receivables	2,501	3,389
	2,501	**3,389**
Total amortisation, depreciation and impairment losses	**12,104**	**12,024**

Amortisation and depreciation amounted to €9,603 thousand, up by €968 thousand on 2014. Specifically, €5,227 thousand relates to intangible assets and €4,376 thousand to property, plant and equipment. The balance is shown net of deferred income of €14 thousand for grants related to assets (Law no. 488/92) and for the satellite project (€923 thousand).
Impairment losses on current loans and receivables fell compared to the previous year.

34. INTERNAL WORK CAPITALISED

In 2015, this caption amounted to €4,694 thousand (2014: €4,388 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 €4,570 thousand.

This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

35. NET FINANCIAL INCOME

	2015			2014		
(€'000)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Interest	32	14	18	425	19	406
Interest on Italian post-employment benefits		289	(289)		447	(447)
Exchange rate gains and losses	6,976	1,822	5,154	16,977	9,574	7,403
Fair value gains and losses	9,774	13,966	(4,192)	4,360	11,380	(7,020)
Cash flow gains and losses	38	2,526	(2,488)	166	223	(57)
Fair value gains and losses through profit or loss - financial assets	-	-	-	-	-	-
Impairment losses on equity investments	-	-	-	-	-	-
Other financial income and expense	-	729	(729)	-	733	(733)
Total net financial expense	**16,820**	**19,346**	**(2,526)**	**21,928**	**22,376**	**(448)**
Dividends	6,041	-	6,041	2,450	-	2,450
Impairment loss on investment	-	1,790	(1,790)	-	755	(755)
Interest and other financial income/(expense)	766	782	(16)	1,135	519	616
Net related party financial income	**6,807**	**2,572**	**4,235**	**3,585**	**1,274**	**2,311**
Total	**23,627**	**21,918**	**1,709**	**25,513**	**23,650**	**1,863**

Net financial income is substantially in line with the previous year, amounting to €1,709 thousand compared to income of €1,863 thousand for 2014. Related party income and expense mainly relate to dividends received from International Metro Service S.r.l. for €2,941 thousand (2014: €2,450 thousand) and the subsidiary ASTS Ireland LTD for €3,100 thousand, the impairment loss on the amount with the subsidiary Ansaldo STS UK (€400 thousand in 2015 compared to €755 thousand in 2014) and the impairment loss on the investment in the subsidiary Ansaldo STS Ireland LTD (€1,389 thousand).

Third party income and expense can be analysed as follows:

- interest income on current accounts for €32 thousand (2014: €425 thousand, which was mainly due to interest collected on a grant related to a research project) and interest expense on current accounts of €14 thousand (2014: €19 thousand);

- interest expense on Italian post-employment benefits of €289 thousand (2014: €447 thousand) arising from the actuarial calculation carried out in accordance with IAS 19;
- exchange rate gains of €9,774 thousand (2014: €4,360 thousand) and exchange rate losses of €13,966 thousand (2014: €11,380 thousand) which relate to currency risk hedging transactions using fair value hedges;
- exchange rate gains/losses from the translation of current account balances in foreign currency using closing rates: positive effects on the 2015 profit and loss account of €6,976 thousand (2014: €16,977 thousand) and negative effects of €1,822 thousand (2014: €9,574 thousand);
- exchange rate gains and losses of €38 thousand and €2,526 thousand, respectively, arising from currency risk hedging transactions using cash flow hedges;
- finally, sundry financial expense of €729 thousand related to fees on the sureties (€217 thousand) agreed by the company on behalf of its foreign subsidiaries and recharged (to "related party income") and of €512 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 2015 amount to €15,641 thousand and may be analysed as follows:

(€'000)	**2015**	**2014**
IRES	12,595	12,385
IRAP	1,985	4,887
Prior year taxes	(315)	(22)
Provisions for tax risks	550	30
Net deferred tax income	826	(144)
Total	**15,641**	**17,136**

