Ansaldo STS A Hitachi Group Company

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

2015 ANNUAL REPORT
ANSALDO STS GROUP

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

CONTENTS

1 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.

(1) Member of the risk and control committee
(2) Member of the appointments and remuneration committee

* 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.

2 FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

2.1 Introduction

Ansaldo STS group recognised a profit of €93.0 million for 2015, an improvement of more than 15% compared to the €80.7 million for the previous year. Revenue came to €1,383.8 million, up 6% on the previous year (€1,303.5 million) and the ROS was 9.8%, compared with 9.6% in the previous year.

The group achieved significant and very satisfactory results in a complex and increasingly more competitive market, in line with the 2015 forecasts provided to the market, and showing particular improvements in its ROS and liquidity.

The change in the shareholding structure, which the market is already aware of as a result of the relevant communications made by the parties involved as required by law, is discussed in more detail later in this report. The relevant transaction was closed at the start of November 2015 when Finmeccanica sold its entire investment in Ansaldo STS S.p.A. to Hitachi group, which then launched a takeover bid for the outstanding float.
During this transition period, the group was able to record significant results thanks to the professional and personal attributes of its workforce.

New orders of €1,336.0 million (€1,825.0 million in 2014) included projects in the Americas, especially one for the supply of a complete PTC (Positive Train Control) system for the entire railway network managed by the Massachusetts Bay Authority, variations and updates to existing projects as well as components, services and the extension of operation & maintenance contracts.
The group's overall positive operating performance was boosted by the on-site installations on some lines of national railways, particularly for the contract related to the Turin-Padua line, the delivery of Milan metro Line 5 stations and other stations for Line C of the Rome metro and installations carried out as part of the framework agreement with Rio Tinto in Australia.

Within the group, management continued to pursue the existing programmes, including the "Values to Actions - V2A" project to improve operating efficiency and effectiveness.

In order to make the group's corporate and organisational structure more efficient, as the sole shareholder of Acelec Société par actions simplifiée, Ansaldo STS France resolved to wind up this investee with effect from 31 December 2015 in November 2015. In addition, the liquidation of the subsidiary Ansaldo STS Ireland Ltd. was completed towards the end of the year.

2.2 Key performance indicators

(€'000)	**2015**	**2014**	**Change**
New orders	**1,336,027**	1,824,968	(488,941)
Order backlog	**6,410,362**	6,120,835	289,527
Revenue	**1,383,837**	1,303,508	80,329
Operating profit (EBIT)	**135,769**	124,492	11,277
Adjusted EBIT	**135,769**	130,462	5,307
Profit for the year	**93,036**	80,694	12,342
Net working capital	**64,481**	41,807	22,674
Net invested capital	**316,419**	281,408	35,011
Net financial position	**(338,674)**	(293,415)	(45,259)
Free operating cash flow	**87,701**	75,731	11,970
ROS	**9.8%**	9.6%	+0.2 p.p.
ROE	**15.1%**	15.0%	+0.1 p.p.
EVA	**65,788**	57,676	8,112
Research and development	**36,914**	33,044	3,870
Headcount (no.)	**3,772**	3,799	(27)

New orders totalled €1,336.0 million compared to €1,825.0 million for 2014; the order backlog amounted to €6,410.4 million (€6,120.8 million in 2014).

Revenue came to €1,383.8 million, up €80.3 million on €1,303.5 million for 2014. The increase is due to the development of the group's significant backlog and, specifically, the progress made on contracts acquired in recent years in Europe, the Americas and the Arab countries.

Operating profit (EBIT) came to €135.8 million, up €11.3 million on the 2014 amount (€124.5 million) due to greater volumes developed. ROS was 9.8%, up 20% on 2014 (9.6%).
The profit for the year grew considerably to €93.0 million (€80.7 million for 2014).
The group's net financial position improved by €45.3 million from €293.4 million at 31 December 2014 to €338.7 million.
Research and development expense recognised directly in profit or loss amounted to €36.9 million, up from the previous year (€33.0 million).
The group's headcount is substantially unchanged at 3,772 employees compared to 3,799 at 31 December 2014. The average headcount was 3,748 (3,854 in 2014).

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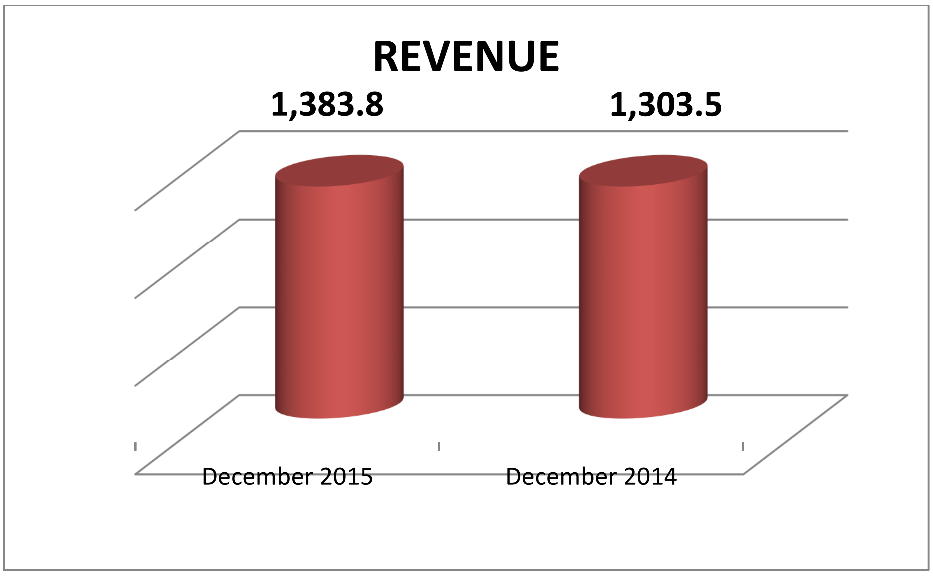

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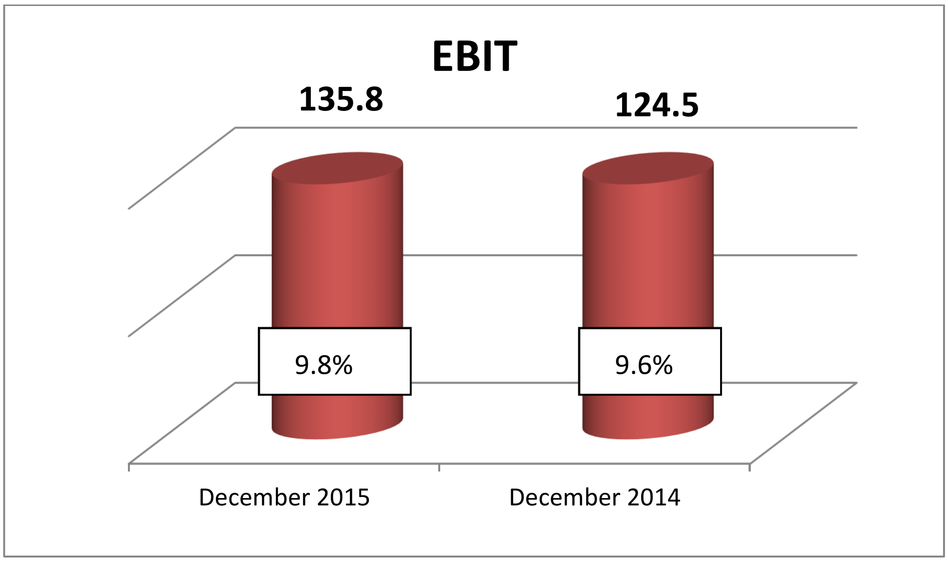


The reclassified income statement, reclassified statement of financial position, reclassified net financial position and reclassified statement of cash flows follow to provide further disclosure on the group's financial position, results of operations and cash flows.

Reclassified income statement

(€'000)	*2015*	*2014*
Revenue	**1,383,837**	**1,303,508**
Purchases and personnel expense *(*)*	(1,233,338)	(1,159,680)
Amortisation, depreciation and impairment losses	(18,725)	(18,347)
Other net operating income *(**)*	4,259	9,512
Change in work-in-progress, semi-finished products and finished goods	(264)	(4,531)
Adjusted EBIT	**135,769**	**130,462**
Restructuring costs	-	(5,970)
Operating profit (EBIT)	**135,769**	**124,492**
Net financial income (expense)	943	(517)
Income taxes	(43,676)	(43,281)
Profit (loss) from discontinued operations	-	-
Profit for the year	**93,036**	**80,694**
attributable to the owners of the parent	93,228	80,636
attributable to non-controlling interests	(192)	58
Earnings per share		
Basic and diluted	0.47	0.43

Reconciliation between the reclassified income statement and the income statement included in the consolidated financial statements:
(*) Includes the captions "Purchases", "Services", "Personnel expense" (net of restructuring costs) and "Accrual to (use of) the provision for expected losses to complete contracts" net of "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).

Briefly:

The operating profit increased by €11.3 million as a result of the higher revenue compared to the 2014 figure (+€80.3 million), smaller operating and management costs and reduced restructuring costs compared to the previous year. The improved operating profit and net financial income (generated by the measurement of equity investments at equity) and substantially unchanged income tax expense, led to the increase of €12.3 million in the profit for the year.

Statement of financial position

(€'000)	***31.12.2015***	***31.12.2014***
Non-current assets	307,250	296,728
Non-current liabilities	(55,312)	(57,127)
	251,938	**239,601**
Inventories	121,217	106,127
Contract work in progress	346,353	304,154
Trade receivables	663,558	710,649
Trade payables	(415,973)	(368,865)
Progress payments and advances from customers	(635,785)	(686,227)
Working capital	**79,370**	**65,838**
Provisions for risks and charges	(11,126)	(10,422)
Other liabilities, net *(*)*	(3,763)	(13,609)
Net working capital	**64,481**	**41,807**
Net invested capital	**316,419**	**281,408**
Equity attributable to the owners of the parent	654,787	573,644
Equity attributable to non-controlling interests	306	1,278
Equity	**655,093**	**574,922**
Non-current assets held for sale	-	99
Net financial position	**(338,674)**	**(293,415)**

* Includes "Tax assets" and "Other current assets", net of "Tax liabilities" and "Other current liabilities".

Net invested capital amounted to €316.4 million compared to €281.4 million for 2014.