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

(€'000)	2015			2014		
	Taxable amounts	**Income taxes**	**%**	**Taxable amounts**	**Income taxes**	**%**
Pre-tax profit	**51,542**			**49,863**		
Taxes calculated at ruling tax rates		14,174	27.50%		13,712	27.50%
Deferred tax assets recoverable during the year						
Permanent differences						
- non-deductible expense	5,148	1,416	2.75%	4,763	1,310	2.63%
- tax-exempt dividends (95%)	(5,739)	(1,578)	-3.06%	(2,328)	(640)	-1.28%
- tax benefit (ACE)	(4,668)	(1,284)	-2.49%	(4,040)	(1,111)	-2.23%
- IRAP deduction - personnel expense	(997)	(274)	-0.53%	(3,161)	(869)	-1.74%
- tax-exempt income	-	-	0.00%	-	-	0.00%
Profit net of permanent differences	**45,286**	**12,454**	**24.16%**	**45,097**	**12,402**	**24.87%**
Effective IRES recognised in profit or loss and effective tax rate		**12,454**	**24.16%**		**12,402**	**24.87%**
IRAP		1,883	3.65%		4,726	9.48%
Prior year taxes		235	0.46%		8	0.02%
Adjustment to new nominal rates		1069	2.07%		0	0.00%
Total effective taxes recognised in profit or loss and related rate		**15,641**	**30.35%**		**17,136**	**34.37%**

At 31 December 2015, the effective tax rate was equal to 30.35%, compared to 34.37% in 2014. The 4% decrease is mainly due to the effects of the dividends collected in 2015 totalling €6,041 thousand, compared to €2,450 thousand in 2014, on which IRES is applied only to the extent of 5%. Moreover, the deductibility of personnel expenses of employees with open-ended contracts for IRAP purposes, introduced by the 2015 Stability Law, had an "improving" effect for IRAP purposes.

The following table shows temporary differences and related balances:

Importi in K€	31/12/2015						31/12/2014				
	Ammontare delle differenze temporanee	Aliquota d'imposta	Ammontare Imposte Anticipate/Differite	Effetto a Patrimonio netto	Riclassifica	Effetto Economico (+provento/ -onere) al netto riclassifica	Ammontare delle differenze	Aliquota d'imposta	Ammontare Imposte Anticipate/Differite	Riclassifica/Effetto a Patrimonio netto	Effetto Economico (+provento/ -onere)
Imposte anticipate											
Svalutazioni lavori in corso	22.150	24,00%	5.316			-968	22.850	27,50%	6.284	0	1.499
Svalutazioni lavori in corso (solo IRAP)	22.150	4,34%	961			6	22.850	4,18%	955	0	228
Svalutazione magazzino (IRES)	1.224	24,00%	294			-680	3.540	27,50%	974	0	-76
Svalutazione magazzino (IRAP)	-	4,34%	0			0	-	4,18%	0	0	0
Fondi per rischi ed oneri (solo IRES)	1.529	24,00%	367			-32	1.451	27,50%	399	0	-1.137
Fondi costi commesse chiuse e fondo garanzia (IRES/IRAP)	396	28,34%	112			-14	399	31,68%	126	0	0
Ammortamenti indeducibili (IRES/IRAP) - entro il 2016	9	31,84%	3			3	-	0,00%	0		
Ammortamenti indeducibili (IRES/IRAP) - oltre il 2016	1.091	28,34%	309			-46	1.120	31,68%	355	0	27
Ammortamenti indeducibile (IRES)	94	24,00%	23			-16	142	27,50%	39	0	0
Differenze cambio da conversione *branch*	443	24,00%	106			-16	443	27,50%	122	0	0
Costi deducibili negli esercizi successivi (IRES/IRAP) - entro il 2016	32	31,84%	10			10					
Costi deducibili negli esercizi successivi (IRES/IRAP) - oltre il 2016	4	28,34%	1			-23	75	31,68%	24	0	-10
Commesse in perdita (IRES) - oltre il 2016	8.601	24,00%	2.064			-263	8.462	27,50%	2.327	0	99
Commesse in perdita (IRES) - entro il 2016	3.639	27,50%	1.001			1.001	-	0,00%	0	0	0
Commesse in perdita (IRAP)	12.240	4,34%	531			178	8.462	4,18%	354	0	15
Ammortamento avviamento (IRES/iIRAP) - entro il 2016	829	31,84%	264			-918	3.732	31,68%	1.182	0	-263
Ammortamento avviamento (IRES/iIRAP) - oltre il 2016	2.073	28,34%	587			587	-	31,68%	0	0	0
Ammortamento avviamento (IRAP)	1.658	4,34%	72			3	1.658	4,18%	69	0	-48
TFR indeducibile	1.168	24,00%	280			-142	1.534	27,50%	422	0	422
Svalutazione crediti	2.691	24,00%	646			-94	2.691	27,50%	740	0	0
Perdite su cambi	93	27,50%	26			-2	14	27,50%	4	0	-128
Svalutazione crediti per interessi di mora	11.659	24,00%	2.798			18	10.111	27,50%	2.781	0	186
Interessi passivi di mora	7.388	24,00%	1.773			-595	8.610	27,50%	2.368	0	-589
Costi deducibili negli esercizi successivi (IRES) - entro il 2016	585	27,50%	161			-31	697	27,50%	192	0	-6
Delta cambi branch a PN	-	27,50%	0		-303	0	1.103	27,50%	303	303	0
Altri	2.560	24,00%	615		286	45	1.032	27,50%	285	0	-575
Totale	**104.306**		**18.321**	**0**	**-17**	**-1.989**	**100.976**		**20.303**	**303**	**-358**

	Ammontare delle differenze temporanee	Aliquota d'imposta	Ammontare Imposte Anticipate/Differite	Effetto a Patrimonio netto	Riclassifica	Effetto Economico (-provento/ +onere) al netto riclassifica	Ammontare delle differenze	Aliquota d'imposta	Ammontare Imposte Anticipate/Differite	Riclassifica/Effetto a Patrimonio netto	Effetto Economico (-provento/ +onere)
Imposte differite											
Contributi ricerca (IRES/IRAP)	41	28,34%	12		0	-79	285	31,68%	90	0	-5
Contributi ricerca (IRES)	8.817	24,00%	2.116		286	258	5.716	27,50%	1.572	71	151
F.do svalutazione crediti (quadro EC)	2.106	24,00%	505		0	-74	2.106	27,50%	579	0	0
Interessi attivi di mora non incassati	19.629	24,00%	4.711		0	-1.127	21.230	27,50%	5.838	0	2.482
Debito per TFR (IAS 19)	-	27,50%	-	145	0	-145	-	27,50%	0	254	-254
Differenze cambio *branch*	91	24,00%	22	0		-3	91	27,50%	25	0	0
Delta cambi branch a PN	4.112	27,50%	1.131	1.434	-303	0	0	27,50%	0	0	0
Riserva Cash flow hedge	210	27,50%	58	-869	0	0	3.369	27,50%	926	201	0
Margine su commesse inferiori a 12 mesi	587	27,50%	161		0	7	563	27,50%	155	0	0
Utili su cambi	51	27,50%	14		0	1	54	27,50%	15	0	16
Totale	**35.644**		**8.730**	**710**	**-17**	**-1.162**	**33.414**		**9.201**	**526**	**2.390**

The IRES and IRAP rates used for deferred taxes are those estimated when temporary differences will reverse. Specifically, for IRES purposes, 27.5% for differences that will reverse in 2016 and 24% for those that will reverse in subsequent years (indeed, under the changes introduced by the 2016 Stability Law, the IRES rate will be 24% from 1 January 2017). The rate used for IRAP purposes is 4.34%.
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 €6,277 thousand – related to the fully taxed allowance for write-down of €22,150 thousand: indeed, following the legislative changes introduced as of 2005, accruals to the allowance for write-down are entirely undeductible.