The €35.0 million increase is due to the rise in non-current assets and liabilities (€12.3 million), equity investments and advances granted to the special purpose entities to carry out work related to the order backlog, and the increase in net working capital (€22.7 million), due to the increase in work-in-progress and inventories and the reduction in advances from customers, which concurrently more than offset the reduction in trade receivables and the rise in trade payables.

2.3 Net financial position

(€'000)	*31.12.2015*	*31.12.2014*
Current loans and borrowings	1,628	5,363
Cash and cash equivalents	(304,306)	(270,067)
NET CASH AND CASH EQUIVALENTS	**(302,678)**	**(264,704)**
Related party loan assets	(563)	(10,709)
Other loan assets	(37,933)	(30,326)
LOAN ASSETS	**(38,496)**	**(41,035)**
Related party loans and borrowings	2,500	-
Other current loans and borrowings	-	12,324
OTHER LOANS AND BORROWINGS	**2,500**	**12,324**
NET FINANCIAL POSITION	**(338,674)**	**(293,415)**

The net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was €338.7 million, compared to €293.4 million at 31 December 2014, up €45.3 million on the previous year following the distribution of dividends of €30.0 million (2014: €28.8 million).

Loan assets include the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited in a local bank and tied up pending the resumption of activities (€28.4 thousand).

The net financial position at 31 December 2015 includes the €29.3 million 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 the second half of 2013 with ZST for the enforcement of the advance payment bond. At the end of November 2013, the Milan court authorised Crédit Agricole to release part of the advance (€41.3 million), confirming that ZST only has the right to partial repayment thereof. Subsequently, on 25 March 2014, ZST issued the statement of claim which formally launched the arbitration procedure at the Vienna International Arbitral Centre in order to obtain payment of the portion of the advance payment bond not recognised by the Milan court in the provisional measure.

Following the hearing in Paris in 2015 and presentation of the requested documentation, the arbitration panel is expected to publish its award in the first half of 2016.

The reclassified statement of cash flows for 2015 follows:

(€'000)	*2015*		*2014*	
Opening cash and cash equivalents	**270,067**		**191,521**	
Gross cash flows from operating activities	162,008		149,135	
Changes in other operating assets and liabilities	(68,499)		(30,416)	
Funds from operations		**93,509**		**118,719**
Change in working capital	8,894		(33,862)	
Cash flows from operating activities	**102,403**		**84,857**	
Cash flows used in ordinary investing activities	(14,702)		(9,126)	
Free operating cash flow		**87,701**		**75,731**
Strategic transactions	(15,092)		(7,410)	
Other changes in investing activities	5,968		20	
Cash flows used in investing activities	**(23,826)**		**(16,516)**	
Dividends paid	(30,000)		(28,800)	
Cash flows from (used in) other financing activities	(18,027)		34,446	
Cash flows from (used in) financing activities	**(48,027)**		**5,646**	
Net exchange rate gains	**3,689**		**4,559**	
Closing cash and cash equivalents	**304,306**		**270,067**	

Cash and cash equivalents equalled €304.3 million at the reporting date, up by €34.2 million over the prior year figure.

The main changes in the statement of cash flows were as follows:

- cash flows from operating activities increased by €17.5 million to €102.4 million;
- cash flows used in investing activities amounted to €23.8 thousand, up €7.3 thousand over the previous year (2014: €16.5 thousand);
- cash flows used in financing activities came to €48.0 million compared to cash flows from financing activities of €5.6 million in 2014. The variation is due to the greater cash flows used for financing activities and the payment of dividends of €30.0 million by the parent (€28.8 million in 2014).

The free operating cash flows (FOCF) used before strategic transactions of the year totalled €8.7 million compared to €75.7 million for 2014. The €12.0 million increase is due to the positive variation in funds from operations (FFO), offset by the negative variation in ordinary investments.

2.4 Non-IFRS alternative performance indicators

Ansaldo STS S.p.A.'s management also assesses the performance of the group 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. It does not include income and expense on non-consolidated equity investments and securities or the gains (losses) on the disposal of consolidated equity investments, classified in "Financial income and expense" in the financial statements or, for equity-accounted investees, in the caption "Share of profit or loss of equity-accounted investees".

- **Adjusted EBIT (Adj)**: 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.

A reconciliation of EBIT and Adjusted EBIT for the two years is set out below:

(€'000)	***2015***	***2014***
EBIT	135,769	124,492
Restructuring costs	-	5,970
Adjusted EBIT	**135,769**	**130,462**

- **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 2.3.

- **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 section 2.3.

- **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).
- **Operating working capital**: includes trade receivables and payables, inventories, work in progress, progress payments and advances from customers and provisions for risks and charges.
- **Net working capital**: operating working capital less other current assets and liabilities.
- **Net invested capital**: the sum of non-current assets, non-current liabilities and net working capital.
- **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 (including 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.
- **Return on Equity (ROE)**: the ratio of the profit or loss for the year to the average amount of equity at the reporting date and the corresponding prior year reporting date.
- **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.

2.5 Related party transactions

Transactions with related parties relate to ordinary operations. They take place on an arm's length basis (unless governed by specific contractual terms), as does the settlement of interest-bearing receivables and payables.

They mainly comprise the exchange of goods, the provision of services and the obtaining/granting of financing from and to the parent, associates, joint ventures, consortia and unconsolidated subsidiaries.

During the year, no atypical and/or unusual transactions[1] took place.

Related party transactions (see notes 13 and 14 to the consolidated financial statements for greater detail) are as follows at 31 December 2015 and 2014.

31.12.2015 (€000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia**	**Other group companies**	**Total**
Non-current financial assets							
-loan assets	-	-	-	-	-	-	**-**
-other financial assets	-	-	21,029	-	182	-	**21,211**
Current financial assets							
-loan assets	-	-	563	-	-	-	**563**
-trade receivables	301	488	3,825	2,860	41,561	9,917	**58,952**
-other financial assets	-	-	-	-	4	-	**4**
Non-current financial liabilities							
-loans and borrowings	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	-	-	-	-	**-**
Current financial liabilities							
-loans and borrowings	-	-	-	-	-	2,500	**2,500**
-trade payables	93	313	4,966	9	3,868	15,998	**25,247**
-other financial liabilities	3	-	370	-	29	-	**402**

2015 (€000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia**	**Other group companies**	**Total**
Revenue	-	220	27,854	(2,770)	43,540	4,358	**73,202**
Other operating income	-	-	4,151	-	-	-	**4,151**
Expense	(301)	194	40,176	-	2,604	14,086	**56,759**
Financial income	-	-	221	-	-	-	**221**
Financial expense	-	-	-	-	-	-	**-**
Other operating expense	-	-	-	-	-	-	**-**

[1] as defined by CONSOB communication no. DEM/6064293 of 28 July 2006.

31.12.2014 (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Non-current financial assets								
-loan assets	-	-	-	-	-	-	-	**-**
-other financial assets	-	-	16,189	-	182	-	-	**16,371**
Current financial assets								
-loan assets	-	-	10,709	-	-	-	-	**10,709**
-trade receivables	76	499	40,540	7,559	36,646	9,026	75,555	**169,901**
-other financial assets	154	-	-	-	4	93	-	**251**
Non-current financial liabilities								
-loans and borrowings	-	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	-	-	-	-	-	**-**
Current financial liabilities								
-loans and borrowings	10,351	-	-	-	-	-	-	**10,351**
-trade payables	877	524	1,524	11	1,078	49,045	946	**54,005**
-other financial liabilities	-	3	-	-	29	570	-	**602**

2014 (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Revenue	-	712	22,926	10,314	39,088	9,948	138,782	**221,770**
Other operating income	-	-	634	-	-	5	350	**989**
Expense	4,656	771	48,826	16	3,378	62,374	1,817	**121,838**
Financial income	60	-	400	-	-	-	-	**460**
Financial expense	37	-	-	-	-	-	-	**37**
Other operating expense	35	-	-	-	24	14	-	**73**

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.

For the period from 1 January to 2 November 2015 (€'000)	Revenue	Other operating income	Costs	Recovery of expense	Other operating expense	Financial income	Financial expense
Ultimate parents	-	1	4,655	43	18	17	35
Associates	122,034	71	41,053	1,230	1	-	-
Total	**122,034**	**72**	**45,708**	**1,273**	**19**	**17**	**35**

Finally, the group's corporate governance framework includes specific guidance on conduct to ensure related party transactions comply with criteria of procedural and substantial correctness.

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

2.6 Performance

2.6.1 The market and commercial situation

New orders acquired in 2015 approximated €1,336 million (2014: €1,825 million).

Specifically, the key events of the year are described below:

ITALY

New orders acquired in 2015 approximate €174 million, mainly relating to variations and extensions 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 (€30 million), variations to the Turin-Padua line (€19 million) and the master agreement with Trenitalia covering the repair of devices (€13 million).

REST OF EUROPE

New orders approximate €352 million. They include contracts in France worth approximately €75 million, including those for the SNCF (France's state-owned railway company) to develop software for on-board devices on the high-speed trains (€18 million), contracts for approximately €48 million in Spain, including the extension of the maintenance contract for the high-speed Madrid-Lleida line until 2018 (roughly €42 million) and in Denmark where new orders of approximately €120 million nearly entirely relate to variations for the Copenhagen Cityringen metro to increase the number of trains and extend the operation & maintenance contract.

NORTH AFRICA AND THE MIDDLE EAST

The contracts in this area amount to approximately €76 million and mainly relate to the variation for the Iconic Stations as part of the Riyadh metro project (€62 million) and the order variation relating to the contract for the maintenance of the Princess Noura University for Women metro in Riyadh (€7 million).

AMERICAS

New orders amount to approximately €480 million, of which the most important one is the contract to furnish a complete PTC (Positive Train Control) system on the entire commuter rail network managed by the Massachusetts Bay Transportation Authority worth approximately €305 million. They also include the CBTC (Communication Based Train Control) contract to upgrade the Sharon Hill tram lines of the Southeastern Pennsylvania Transportation Authority (SEPTA) network in Philadelphia (roughly €48 million) and the contract to supply an S&TC (Signalling & Train Control) system for the west side subway extension of the Los Angeles subway (approximately €28 million).

New orders from the freight market approximate €54 million for the sale of components and maintenance.