Net deferred taxes recognised against equity in 2015 and in prior years (-€574 thousand of net deferred assets) arose from the allocation of actuarial gains/losses on Italian post-employment benefits to equity (deferred tax assets of €614 thousand against actuarial losses of €2,234 thousand) using the equity method as per IAS 19, and the hedging reserve (deferred tax liabilities of €57 thousand against an equity reserve of a positive €210 thousand) and the reserve for exchange rate gains or losses related to the branches (deferred tax assets of €1,131 thousand against net reserves of €4,112 thousand).

37. CASH FLOWS FROM OPERATING ACTIVITIES

(€'000)	*2015*	*2014*
Profit for the year	35,901	32,728
Amortisation, depreciation and impairment losses	12,104	12,023
Income taxes	15,641	17,136
Accruals to provisions	845	250
Italian post-employment benefits	324	269
Defined benefit plans and stock grant plans	1,521	1,768
Financial income/(expense), net of impairment losses on equity investments measured at cost	(1,708)	(1,863)
Gross cash flows from operating activities	**64,628**	**62,311**

(€'000)	*2015*	*2014*
Inventories	(15,620)	3,541
Work in progress and progress payments and advances from customers	(51,142)	16,133
Trade receivables and payables	51,253	(24,507)
Changes in working capital	**(15,509)**	**(4,833)**

(€'000)	*2015*	*2014*
Payment of Italian and other post-employment benefits and stock grants	(2,258)	(1,225)
Utilisation of the provisions for risks	(221)	(307)
Changes in other operating items	(21,415)	(12,992)
Total changes in other operating items and net financial expense and taxes paid	**(23,894)**	**(14,524)**

Gross cash flows from operating activities are in line with 2014. With reference to the change in working capital, the absorption of cash arising from the progress of new contracts is offset by gash generated by trade receivables and payables.

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:

- stabilise the weighted average cost of capital;
- minimise and defer Ansaldo STS's medium- and long-term weighted average cost of capital from the medium to the long term by focusing on the effects of interest rates on debt funding and equity funding;
- optimise the return on financial investments within a general risk/return trade-off;
- limit 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 the combined short-term management of assets and liabilities, the company's exposure to interest rate fluctuations in the long term is relatively neutral.
Again in 2015, 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 higher 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.

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 €772 thousand, respectively.

(€'000)	**31 December 2014** Value at Floating Rate	**31 December 2015** Value at Floating Rate	Average	**31 December 2014** Assumption 1 50.00	**31 December 2015** Assumption 2 -50.00
Non-current related party loans and receivables	16,189	21,028	18,609	93	(93)
Trade receivables	79,208	92,403	85,806	429	(429)
Assets at fair value			-	-	-
Third party loan assets			-	-	-
Related party loan assets	42,163	21,516	31,839	159	(159)
Derivative assets - CF Hedge	362	107	235	1	(1)
Derivative assets - FV hedges (no back-to-back)	1,519	1,076	1,298	6	(6)
Cash and cash equivalents	179,381	178,636	179,008	895	(895)
Assets	**318,821**	**314,766**	**316,794**	**1,584**	**(1,584)**
Third party trade payables	53,526	59,051	56,289	281	(281)
Third party financial liabilities			-	-	-
Related party financial liabilities	166,971	34,577	100,774	504	(504)
Derivative liabilities - CF Hedge	167	9,072	4,620	23	(23)
Derivative liabilities - FV Hedge (no back-to-back)	1,210	110	660	3	(3)
Liabilities	**221,874**	**102,810**	**162,342**	**812**	**(812)**
Total	**96,947**	**211,956**	**154,452**	**772**	**(772)**

Currency risk

As described in the above policy, the company manages currency risk by pursuing the following objectives:

- limit 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;
- limit 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 exotic currency 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 undertaken with banks. The company has contracts in place for the following notional foreign currency amounts at the reporting date:

(local currency '000)	***Sell15***	***Buy15***	***31.12.2015***	***Sell14***	***Buy14***	***31.12.2014***
US dollar	323,900	14,620	338,520	6,580	14,920	21,500
GBP	7,350	-	7,350	-	-	-
Swedish krona	-	274,300	274,300	-	-	-
Australian dollar	-	51,300	51,300	-	-	-
United Arab Emirates dirham	50,000	-	50,000	20,000	-	20,000
Indian rupee	101,478	-	101,478	101,478	-	101,478
Total in €'000	77,714	321,445	399,158	11,227	12,042	23,269

The net fair value of the derivatives in place at 31 December 2015 was a negative €7,998 thousand (31 December 2014: a positive €505 thousand). Notional amounts are shown in the above table. The balance includes back-to-back contracts (see note 17).

During the year, significant forward sale transactions of foreign currency took place against trade collections in foreign currency, particularly for the Lima and Riyadh projects.
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. With the exception of a few cases, 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 2015, 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 2015		***31 December 2014***	
(€'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	(6,201)	6,853	(4,444)	4,912

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 €57,627 thousand at 31 December 2015 (31 December 2014: €81,043 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 2015

A – Financial liabilities excluding derivatives	**Within one year**	**Between one and five years**	**After five years**
Current liabilities			
Related party trade payables	36,608	470	-
Third party trade payables	308,089	358	-
Related party financial liabilities	169,924	-	-
Third party financial liabilities	1,607	-	-
Total A	**516,228**	**828**	**-**
B – Negative value of derivatives			
Hedging derivatives (including back-to-back derivatives)	16,436	-	-
Total B	**16,436**	**-**	**-**
Total A + B	**532,664**	**828**	**-**

The following financial assets are recognised against financial liabilities for a total amount of €533,492 thousand:

C - Financial assets	
Securities held for trading	-
Cash-in-hand and cash and cash equivalents	178,636
Third party trade receivables	456,266
Related party trade receivables	92,273
Third party loan assets	28,443
Related party loan assets	22,079
Positive value of derivatives (including back-to-back)	8,438
TOTAL FINANCIAL ASSETS	**786,135**
D – Unsecured credit lines	**56,000**
TOTAL C + D	**842,135**
C+D-(A+B)	**308,643**

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 trading 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 these 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 2015, third party trade receivables amounted to €456,266 thousand (31 December 2014: €362,311 thousand) and were overdue for €216,626 thousand (31 December 2014: €205,626 thousand), of which €130,350 thousand (31 December 2014: €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 break down of trade receivables by public body and other customers, geographical area and overdue bracket.

(€'000)	**Public bodies**			**Other customers**			
	Europe	**Americas**	**Other**	**Europe**	**Americas**	**Other**	**Total**
Retentions	5,544	5,272	21,248	7,782	-	6,802	46,646
Not overdue	47,646	2,566	20,876	115,321	-	6,364	192,773
Overdue by less than one year	39,692	3,300	-	29,374	-	14,130	86,496
Overdue between one and five years	36,395	-	46,373	38,963	-	8,619	130,350
Overdue by more than five years	-	-	-	-	-	-	-
Total	**129,276**	**11,138**	**88,496**	**191,440**	**-**	**35,915**	**456,266**

Classification of financial assets and liabilities

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

	Fair value	Loans and	Held to	Available	Total	Fair
Non-current assets						
Loans and receivables	-	4,320	-	-	4,320	4,320
Related party loan assets	-	20,914	-	-	20,914	20,914
Current assets						
Third party assets at fair value	-	-	-	-	-	-
Third party trade receivables	-	456,266	-	-	456,26	456,26
Related party trade receivables	-	92,273	-	-	92,273	92,273
Third party loan assets	-	28,443	-	-	28,443	28,443
Related party loan assets	-	22,079	-	-	22,079	22,079

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 the 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.

€'000			Fair value at 31.12.2015	Fair value at 31.12.2014
	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	1,076	1,519
		Cash flow hedges	107	362
	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	110	1,210
		Cash flow hedges	9,072	167
	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 to plan, manage and control the company, including executive and non-executive directors, are as follows:

(€'000)	*31 December 2015*	*31 December 2014*
Fees	4,161	2,965
Post-employment benefits	-	288
Stock grants	247	-
Total	**4,408**	**3,253**

Fees paid to directors, key managers and the general manager amounted to €4,408 thousand in 2015 (2014: €3,253 thousand).