ASIA PACIFIC

New orders come to approximately €225 million, of which roughly €180 million for Australia, mainly related to heavy haul mining and freight railways (the Rio Tinto contract of about €162 million), and approximately €46 million for China. New Chinese orders include the contract for the supply of 160 on-board devices featuring "C3 Chinese high speed" technology worth roughly €11 million and another contract for Line 5 of the Tianjin metro using CBTC technology for another approximate €10 million.

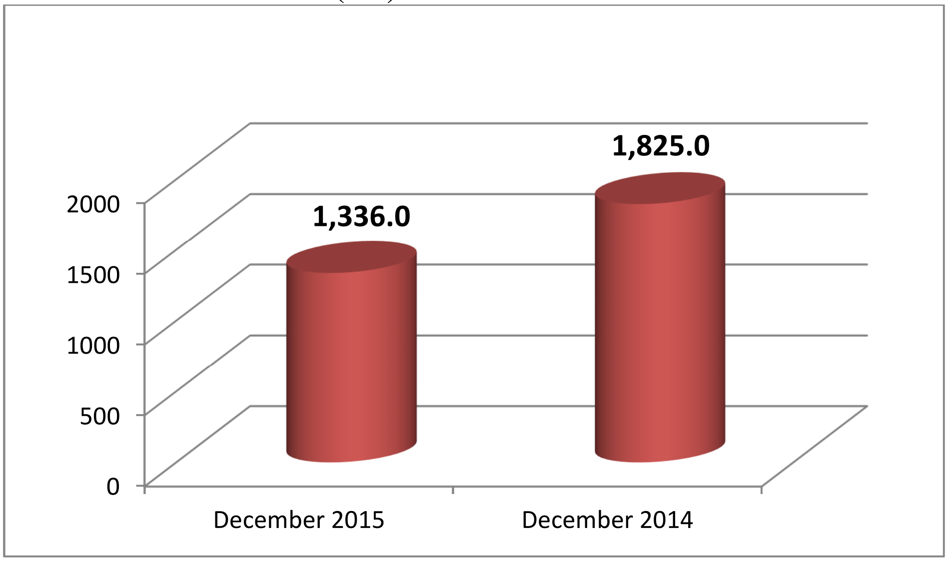
2.6.2 Sales information

New orders for the year totalled €1,336.0 million compared to €1,825 million in the previous year.

Key orders acquired in 2015 are as follows:

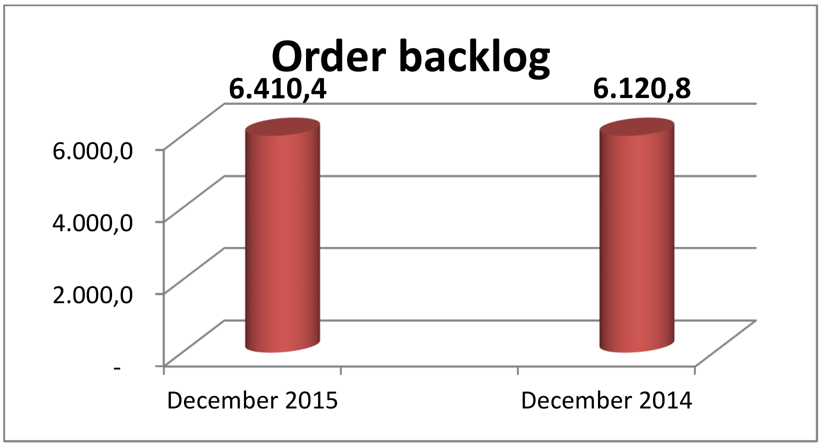
Country	Project	Customer	Amount (€m)
USA	MBTA Positive Train Control	MBTA	305
Australia	Rio Tinto	Rio Tinto	162
Denmark	Copenhagen Cityringen + O&M – order variation	Metroselskabet	119
Saudi Arabia	Riyadh metro - Iconic Stations	ADA	62
USA	SEPTA Sharon Hill	SEPTA	48
Spain	Extension of the maintenance contract for the Madrid - Lleida line	ADIF	42
Italy	Line 6 Mergellina San Pasquale Municipio	Naples municipality	30
USA	Los Angeles West Side subway	LACTMA	28
France	Bistandard on-board devices	SCNF	18
USA	NYCT 4th - 6th Avenue	NYCT	15
Italy	Repairs for Trenitalia	Trenitalia	13
Italy	CTO upgrade of Trenitalia STB rolling stock	Trenitalia	12
China	Tianjin metro - Line 5	Insigma	10
Sundry	Components	Sundry	73
USA	Components	Sundry	54
Sundry	Service & Maintenance	Sundry	44

New orders for 2015 - 2014 (€m)



The order backlog at 31 December 2015 amounted to €6,410.4 million compared to €6,120.8 million at 31 December 2014.

Order backlog at 31 December 2015 - 2014 (€m)



* The order backlog at 31 December 2015 includes the residual amount of contracts in Libya, currently halted, worth €456.3 million.

2.6.3 Business performance

Revenue in 2015 came to €1,383.8 million, compared to €1,303.5 million in the previous year. The key production activities are summarised by geographical segment below.

ITALY

With respect to the high-speed railways business segment, production activities were focused on the Treviglio-Brescia section as part of the Saturno consortium and in particular on the in-house construction of cabinets and sundry equipment while the construction of the equipment rooms continued.

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

Production by the central automated system business unit mainly related to the project for the technological upgrade of the Turin-Padua line. Two important contractual milestones were reached in the last quarter of the year: the 3.2 milestone at the end of 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 on the civil works continued for Line 6 of the Naples metro as well as the electro-mechanical installations for the Mergellina-S. Pasquale line. As scheduled, the first tests on the wayside/on-board communication systems started in October under the supervision of the ministerial commission.
The customer continues to encounter difficulties in obtaining the funds necessary to complete the contract.

With respect to Line C of the Rome metro, after the inauguration of Parco di Centocelle-Lodi section in June 2015 with the opening of six stations, civil works on the San Giovanni station were 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.

The contract for Line 5 of the Milan metro is nearly finished after completion of the entire line and opening of the Tre Torri station to the public in November (the last of the 19 stations).

REST OF EUROPE

In France, activities continued to focus on the on-board systems and equipment for the country’s high-speed network (specifically the LGV Sud Europe Atlantique – Tours Bordeaux Tours line and the LGV Bretagne Pays de la Loire line), as well as the maintenance, assistance and production of individual parts contracts.

In Sweden, production mainly related to the development of technological systems for the Stockholm Red Line metro, for which line installations continue (13 stations out of the total 36 have been completed) and the Ester project to upgrade the Swedish railway network to the ERTMS L2 standard.

In Germany, activities continued on the software development project related to the supply of on-board devices for the Siemens Velaro D and Velaro Eurostar high-speed trains for the end customers, DB, Eurostar and SCNF. The trains are already in use in France and Germany. The model for railway connections to London and Brussels was rolled out in December.

In Turkey, works to install and roll out the multi-station equipment relating to the Mersin-Toprakkale project continued at full speed for the north section. In December, the MS2 (Yesilhisar, Akkoy and Arapli) and MS3 (Huyuk, Ovacik and Nidge) devices were finished and work on the Centralised Traffic Control (CTC) supervision system for the south section installed at Adana was completed.
Work on the Ankara metro was limited to the wayside systems due to the unavailability of the customer's trains. The aim is to complete the CBTC technology for just the wayside systems for Lines M1, M2 and M3 in 2016.

In Greece, 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, 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.

Work on the Copenhagen Cityringen project went ahead in Denmark. The group has been awarded additional work to equip the trains and provide operation & maintenance services, while the design and procurement of the materials continued as did the dynamic testing of the driverless CBTC technology on a trial rail.
Meanwhile, the activities for the design and procurement of the materials to construct the tram line in Aarhus are also going ahead and the related preliminary designs were completed at the end of November.

AMERICAS

Activities for the construction of the Honolulu metro continued, specifically, design and production activities and mobilisation of the construction team. With respect to the technological

activities, work for the ATC and power systems commenced along the line during the year. Under the revised work plan, the first part of the line is slated to open by the end of 2017.
Completion of the work to design and implement the Positive Train Control system for SEPTA's 13 lines in Philadelphia is scheduled for mid 2016.
Production for the sale of components for the existing eight product lines (Electronics, Ground Material, Relays, End of Train, Cab Signals, Highway Crossings, Component Projects and Services) continued.

In 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.

NORTH AFRICA AND THE MIDDLE EAST

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 in the first half of 2016).

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 group's partners, due partly to the Saudi government's intention to cut the costs of public projects as a result of economic/financial issues.

ASIA

In China, the projects to supply the CBTC technology for the Chengdu, Dalian, Hangzhou, Xi'an, Zhengzhou and Shenyang metros continued as scheduled. The milestone for pre-acceptance of the system designed for Lines 1 and 2 of the Shenyang metro was reached in November.
With respect to the project for the Zhuhai cable-free tramway, some technical issues identified during the field tests are being analysed. They have led to a delay in completion of the works now slated for the first half of 2016.

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.

ASIA PACIFIC

In Australia, production activities mainly focused on projects covered by the framework agreement with Rio Tinto (RAFA) and the Roy Hill project.

With respect to the RAFA projects and especially the AutoHaul project, the first installation upgrade of on-board devices on locomotives has been completed and the final upgrade is nearing completion. Approval for the new baseline software for the reliability runs and the ATO-A pilot runs has been obtained.

Delivery of the TETRA and the first contractual project stage, the Voice Based Train Order (VBTO), have been completed for the Roy Hill project. Activities for the next two stages are underway although they are behind the original schedule. Negotiations are taking place with the customer about the claims for higher costs incurred.

In India, work on the signalling systems along the 470 km of railway track for the KFW project continue. Due to the delays accumulated by the numerous variations requested by the customer, the latest agreed extension will not be met and work is not expected to be completed before the second half of 2017. At present, 41 of the 47 stations have been finished and 45 block sections out of 47.

The Kolkata metro project also continues to incur delays caused by the civil works, the unavailability of design inputs and cancellation of the rolling stock supply contract.

Conversely, the activities for the design and procurement of materials for the Navi Mumbai metro Line 1 continue and the preliminary designs were completed and approved during the year.

In Korea, the design, production and procurement activities continue for the high-speed line of the Sudokwon project. The project team is working to reach the contract milestones, despite the customer’s delays in providing design input.