These amounts include fees and any other type of remuneration and social security sums due for the position of director, key manager or general manager of the company, which represented a cost for the company. A one-off financial incentive was incorporated in 2015 for those persons holding certain key roles within the company, with a view to maintaining business continuity in light of the transfer of the controlling interest in the company's share capital.

Fees include those paid to the members of the board of directors and the supervisory bodies.

Statutory auditors' fees amounted to €210 thousand in 2015 (unchanged from 2014).

In order to implement an incentive and loyalty scheme for certain employees, the company has launched incentive plans which, upon reaching set vesting conditions, provide for the awarding of Ansaldo STS shares. Shares were delivered in 2015 as the 2012 vesting conditions of the 2012-2013 plan have a three-year term. Conversely, the shares for the 2015 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	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	Chairperson until 30 October 2015	103,041	10,974	-	-	114,015*
Stefano Siragusa	Chief executive officer and general manager	-	-	-	-	-
Christian Andi	Key manager	13,279	4,335	-	17,614	-
Michele Fracchiolla	Key manager	1,579	4,938	-	6,517	-
Giuseppe Gaudiello	Key manager	-	5,585	-	3,625	1,960

* Sergio De Luca resigned as director and chairperson on 30 October 2015; the stated shares refer to the balance held at that date.

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

(in euros)

Name and surname	Position (POSITION)	Date of appointment	End of term	Fees for the position held in the reporting company for 2015	Non-monetary benefits	Bonuses and other incentives	Other fees paid
Alistair Dormer	Chairperson of the BoD since 02/11/2015	02/11/2015	Approval of 2017 financial statements	12,534 (1)			
Sergio De Luca	Chairperson of the BoD until 30/10/2015	15/04/2014	30/10/2015	62,466 (2)			
Paola Pierri (d)	Director until 02/11/2015	15/04/2014	02/11/2015	62,877 (3)			
Stefano Siragusa	Chief executive officer and General manager	02/11/2015	Approval of 2017 financial statements	80,000 (4)	114,425		938,205 *
Barbara Poggiali (d)	Director until 03/11/2015	02/11/2015	03/11/2015	63,082 (5)			
Domenico Braccialarghe	Deputy chairperson of the BoD until 02/11/2015	01/10/2014	02/11/2015	41,918 (6)			
Alessandra Genco	Director until 02/11/2015	15/04/2014	02/11/2015	41,918 (7)			
Giulio Gallazzi (a) and (b)	Director	02/11/2015	Approval of 2017 financial statements	65,479 (8)			
Giovanni Cavallini (b) and (c)	Director	15/04/2014	Approval of 2017 financial statements	92,082 (9)			
Alessandra Piccinino (b)	Director since 09/11/2015	09/11/2015	Approval of 2015 financial statements	10,260 (10)			
Paola Giannotti (d)	Director since 02/11/2015	02/112015	Approval of 2017 financial statements	11,712 (11)			
Bruno Pavesi (a) (b) and (d)	Director	02/11/2015	Approval of 2017 financial statements	72,575 (12)			
Mario Garraffo	Director since 25/11/2015	25/11/2015	Approval of 2015 financial statements	5,068 (13)			
Karen Boswell	Director since 02/11/2015, holding the role of deputy chairperson since 25/11/2015	02/11/2015	Approval of 2017 financial statements	8,082 (14)			
Ryoichi Hirayanagi	Deputy chairperson of the BoD until 20/11/2015	02/11/2015	20/11/2015	2,603 (15)			
Alberto Quagli (f)	Member of the supervisory body	06/05/2013	Three-year appointment	20,000			
Nicoletta Garaventa (e)	Chairman of the supervisory body	06/05/2013	Three-year appointment	25,000			
Giacinto Sarubbi	Chairperson 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	50,000			10,000**
Renato Righetti	Statutory auditor	15/04/2014	Approval of 2016 financial statements	50,000			10,000**

* of which, fixed remuneration of €448,202 for the position of general manager and other fees for 2015 and €490,003 for variable remuneration paid for such position.