Work is concurrently continuing on various contracts for the ERTMS 1, ATC and ATS on-board systems for Hyundai Rotem, currently slated for completion by the end of 2016.

2.7 Reconciliation between the profit for the year and equity of the parent and the group at 31 December 2015

(€'000)	**Equity**	**of which: profit for the year**
Parent's equity at 31 December 2015 and profit for the year then ended	**362,608**	**35,901**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	217,300	56,501
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in equity-accounted investees	4,279	2,136
Goodwill	34,569	-
Consolidation adjustments for:	-	-
- Dividends from consolidated companies	-	(3,100)
- Translation differences	24,610	-
- Impairment losses on consolidated companies and loan assets of subsidiaries	11,421	1,790
- Other adjustments	-	-
Total attributable to the owners of the parent	**654,787**	**93,228**
- Non-controlling interests	306	(192)
Total equity at 31 December 2015 and profit for the year then ended	**655,093**	**93,036**

3 KEY EVENTS OF AND AFTER THE REPORTING PERIOD

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 40% of its share capital, and AnsaldoBreda S.p.A.'s current 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 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.

On 2 November 2015 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").

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.

4 RISKS AND UNCERTAINTIES

The risks described below stem from a consideration of the features of Ansaldo STS group'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 and uncertainties faced by Ansaldo STS S.p.A. and the group are outlined below following the classification adopted by the group (strategic, operational, financial and IT risks). Risks may exist that have not yet been identified or that are deemed immaterial but which could nonetheless impact group operations.

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

4.1 Strategic risks

4.1.1 <u>Changes in the macroeconomic and market context and streamlining programmes</u>

Ansaldo STS group 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 group'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 group'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 group's performance.

The group'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 group'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 2014 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 group'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 group's profits.

4.1.2 Innovation: a competitive factor

The group's business units feature a high level of technological innovation and this represents an important competitive factor.

Ansaldo STS group'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 group 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 group's products and technical solutions generate a risk of obsolescence. There are specific processes in place to ensure its effective management.

4.2 Operational risks

4.2.1 Country risk

The group'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 group's financial position and results of operations. Country risk is assessed when the group 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.

4.2.2 Reliance on public customers and complex long-term contracts

Group 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 contracts acquired could negatively impact the group'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 group 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.

4.2.3 Budgeting and risk management project planning

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 group'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.

4.2.4 Third parties (subcontractors, sub-suppliers and partners)

Ansaldo STS group makes considerable use of subcontractors to supply subsystems or assembly and installation services and of subsuppliers for goods or services in its business. The group'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 group, negatively impacting its reputation and, unless it is possible to obtain compensation from the subcontractors and subsuppliers, the group's financial position and results of operations.

Moreover, particularly in the turnkey projects business, Ansaldo STS group 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, the group 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 group'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 Ansaldo STS group'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 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 group 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.

4.2.5 Efficient technical operations and relevant technical references

Development and engineering activities carried out without a clear understanding and identification of the requirements, specifications or effective configuration management could negatively affect the project budget, compliance with deadlines, performance and customer satisfaction. To mitigate this risk, the group 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 group does not have adequate market and operating references for products, this could lead to lost sales and non-compliant project implementation, negatively impacting the group'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.

4.2.6 Liability to customers or third parties for product defects or delivery delays

Technological complexity and tight delivery times for group products and systems could leave it 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 group are subject to certifications and approval, including by third-party bodies.

Such liability could be directly attributable to Ansaldo STS group or to third-party operators such as subsuppliers or subcontractors. These risks could negatively impact the group's operations, its financial position and results of operations and its reputation, and could also result in the group 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 group's financial position and results of operations.

To mitigate these risks, the group 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 conjunction with the risk management process.

4.2.7 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 group 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 group'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.

4.2.8 Human resource management

Ansaldo STS group 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 group'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 group 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.

4.2.9 Health, safety and environmental compliance

Ansaldo STS group 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 group to risks having significant impacts on its operations, its financial position and results of operations and its reputation.

To mitigate this risk, Ansaldo STS group 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) in the group's key companies.

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

4.3 Financial risks

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

To carry out contracts, Ansaldo STS group 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.

Ansaldo STS group'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 group believes it complies with the relevant parameters. At 31 December 2015, it had guarantees of €3,791,236 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 group's and the parent's operations and financial position and results of operations.

To mitigate these risks, Ansaldo STS group has commercial and contract management policies focussed on financial aspects, centralised treasury management which optimises the cash flows of the various group companies; 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.

4.4 IT risks

4.4.1 IT systems

IT systems are a vital part of Ansaldo STS group's operating structure and their management must be in line with the group'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 group 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 group operations.

To mitigate this risk, the IT policies took into account the organisational and process change initiatives. Moreover, Ansaldo STS group has a governance system based on best practices and follows structured and monitored processes for hardware and software management, including cyber-security aspects.

5 THE ENVIRONMENT

Ansaldo STS group 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 group. 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 group applies sustainable management of social and environmental matters linked to the services in all its business areas.

The group's commitment to "sustainable development" has seen it focus on the quality of life, ensuring the protection of natural resources, the safeguarding and protecting the environment and the adoption of environmental sustainability principles and values and avoiding permanent environmental damage.

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

From an environmental point of view, Ansaldo STS group is involved:

- as a producer, committed to pursuing environmental protection policies not only by just complying with existing laws, legislation and directives but by pursuing ongoing improvement in the environmental impact of its products and production processes;
- as a supplier of railway operators, in the knowledge that offering increasingly evolved, safe and reliable railway traffic control and automation products promotes the rapid development of the most environmentally-friendly transport system available today.

Strategic orientation and management approach

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

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

- ensuring the best available technologies are used and 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 the 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 group and its suppliers and partners;
- defining key indicators with a view to facilitating the assessment of performance;
- defining roles, duties and responsibilities within the scope of activities.

Ansaldo STS S.p.A. recommends its subsidiaries follow the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing their management systems. Certification is regarded as key to developing an entrenched environmental awareness both among company personnel and suppliers and subcontractors and has been obtained for the Tito production site.

Innovation and the promotion of good practices

The environmental management system adopted by Ansaldo STS S.p.A. is applied to the following:

- **PRODUCTION FACILITIES** for products used in safety, control and monitoring systems supplied;
- **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 group'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 group 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 group 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.

It 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 group products and solutions;
- developing products and operating production plant in line with the most recent and stringent standards.

Ansaldo STS group is part of the Pittsburgh 2030 Districts Project, whose objective is to halve energy consumption, the use of water and CO_2 emissions in transport by 2030.

Commitment to fight climate change

Ansaldo STS S.p.A. has developed a global-level carbon management strategy to fight climate change and is committed to progressively reducing CO_2 emissions in all areas of operations.

The following principles underpin Ansaldo STS group's climate strategy:

1. a global approach in developing mechanisms that take into account the commitment of all Ansaldo STS group facilities;
2. reasonable and feasible long-term objectives in order to establish a clear and realistic vision of the steps to be taken;
3. support in developing advanced technological solutions.

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

Communication, training and education

The group is increasingly focussed on training related to environmental issues.

Its specific training programme is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.

The group'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 business development and for the development of railway transport.

Subsequent environmental management system training sessions are held for personnel based on the specific corporate processes and related environmental aspects relevant to their activity.

Records are kept of all training provided to personnel in its facilities.

Training and educational sessions are coordinated by experts, who also produce relevant documentation.

General environment-related information

The operations of Ansaldo STS's subsidiaries mainly comprise office-based activities which ensure the Group's 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, except for at the Batesburg facilities, and is monitored and subject to regular sampling.

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 group.

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 group regularly obtains 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.
Through the purchase and subsequent withdrawal of the certificate from the market, the group demonstrates its environmental commitment as it pays a higher amount than it would for electricity from conventional sources.

Management of dangerous substances

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

6 RESEARCH AND DEVELOPMENT

Research and development expense taken directly to profit or loss for the year ended 31 December 2015 totalled €39.8 million (€37.3 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 Italian 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;
- two 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 reducing the construction and maintenance costs and increasing capacity.

The European Commission also funds 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.

Activities for the 3InSat project have almost been successfully completed, including the development of a satellite localisation system to be supplied 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 system. 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:

- CBTC (Communication-Based Train Control);

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

The first cycle of the release of the driverless CBTC functionality was completed for integration of the sub-systems in the laboratory and performance of preliminary field tests. Activities to develop CBTC to integrate the functions requested for new contracts and the testing of the safety of ongoing contracts continued.

In addition, 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 are as follows for the group companies:

- Ansaldo STS S.p.A.: €20.7 million;
- Ansaldo STS France S.A.S.: €9.2 million;
- ASTS Australia PTY LTD: €0.2 million;
- Ansaldo STS USA Inc.: €6.8 million.

7 HUMAN RESOURCES AND ORGANISATION

The Human resources & organisation department continued to assist the business during the year by strengthening and disseminating specialist technical knowledge and a managerial culture to ensure greater efficiency and effectiveness in implementing internal processes and contract activities.

Development and training initiatives mainly aimed at supplementing managerial talent (key resources and rockets) training, particularly the design of strategies to ensure the transfer and capitalisation of skills and technological expertise.

The talent management programme's main activities focused on the knowledge owners, who are leaders in cutting-edge technology. The strategies for these knowledge owners is to make their technological knowhow available to the group through special training courses. Accordingly, the department defined a detailed programme and developed a new knowledge sharing platform, TRIBES, to capitalise on and promote these employees' competences and the practical resolution of technological problems.

7.1.1 Ansaldo STS

The parent's top level management underwent change in the second half of the year.

On 2 November 2015, the shareholders elected a new board of directors with a term of office that expires with the meeting called to approve the 2017 financial statements. They appointed Alistair Dormer as chairperson of the board of directors on the same date.

On 3 November 2015, the board of directors appointed Ryoichi Hirayanagi as deputy chairperson and confirmed Stefano Siragusa as CEO and general manager of the parent.

On the same date, Barbara Poggiali resigned from her position as director of Ansaldo STS and on 9 November 2015, the board of directors appointed Alessandra Piccinino as the new non-executive independent director pursuant to article 2386 of the Italian Civil Code to replace Ms. Poggiali.