** fees for positions on committees

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

(1) chairperson of the BoD (in office since 2 November 2015 with a new mandate)
(2) in office until 30/10/2015
(3) until 02/11/2015 BoD + RCC
(4) 12 months CEO
(5) until 02/11/2015 BoD + RCC - Confirmed with a new mandate and resigned on 03/11/2015
(6) until 02/11/2015 Deputy chairperson of the BoD
(7) until 02/11/2015 BoD
(8) 12 months BoD + until 02/11/2015 appoint. and rem. commit. + from 10/11/2015 chair. appoint. and rem. commit.
(9) 12 months BoD and chair. RCC + until 02/11/2015 appoint. and rem. commit.
(10) from 09/11/2015 BoD + from 10/11/2015 appoint. and rem. commit.
(11) from 02/11/2015 BoD + from 10/11/2015 RCC
(12) 12 months BoD + until 02/11/2015 chair. of the appoint. and rem. commit. + from 10/11/2015 RCC and appoint. and rem. commit.
(13) from 25/11/2015 BoD
(14) from 02/11/2015 BoD and dep. chair. BoD from 25/11/2015
(15) Deputy chair. BoD from 02/11/2015 to 20/11/2015

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

40. HIGHLIGHTS AT 31 MARCH 2015 OF THE COMPANY THAT CARRIES OUT MANAGEMENT AND COORDINATION ACTIVITIES (ARTICLE 2497-*BIS* OF THE ITALIAN CIVIL CODE)

The highlights of the parent Hitachi Ltd., shown in the summary schedule as required by article 2497 *bis* of the Italian Civil Code, were taken from the financial statements at 31 March 2015.

For an adequate and comprehensive picture of Hitchi Ltd.'s financial position and results of operations as at and for the year ended 31 March 2015, reference should be made to Finmeccanica's financial statements, which are available as required by law along with the report of the independent auditors.

The most recently approved financial statements of Hitachi Lt.d are those at 31 March 2015, as its reporting period is from 1 April to 31 March.

Hitachi LTD	**31 March 2015***
STATEMENT OF FINANCIAL POSITION	**(Millions of yen)**
ASSETS	
NON-CURRENT ASSETS	2,492,009
CURRENT ASSETS	1,257,317
NON-CURRENT ASSETS HELD FOR SALE	-
TOTAL ASSETS	**3,749,326**
LIABILITIES	
EQUITY:	
- Share capital	458,790
- Reserves and retained earnings	855,834
- Profit for the year	85,262
	1,399,886
NON-CURRENT LIABILITIES	702,144
CURRENT LIABILITIES	1,647,296
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-
TOTAL LIABILITIES	**3,749,326**
INCOME STATEMENT	
REVENUE	1,842,126
OTHER REVENUE	90,741
EXPENSE	1,933,167
EXTRARDINARY INCOME AND EXPENSE	37,461
INCOME TAXES	- 48,101
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-
PROFIT FOR THE YEAR	**85,262**

HITACHI LTD PREPARES CONSOLIDATED FINANCIAL STATEMENTS.

*** The most recently approved financial statements of Hitachi Ltd are those at 31 March 2015, as its reporting period is from 01 April to 31 March.**

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 2015 related to services provided by the audit company or entities belonging to its network.

(€'000)	**Service provider**	**2015 fees**
Audit	KPMG S.p.A.	207
Attestation services	KPMG S.p.A.	45
Tax consultancy services	KPMG S.p.A.	-
Other services	KPMG S.p.A.	74
		326

Milan, 25 February 2016

On behalf of the board of directors
The Chairman

Alistair Dormer
(signed on the original)

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 2015:
   - 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.

Milan, 25 February 2016

CEO and general manager	Manager in charge of financial reporting
(signed on the original)	(signed on the original)
Stefano Siragusa	**Roberto Carassai**