On 20 November 2015, Mr. Hirayanagi resigned from his position as director. On 25 November 2015, the board of directors appointed Mario Garraffo as the new non-executive independent director pursuant to article 2386 of the Italian Civil Code to replace Mr. Hirayanagi.

On the same date, the board of directors appointed Karen Boswell as deputy chairperson, replacing Mr. Hirayanagi.

Therefore, the following people are in office:

- Alistair Dormer, chairperson of the board of directors;
- Karen Boswell, deputy chairperson of the board of directors;
- Stefano Siragusa, chief executive officer and general manger.

On 30 September 2015, as proposed by the CEO, the board of directors resolved to immediately appoint Francesco Romano as the new head of the Human resources and organisation department and Filippo Corsi as the parent's general counsel, replacing the outgoing Grazia Guazzi.

On 15 March 2015, the board of directors, upon the proposal of the chief executive officer, in its capacity as the process owner pursuant to article 28 of Legislative decree no. 196/2003 ("Personal Data Protection Code"), delegated the powers to represent the so-called "Personal data process ownership" to Grazia Guazzi, corporate affairs & group insurances and group compliance manager, while revoking the same powers granted to Stefano Palmieri by the board of directors on 12 December 2008. Following Ms. Guazzi's resignation, on 30 October 2015, the board of directors resolved to delegate these powers pursuant to the above-mentioned article 28 of Legislative decree no. 196/2003 to Francesco Romani as proposed by the chief executive officer.

7.1.2 Subsidiaries

On 21 December 2015, the board of directors, upon the proposal of the chief executive officer, resolved to appoint Raphael Ferreira, an employee of Ansaldo STS group and deputy chairperson of Human Resources Australia & Malaysia, as the new country representative and, as such, the new executive director of the direct subsidiary Ansaldo STS Australia PTY Ltd..

Therefore, the country representatives of Ansaldo STS's major entities at 31 December 2015 are as follows:

Country Representative Ansaldo STS France S.A.S.: Gilles Pascault.

Country Representative Ansaldo STS USA INC.: Marco Fumagalli.

Country Representative Ansaldo STS Australia PTY LTD: Lyle Jackson (Raphael Ferreira from 1 January 2016).

Country Representative Ansaldo Railway System Trading (Beijing) LTD: Davide Cucino (Executive Director).

The headcount may be analysed as follows:

COMPANY/REGION	2015	2014	Change
ASTS Italy*	1,555	1,490	65
ASTS France**	822	792	30
ASTS USA	672	712	(40)
ASTS APAC	656	736	(80)
ASTS China	67	69	(2)

*Includes the employees of Ansaldo STS Deutschland GmbH

**Includes the employees of Ansaldo STS UK Ltd. and Ansaldo STS Sweden AB

The increase in Italy is mainly due to the hiring of temporary workers and the rise in personnel numbers at foreign branches.
The increase in the workforce in France relates to the acquisition of new projects.
The drop in APAC resources is due to the downsizing of local structures.
The fall in the US workforce is mainly linked to the temporary reduction in orders.

7.1.3 Headcount at 31 December 2015

The group’s headcount at 31 December 2015 numbered 3,772, down27 employees (0.7%) on the 3,799 employees at 31 December 2014.

The group’s average workforce for the year numbered 3,748 compared to 3,854 in 2014.

7.2 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 Ansaldo STS group 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 Ansaldo STS group’s creation of value.

7.2.1 Stock grant plans

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 group formally checked that the objectives underlying the granting of the portion related to 2014 were achieved.
All three objectives assigned of EVA, FOCF and share performance compared to the FTSE IT All-Share index were met for 2014. 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.

7.2.2 LTIPs

2012-2014 cash plan - 2014 instalment

This plan was set up for the CEO and one key manager of Ansaldo STS S.p.A..

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 group'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 of Ansaldo STS S.p.A..

It has a three-year term and provides for the payment of cash, not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group'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 of Ansaldo STS S.p.A..

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 group'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.

7.3 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.

8 FINANCIAL DISCLOSURE

<u>Financial market transactions</u>

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 presented properly.
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 parent 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 parent's share for their latest forecasts on its key financial indicators. The parent 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 parent'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 daily 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 parent 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

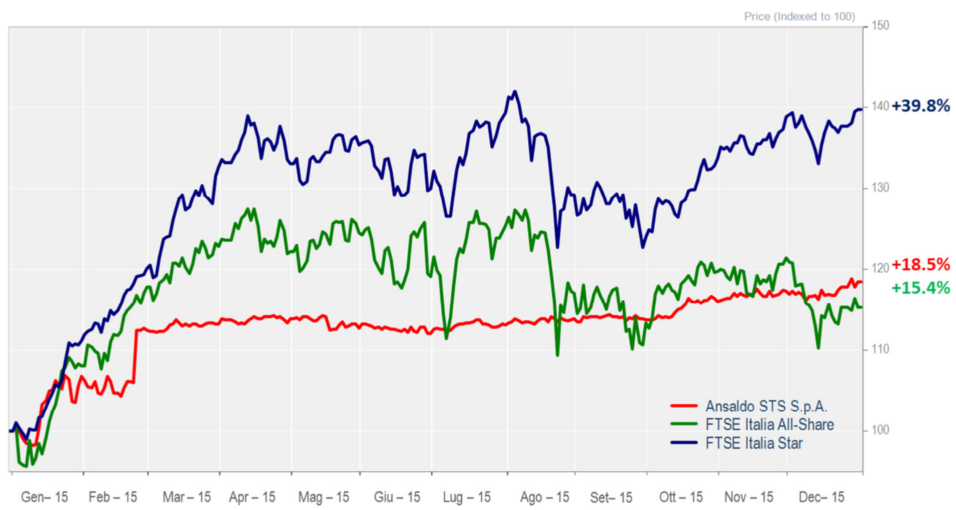
The official share price in the **31 December 2014 to 31 December 2015** period rose from €8.33 to €9.87, up 18.5%.

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.

Share performance compared to the main indices (base 100)



Key shareholders at 31 December 2015

Considering the communications sent to CONSOB and received by the parent 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

Key data per share

Earnings per share

(€)	2015	2014
Basic and diluted EPS	**0.47**	**0.43**
Dividend per share	**0.18***	**0.15**

*proposed to the shareholders

The parent 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).

9 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 re-included in the FTSE MIB index 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 came into line with its requirements during 2007.

Borsa Italiana S.p.A.'s corporate governance committee adopted a new Code of conduct in December 2011. On 18 December 2012, Ansaldo STS's board of directors resolved to comply with the principles of this new code and to update its own governance systems to 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 parent'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 position 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 Paragraph 1 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 parent'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, paragraph8 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 parent'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 parent's internal audit department, handed in his notice on 20 January 2016 and will leave the company on 31 March 2016.

Milan, 25 February 2016

On behalf of the board of directors
The Chairperson

Alistair Dormer
(signed on the original)

Consolidated financial statements at 31 December 2015 and notes thereto

10 CONSOLIDATED FINANCIAL STATEMENTS

10.1 Income statement

(€'000)	***Note***	***2015***	***of which, related parties***	***2014***	***of which, related parties***
Revenue	14.2	1,383,837	73,202	1,303,508	221,770
Other operating income	14.3	24,758	4,151	27,463	989
Purchases	14.4	(351,875)	(12,477)	(336,264)	(40,871)
Services	14.4	(561,014)	(44,282)	(519,942)	(80,967)
Personnel expense	14.5	(321,676)	-	(316,522)	-
Amortisation, depreciation and impairment losses	14.6	(18,725)	-	(18,347)	-
Other operating expense	14.7	(24,584)	-	(15,758)	(73)
Changes in finished goods, work-in-progress and semi-finished products		(264)	-	(4,531)	-
(-) Internal work capitalised	14.8	5,312	-	4,885	-
Operating profit		**135,769**		**124,492**	
Financial income	14.9	30,840	221	31,963	460
Financial expense	14.9	(35,221)	-	(34,284)	(37)
Share of profits (losses) of equity-accounted investees	14.10	5,324	-	1,804	-
Pre-tax profit		**136,712**		**123,975**	
Income taxes	14.11	(43,676)	-	(43,281)	-
Profit (loss) from discontinued operations		-	-	-	-
Profit for the year		**93,036**		**80,694**	
attributable to the owners of the parent		*93,228*		*80,636*	
attributable to non-controlling interests		*(192)*		*58*	
Earnings per share					
Basic and diluted		0.47		0.43	

10.2 Statement of comprehensive income

(€'000)	*2015*	*2014*
Profit for the year	**93,036**	**80,694**
Items that will not be reclassified to profit or loss:		
- Actuarial gains (losses) on defined benefit plans	633	(5,275)
- Income tax	(184)	1,622
	449	**(3,653)**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	(5,484)	4,453
- Net exchange rate gains	23,667	21,352
- Income tax	1,640	(1,454)
	19,823	**24,351**
Other comprehensive income, net of taxes	**20,272**	**20,698**
Comprehensive income for the year	**113,308**	**101,392**
Attributable to:		
- the owners of the parent	113,535	101,239
- non-controlling interests	(227)	153

10.3 Statement of financial position

Statement of financial position

(€'000)	*Note*	*31.12.2015*	*of which, related parties*	*31.12.2014*	*of which, related parties*
ASSETS					
Non-current assets					
Intangible assets	13.2	51,546	-	52,744	-
Property, plant and equipment	13.3	87,012	-	87,543	-
Equity investments	13.4	69,041	-	55,949	-
Loans and receivables	13.5	41,832	21,211	39,919	16,371
Deferred tax assets	14.11	39,487	-	40,025	-
Other non-current assets	13.5	18,332	-	20,548	-
		307,250		**296,728**	
Current assets					
Inventories	13.6	121,217	-	106,127	-
Contract work in progress	13.7	346,353	-	304,154	-
Trade receivables	13.8	663,558	58,952	710,649	169,901
Tax assets	13.10	26,378	-	23,131	-
Loan assets	13.8	38,496	563	41,035	10,709
Other current assets	13.11	91,930	4	83,776	251
Cash and cash equivalents	13.12	304,306	-	270,067	-
		1,592,238		**1,538,939**	
Non-current assets held for sale		-	-	99	-
Total assets		**1,899,488**		**1,835,766**	
EQUITY AND LIABILITIES					
Equity					
Share/quota capital	13.13	100,000	-	99,999	-
Reserves	13.14-13.15	554,787	-	473,645	-
Equity attributable to the owners of the parent		654,787		573,644	
Equity attributable to non-controlling interests	13.16	306	-	1,278	-
Total equity		**655,093**		**574,922**	
Non-current liabilities					
Employee benefits	13.19	33,155	-	34,675	-
Deferred tax liabilities	14.11	10,365	-	10,594	-
Other non-current liabilities	13.20	11,792	-	11,858	-
		55,312		**57,127**	
Current liabilities					
Progress payments and advances from customers	13.7	635,785	-	686,227	-
Trade payables	13.21	415,973	25,247	368,865	54,005
Loans and borrowings	13.17	4,128	2,500	17,687	10,351
Tax liabilities	13.10	10,816	-	10,269	-
Provisions for risks and charges	13.18	11,126	-	10,422	-
Other current liabilities	13.20	111,255	402	110,247	602
		1,189,083		**1,203,717**	
Total liabilities		**1,244,395**		**1,260,844**	
Total liabilities and equity		**1,899,488**		**1,835,766**	

10.4 Statement of cash flows

(€'000)	*Note*	*2015*	*of which, related parties*	*2014*	*of which, related parties*
Cash flows from operating activities:					
Gross cash flows from operating activities	16	162,008	-	149,135	-
Change in working capital	16	8,894	(54,318)	(33,862)	(32,420)
Changes in other operating assets and liabilities	16	(33,747)	4,377	3,884	(3,358)
Net interest paid	16	(1,749)	-	(5,261)	423
Income taxes paid	16	(33,003)	-	(29,039)	-
Cash flows from operating activities		**102,403**		**84,857**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets		(14,764)	-	(1)	-
Sales of property, plant and equipment and intangible assets		2,011	-	(9,155)	-
Acquisition of equity investments, net of cash acquired		4,000	-	29	-
Sales of equity investments		19	-	21	-
Dividends received		-	-	-	-
Change in other non-current financial assets		-	-	-	-
Other investing activities		-	-	-	-
Cash flows used for strategic transactions		(15,092)	-	(7,410)	-
Cash flows used in investing activities		**(23,826)**		**(16,516)**	
***Cash flows from financing activities*:**					
Net change in other financing activities		(18,027)	(12,464)	34,446	34,989
Share capital increases		-	-	-	-
Other financing activities		-	-	-	-
Dividends paid		(30,000)	-	(28,800)	-
Cash flows from (used in) financing activities		**(48,027)**		**5,646**	
Net increase in cash and cash equivalents		30,550	-	73,987	-
Net exchange rate gains		3,689	-	4,597	-
Other changes		-	-	(38)	-
Opening cash and cash equivalents		270,067	-	191,521	-
Closing cash and cash equivalents		**304,306**		**270,067**	

10.5 Statement of changes in equity

Changes in equity are shown in the following table:

(€'000)	**Share capital**	**Retained earnings and consolidation reserves**	**Hedging reserve**	**Stock grant reserve**	**Translation reserve**	**Other reserves**	**Equity attributable to the owners of the parent**	**Equity attributable to non-controlling interests**	**Total equity**
Equity restated at 1 January 2014	**89,998**	**395,178**	**(438)**	**2,453**	**(17,592)**	**29,115**	**498,714**	**346**	**499,060**
Reclassification from/to reserves	10,000	(2,321)	-	-	-	(7,679)	**-**	-	**-**
Change in consolidation scope	-	897	-		(216)	-	**681**	779	**1,460**
Net change in stock grant reserve	-	-	-	1,809	-	-	**1,809**		**1,809**
Other comprehensive income (expense), net of taxes		(9)	4,453	-	21,266	(5,107)	**20,603**	95	**20,698**
Allocation of profit for the year to the legal reserve	-	-	-	-	-	-	**-**	-	**-**
Dividends	-	(28,800)	-	-	-	-	**(28,800)**	-	**(28,800)**
Net change in treasury shares	1	-	-	-	-	-	**1**	-	**1**
Other changes	-	-	-	-	-	-	**-**	-	**-**
Profit for the year ended 31 December 2014	-	80,636	-	-	-	-	**80,636**	58	**80,694**
Equity at 31 December 2014	**99,999**	**445,581**	**4,015**	**4,262**	**3,458**	**16,329**	**573,644**	**1,278**	**574,922**
Equity at 1 January 2015	**99,999**	**445,581**	**4,015**	**4,262**	**3,458**	**16,329**	**573,644**	**1,278**	**574,922**
Reclassification from/to reserves	-	64	-	(64)	-	-	**-**	-	**-**
Change in consolidation scope	-	(4,368)	-	-	1,562		**(2,805)**	11	**(2,795)**
Net change in stock grant reserve	-	-	-	413	-	-	**413**	-	**413**
Other comprehensive income (expense), net of taxes	-		(5,484)	-	23,702	2,089	**20,307**	(35)	**20,272**
Allocation of profit for the year to the legal reserve	-	-	-	-	-	-	**-**	-	**-**
Dividends	-	(30,000)	-	-	-	-	**(30,000)**	(755)	**(30,755)**
Net change in treasury shares	1	(1)	-	-	-	-	**-**	-	**-**
Other changes	-			-	-	-	**-**	-	**-**
Profit for the year ended 31 December 2015	-	93,228	-	-	-	-	**93,228**	(192)	**93,036**
Equity at 31 December 2015	**100,000**	**504,504**	**(1,469)**	**4,611**	**28,722**	**18,418**	**654,787**	**306**	**655,093**

11 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

11.1 General information

Ansaldo STS is a company limited by shares with its registered office in Via Paolo Mantovani 3-5, Genoa, and a branch in Via Argine 425, Naples. It has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006. It was included in the FTSE MIB index from 23 March 2009 to 24 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 investment in Ansaldo STS, of 80,131,081 shares for 40.066% of the share capital, to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd.. Accordingly, Finmeccanica S.p.A. ceased to manage and control Ansaldo STS and 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 verified that it is managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code

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 pursuant to articles 102 and 106.1-*bis* of the Consolidated finance act (the "takeover bid").
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-dacquisto.

The parent's fully subscribed and paid-up share capital equals €100,000,000.00, comprising 200,000,000 ordinary shares of a nominal amount of €0.50 each.

Ansaldo STS group 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 (together, "Ansaldo STS group" or the "group").

11.2 Basis of preparation

Ansaldo STS group's consolidated 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) applicable at such date.

These consolidated financial statements have been prepared on a cost basis, except for those captions which, as required by the IFRS, are to be recognised at fair value, as described in the relevant accounting policies.

They are comprised of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows, a statement of changes in equity and the notes thereto.

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

Amounts are shown in thousands of euros unless stated otherwise.

The consolidated financial statements of Ansaldo STS group 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 consolidated financial statements have been prepared in accordance with the IFRS endorsed by the EU and audited by KPMG S.p.A..

11.2.1 Accounting policies

Basis and scope of consolidation

Ansaldo STS group's consolidated financial statements at 31 December 2015 include the financial statements at 31 December 2015, or at the date of the most recently approved financial statements, as detailed in note 13.4, of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the IFRS endorsed by the EU applied by Ansaldo STS group. The consolidated entities are listed below, showing the group's related direct or indirect interest therein:

Companies consolidated on a line-by-line basis

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	INVESTMENT %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ACELEC Société par actions simplifiée	Indirect	Les Ulis (France)	168	EUR	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EUR	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	837	EUR	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EUR	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Kingstone (Canada)	-	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	4,212,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EUR	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Direct	Beijing (China)	1,500	USD	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0.1	BWP	100

[1] On 25 November 2015, Ansaldo STS France, as the sole shareholder of Acelec, resolved to wind up this company with effect from 31 December 2015.

Companies measured using the equity method

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL (€'000)	CURRENCY	INVESTMENT %
ALIFANA SCARL	Direct	Naples (Italy)	26	EUR	65.85
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EUR	53.34
PEGASO SCARL (in liq.)	Direct	Rome (Italy)	260	EUR	46.87
Metro 5 S.p.A.	Direct	Milan (Italy)	53,300	EUR	24.6
Metro Brescia S.r.l.	Direct	Brescia (Italy)	4,020	EUR	19.796
INTERNATIONAL METRO SERVICE S.r.l.	Direct	Milan (Italy)	700	EUR	49
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40
KAZAKHSTAN TZ-ANSALDO STS ITALY LLP*	Direct	Astana (Kazakhstan)	22,000	KZT	49

* In its meeting of 26 June 2013, Ansaldo STS's board of directors approved the winding up of the JV with JSC Remlokomotiv and authorised the early closure and liquidation of Kazakhstan TZ-Ansaldo STS Italy LLP. The liquidation is currently underway. Based on the information available to directors, to date, the above transactions will not generate significant liabilities for Ansaldo STS group.

Ansaldo STS S.p.A. holds an interest in Ansaldo STS-Sinosa Rail Solutions South Africa PTY LTD through its direct subsidiary Ansaldo STS Australia PTY Ltd.. Under an agreement for the sale of part of its interest to an independent third party, starting from 18 August 2014, Ansaldo STS STS's investment consists of 20% of the company's class B shares. Such shares do not give the holder rights to dividends. Finally, due to such agreement, starting from 5 January 2015, such company changed its name to Ansaldo STS – GEAR South Africa (PTY) LTD..

Subsidiaries and jointly-controlled entities

Entities over which Ansaldo STS group has control by owning directly or indirectly more than half of the voting rights or by exerting the power to govern the financial and operating policies of entities/companies, so as to obtain benefits from their activities, including regardless of the percentage of equity investments, are consolidated on a line-by-line basis.

Entities whose consolidation would be irrelevant in both quantitative and qualitative terms for a true and fair presentation of the group's financial position, financial performance and cash flows are not consolidated but measured using the equity method. The assessment of relevancy is made with reference to an entity's operating procedures, for example

- consortium entities not limited by shares and controlling investments in consortia limited by shares which recharge costs to their members and therefore do not present their own results of operations and whose financial statements, net of infragroup assets and liabilities, shows immaterial amounts or;
- entities in a developing stage or entities no longer operative that do not have assets or employees or;
- companies whose liquidation procedures are almost completed.

Equity investments (including in special purpose entities) in jointly controlled entities are consolidated using the equity method.

All subsidiaries are consolidated from the date control commences, until such time as control ceases to exist.

Business combinations are recognised using the acquisition method. The consideration for the transaction includes the acquisition-date fair values of the assets transferred, liabilities incurred or assumed, equity instruments issued and any other transaction cost. Any difference between the consideration paid and the acquisition-date fair value of the acquired assets and liabilities is allocated to goodwill. If the purchase price allocation process gives rise to negative goodwill, it is recognised in profit or loss at the acquisition date.

Acquisition-related costs are recognised in profit or loss when the related services are rendered.

In the event of acquisition of control of investees, goodwill is recognised only to the extent of the parent's share. Non-controlling interests are calculated in proportion to the equity investments held by non-controlling interests in the acquiree's identifiable net assets.

In a business combination achieved in stages, when control is taken, the previously-held equity interests in the acquiree are remeasured at fair value and the resulting gain or loss is recognised in profit or loss.
Balances related to transactions between consolidated companies are eliminated, specifically as relate to receivables and payables in place at year end, costs and revenue and financial income and expense and other items recognised in profit or loss.
The reporting period of all consolidated companies ends on 31 December. The group's consolidated financial statements are based on the figures at 31 December 2015.

Other equity investments

Equity investments over which the company has significant influence, generally accompanied by an investment percentage of between 20% (10% if listed) and 50% (investments in associates), are measured using the equity method. When this method is applied, the carrying amount of the investment equals equity adjusted, where necessary, to reflect the application of the IFRS endorsed by the EU. It includes the recognition of goodwill, net of impairment losses, when this is identified upon acquisition and following the effects of adjustments required by the standards governing the preparation of consolidated financial statements. Gains and losses realised among companies consolidated using the equity method, are eliminated, as are those among other group companies, including those consolidated on a line-by-line basis.
Impairment losses, if any, exceeding the carrying amount of the investment, are recognised under the provision for risks on equity investments.
The fair value of equity investments in portfolio, provided that such criterion is applicable, is calculated based on the bid price of the last trading day of the month to which the IFRS financial statements refer (31 December 2015 in the case of these consolidated financial statements), or based on financial valuation techniques for unlisted instruments.
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".

Segment reporting

Starting from 2014, following the corporate reorganisation described in detail in the directors' report, the Signalling and Transportation Solutions business units were merged. Consequently, cash flows were also analysed considering the group to be just one cash-generating unit (CGU).

Functional currency

The balances included in the financial statements of each group company/entity are recognised in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements of Ansaldo STS group are presented in euros, which is the parent'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 date of the transaction, unless continuing adverse economic trends affect the rate, in which case exchange rate differences are taken to profit or loss.

Translation of financial statements of foreign operations

The rules for the translation of financial statements of foreign operations into the functional currency, with the exception of currency in hyper-inflationary economies (which do not affect the group), are as follows:

- assets and liabilities are translated at the closing rate;
- costs and revenue, income and expense are translated at the average exchange rate of the year or at the transaction date exchange rate if it varies significantly from the average rate of the year;
- exchange rate gains or losses arising from the translation of captions at a rate that differs from the closing rate and from the translation of opening equity at a rate that differs from the closing rate are taken to the translation reserve.

  This reserve is released to profit or loss when the equity investment is sold.

Goodwill and fair value adjustments relating to the acquisition of foreign operations are recognised as assets and liabilities of the foreign operation and translated at the closing rate.

The following exchange rates were adopted to translate the foreign currency financial statements and balances for the current and previous years:

	Spot rate at 31/12/2015	Average rate for the year ended 31/12/2015	Spot rate at 31/12/2014	Average rate for the year ended 31/12/2014
USD	1.08870	1.11011	1.21410	1.32914
CAD	1.51160	1.41774	1.40630	1.46705
GBP	0.73395	0.72614	0.77890	0.80645
HKD	8.43760	8.60610	9.41700	10.30738
SEK	9.18950	9.35661	9.39300	9.09844
AUD	1.48970	1.47647	1.48290	1.47264
INR	72.02150	71.19291	76.71900	81.09355
MYR	4.69590	4.33230	4.24730	4.34780
BRL	4.31170	3.69178	3.22070	3.12411
CNY	7.06080	6.97644	7.53580	8.19012
VEB	6,850.21000	6,984.39833	7,639.24000	8,362.99000
BWP	12.17406	11.22919	11.54730	11.91270
ZAR	16.95300	14.15113	14.03530	14.41003
KZT	370.34852	246.76506	221.46000	238.31768
JPY	131.07000	134.31464	145.23000	140.39720
AED	3.99662	4.07524	4.45942	4.88187
KRW	1,280.78000	1,255.83391	1,324.80000	1,399.04265

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that generate future economic benefits for the group. 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) Goodwill

Goodwill recognised as an intangible asset arises from business combinations and reflects an excess in the acquisition cost of the business or business unit over the total fair value at the acquisition date of acquired assets and liabilities. As it has an indefinite useful life, goodwill is not amortised. Instead, it is tested for impairment at least once a year, unless the market and management indicators identified by the group show that the test has to be conducted when preparing interim financial statements. For impairment testing purposes, goodwill acquired in a business combination is allocated to individual or groups of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs, through which the group operates in the different market sectors, are identified as the smallest business units that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill on acquisitions of consolidated companies is recognised in intangible assets, while that related to unconsolidated subsidiaries or associates is included in the carrying amount of the related equity investments.

(ii) 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.

(iii) 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 four above conditions are met, is amortised on a straight-line basis over the asset's useful life.

Leased assets

(i) Finance leases where group companies are lessees

As lessee, at the date of initial recognition, the group recognises leased assets under assets and recognises a financial liability at the same time equal to the lower of the asset's fair value and the present value of minimum future payments due at inception of the lease, using the implicit interest rate of the lease or the marginal interest rate of the loan. Subsequently, the group takes amortisation applied to the asset and interest separated from the payments of the year to profit or loss.

(ii) Finance leases where group companies are lessors

At the date of initial recognition, the leased asset is derecognised and a receivable of an amount equal to the net investment in the lease is recognised. The net investment in the lease is the aggregate of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease. Subsequently, the group expenses finance income over the lease term on a systematic basis, to reflect a constant periodic rate of return on the residual net investment.

Estimated unguaranteed residual values are reviewed regularly to check if any impairment indicators exist.

(iii) Operating leases

Operating lease income and expense are taken to profit or loss over the term of the lease on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are measured at purchase or construction 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.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, upgrade 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:

Land	:	indefinite useful life
Buildings	:	20-33 years
Plant and machinery	:	5-10 years
Equipment	:	3-7 years
Other assets	:	3-8 years

The estimated residual value and the useful life of an asset are reviewed periodically.

Depreciation of an asset ceases on the date the asset is sold or classified as held for sale.

If a depreciable asset is comprised of separately identifiable components with estimated 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 or groups of assets are measured by comparing the sales price with the related carrying amount.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

Investment property

Property held to earn rentals or for capital appreciation is classified under "Investment property" and is measured at purchase or production cost, increased by transaction costs, if any, and net of accumulated depreciation and any impairment losses.

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.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, calculated based on the discounted cash flow model. The discount rate, including taxation, includes the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Assets that do not generate independent cash flows are tested based on the cash-generating unit.

When, subsequently, impairment losses no longer exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss. An impairment loss recognised for goodwill is never reversed.

Inventories

Inventories are measured at the lower of cost, calculated using the weighted average cost method, and net realisable value. Financial expense and overheads are not included in inventories. Net realisable value is the estimated sales price in the ordinary course of business considering any costs of completion and the estimated costs necessary to make the sale.

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 based on the progress of production activities, which is calculated as the costs incurred at the measurement date and total estimated project costs or based on the product units delivered.

The measurement reflects the best estimate of projects completed at the reporting date. The group periodically updates these estimates. Any effects are recognised in the year in which the adjustments are made.

The expected loss on a contract is recognised entirely under operating expense when it becomes reasonably foreseeable, along with an accrual to the provision for expected losses to complete contracts.

Contract work in progress is recognised net of any allowances, expected losses 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) under contract work in progress and the negative difference under "Progress payment and advances from customers". If the amount recognised under advances 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 (the Euro for the group) are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate.

However, under the group's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged, as described in the note on "Hedging construction contracts against currency risk".

Loans and receivables and financial assets

Financial assets are classified as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are classified by management upon initial recognition.

(i) Financial assets at fair value through profit or loss

This category includes financial assets acquired for the purpose of trading in the short term, 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 traded within the next twelve months or when they are recognised as held for trading.

(ii) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. 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.

(iii) Held-to-maturity investments

These are non-derivative financial assets with fixed maturity that the group has the positive intention and ability to hold to maturity. They are 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 the 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.

(iv) 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, which is based on market prices at the annual or interim reporting date, or on financial valuation models and techniques. Fair value gains or losses are taken to an equity reserve ("reserve for available-for-sale financial assets") which is recognised in 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 management choices about 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.

If there is objective evidence of impairment, the carrying amount of the asset is reduced to the discounted future cash flows. Impairment losses previously recognised under equity reserves are recognised in profit or loss. For non-equity instruments, if the reasons underlying the impairment loss cease to exist, the impairment loss is reversed.

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 group's underlying assets, liabilities or commitments.

Specifically, the group uses derivatives as part of its strategies of hedging the risk of fluctuations in expected cash flows on contractual or highly probable transactions (cash flow hedges) or 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. For information on the policy governing the currency risk on construction contracts, reference should be made to the note on "Hedging construction contracts against currency risk".

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.

(i) 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.

(ii) 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 recognised in profit or loss when the forecast transaction affects profit or losses. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the forecast transaction is no longer highly probable, the relevant portion of the "hedging reserve" is recognised immediately in profit or loss. If the hedging instrument is sold or no longer meets the criteria for hedge accounting, the relevant portion of the "hedging reserve" continues to be recognised until the underlying contract takes place.

(iii) 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. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of interest rate swaps is calculated discounting the future cash flows, while that of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies.

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

This caption includes cash on hand, deposits and current accounts with banks or other credit institutions available for current transactions, post office current accounts and other equivalents. They are recognised at fair value.

Equity

(i) Share capital

Share capital is comprised of the parent's subscribed and paid-in share capital. Any costs closely related to the issue of shares are classified as a decrease in share capital when they are directly related to such operation, net of deferred taxation.

(ii) Treasury shares

They are classified as a decrease in equity. Profits and losses on the sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Payables and other liabilities

They are initially recognised at fair value, less any transaction costs, and subsequently measured at amortised cost, using the effective interest method.

They are classified under current liabilities, unless the group has the contractual right to settle its obligations after at least twelve months of the interim or annual reporting date.

Income taxes

The group's taxes are comprised of current and deferred taxes. When they relate to income and expense recognised in comprehensive income, they are recognised with a balancing entry in the same caption.

Current taxes are calculated based on the tax legislation applicable and enacted at the reporting date in those countries where the group operates; any risks related to different interpretations of positive and negative income components, as well as the litigation underway with the tax authorities, are measured at least every three months to adjust the accruals recognised.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. 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 group pays fixed contributions into a separate entity (e.g. a fund) and has 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 group 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, on the basis of demographic and statistical assumptions and salary increase trends, using the projected unit credit method. Accordingly, the carrying amount of the recognised liability reflects that of the relevant actuarial valuation, fully and immediately recognising actuarial gains and losses when they arise with a direct balancing entry in equity in the "actuarial reserve".

(ii) Other long-term employee benefits and post-employment benefits

Some group company employees are granted benefits such as, for example, jubilee benefits and seniority bonuses which are sometimes paid after retirement (such as medical benefits). The accounting treatment is the same as that applied to defined benefit plans, hence the "projected unit credit method" is used. However, with respect to "other long-term benefits", any actuarial gains and losses are recognised immediately and entirely in profit or loss when they arise.

(iii) Termination benefits

Termination benefits are recognised as a liability and an expense when the group 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 option and stock grant plans are in place for the group's senior management. The theoretical benefits granted to the beneficiaries 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 valuation techniques which include market conditions, if any, and by adjusting the number of options that are expected to be granted at each 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 group 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 group 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 any discounts and volume rebates.

Revenue also includes changes in work in progress, with respect to which reference should be made to the note to "Contract work in progress".

Revenue relating to the sale of goods is recognised when the group 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 group 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.

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.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

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.

Related party transactions

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

Costs

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

New reporting standards (IFRS) and interpretations (IFRIC)

At the preparation date of these consolidated financial statements, the EU has endorsed several standards and interpretations which are not yet mandatory and which the group will apply in the next few years. The main changes (excluding the annual improvements) and potential impacts on the group are as follows:

IFRS - IFRIC		Impacts on the group
• 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 is not expected to have any significant effect on the group's financial statements. The group 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 group's financial statements. The group 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 group 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 associates at equity. The group will apply this standard 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, it is not yet known when the adoption date will be. The impact on the group of adopting this standard 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 group of adopting this standard is currently being analysed. The group will apply this standard starting from 1 January 2018.

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 the consolidated financial statements are described below.

- Provisions for risks and expected losses to complete construction contracts: the group operates in extremely complex business units and with complex contractual arrangements which are recognised using the percentage of completion method. Profits recognised in profit or loss reflect contract progress and the profits which will be recognised for the entire contract once it is completed. Consequently, for the purposes of correctly recognising work in progress and profits related to works yet to be completed, management is required to make an accurate estimate of expected losses, expected increases and delays, additional costs and penalties which could have an impact on the expected margin. In order to better assist management's estimates, the group 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 group's business activities cover segments and markets in which disputes (both where the group 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 consolidated financial statements.

- Impairment losses: the group'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 group uses the plans approved by the bodies of individual subsidiaries and financial parameters which are in line with those reflecting the current trend of reference markets.

- Hedging construction contracts against currency risk: to avoid the risk of fluctuations in foreign currency cash inflows and outflows on construction contracts, the group specifically hedges the individual cash flows expected on the contract. Hedges are agreed when commercial contracts are signed. Currency risk is usually hedged using plain vanilla (forward) instruments.

  If the hedge is not deemed effective, fair value gains or losses on these instruments are immediately expensed as financial items and the related underlying item is measured as if it were not hedged, hence it is exposed to the currency risk. The effects of this accounting treatment are described in the note on "financial income and expense". Hedges which fall under the first case are recognised as cash flow hedges, considering the premium or the discount as the ineffective part in the case of forwards, or time value in the case of options. The ineffective part is recognised under financial items.

In addition to the above, the group 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 group's financial position and results of operations.

12 SEGMENT REPORTING

Reference should be made to paragraph 2.4 of the directors' report for information on the indicators that management uses to assess the group's performance.

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

Revenue

(€'000)	**2015**	**2014**
Italy	321,918	326,397
Rest of Europe	338,856	336,511
North Africa and the Middle East	104,593	97,105
Americas	246,713	166,173
Asia/Pacific	371,757	377,322
Total	**1,383,837**	**1,303,508**

Property, plant and equipment and intangible assets:

(€'000)	**31/12/2015**	**31/12/2014**
Italy	110,055	112,223
Rest of Europe	14,340	13,674
North Africa and the Middle East	184	120
Americas	12,354	11,810
Asia/Pacific	1,625	2,460
Total	**138,558**	**140,287**

13 NOTES TO THE STATEMENT OF FINANCIAL POSITION

13.1 Related party assets and liabilities

Related party trading transactions generally take place on an arm's length basis, as does the settlement of interest-bearing receivables and payables where not governed by specific contractual conditions. The relevant statement of financial position balances are shown below. The statement of cash flows presents the impact of related party transaction on cash flows.

FINANCIAL ASSETS AT 31 DECEMBER 2015 (€'000)	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	301	-	**301**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	128	-	**128**
Alifana Due S.c.r.l.	-	-	-	360	-	**360**
Associates						
International Metro Service S.r.l.	-	-	-	121	-	**121**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	389	-	**389**
Metro 5 S.p.A.	-	20,733	-	1,733	-	**22,466**
Metro Service A.S.	-	-	-	512	-	**512**
SP M4 S.C.p.A.	-	-	563	-	-	**563**
Metro de Lima Linea 2 S.A.	-	296	-	-	-	**296**
Metro Brescia S.r.l.	-	-	-	1,070	-	**1,070**
Joint ventures						
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	2,860	-	**2,860**
Consortia						
Saturno Consortium	-	-	-	23,535	-	**23,535**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	1,168	-	**1,168**
MM4 consortium	-	182	-	13,142	-	**13,324**
San Giorgio Volla Due consortium	-	-	-	1,138	4	**1,142**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	9,917	-	**9,917**
Total	**-**	**21,211**	**563**	**58,952**	**4**	**80,730**
% of the total corresponding financial statements caption		**51%**	**1%**	**9%**	**0.1%**	

FINANCIAL ASSETS AT 31 DECEMBER 2014 (€'000)	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
(€'000)						
Ultimate parent						
Finmeccanica S.p.A.	-	-	-	76	154	**230**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	95	-	**95**
Alifana Due S.c.r.l.	-	-	-	404	-	**404**
Associates						
International Metro Service S.r.l.	-	-	-	105	-	**105**
Metro 5 S.p.A.	-	15,816	-	5,298	-	**21,114**
Metro Service A.S.	-	-	-	1,434	-	**1,434**
SP M4 S.C.p.A.	-	-	10,709	162	-	**10,871**
Metro 5 Lilla S.r.l.	-	-	-	33,419	-	**33,419**
Metro Brescia S.r.l.	-	373	-	122	-	**495**
Joint ventures						
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	7,559	-	**7,559**
Consortia						
Saturno Consortium	-	-	-	21,021	-	**21,021**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	7,361	-	**7,361**
MM4 consortium	-	182	-	5,192	-	**5,374**
San Giorgio Volla Due consortium	-	-	-	494	4	**498**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Other group companies						
AnsaldoBreda S.p.A.	-	-	-	7,870	93	**7,963**
Selex ES S.p.A.	-	-	-	780	-	**780**
Finmeccanica Global Services S.p.A.	-	-	-	45	-	**45**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	331	-	**331**
Other - MEF						
Ferrovie dello Stato group	-	-	-	64,217	-	**64,217**
Eni group	-	-	-	11,338	-	**11,338**
Total	**-**	**16,371**	**10,709**	**169,901**	**251**	**197,232**
% of the total corresponding financial statements caption		**41%**	**26%**	**24%**	**0.3%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2015 (€'000)	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	93	3	**96**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	313	-	**313**
Associates						
Metro Service A.S.	-	-	-	4,821	-	**4,821**
Metro Brescia S.r.l.	-	-	-	142	-	**142**
Metro 5 S.p.A.	-	-	-	1	-	**1**
MetroB S.r.l.	-	-	-	-	370	**370**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	2	-	**2**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	9	-	**9**
Consortia						
Saturno Consortium	-	-	-	2,232	5	**2,237**
Ascosa Quattro consortium	-	-	-	157	8	**165**
San Giorgio Volla Due consortium	-	-	-	182	-	**182**
Ferroviario Vesuviano consortium	-	-	-	145	8	**153**
San Giorgio Volla consortium	-	-	-	5	8	**13**
MM4 consortium	-	-	-	592	-	**592**
SP M4 S.C.p.A.	-	-	-	554	-	**554**
Cris consortium	-	-	-	1	-	**1**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	2,500	15,998	-	**18,498**
Total	**-**	**-**	**2,500**	**25,247**	**402**	**28,149**
% of the total corresponding financial statements caption			**61%**	**6%**	**0.4%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2014 (€'000)	Non-current loans and borrowings	Other non-current financial liabilitie s	Current loans and borrowing s	Trade payables	Other current financial liabilitie s	Total
(€'000)						
Ultimate parent						
Finmeccania S.p.A.	-	-	10,351	877	-	**11,228**
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	129	3	**132**
Alifana Due S.c.a.r.l.	-	-	-	395	-	**395**
Associates						
Metro Service A.S.	-	-	-	1,390	-	**1,390**
Metro Brescia S.r.l.	-	-	-	69	-	**69**
Metro 5 S.p.A.	-	-	-	1	-	**1**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	64	-	**64**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	11	-	**11**
Consortia						
Saturno Consortium	-	-	-	432	5	**437**
Ascosa Quattro consortium	-	-	-	132	8	**140**
San Giorgio Volla Due consortium	-	-	-	97	-	**97**
Ferroviario Vesuviano consortium	-	-	-	157	8	**165**
San Giorgio Volla consortium	-	-	-	29	8	**37**
MM4 consortium	-	-	-	230	-	**230**
Cris consortium	-	-	-	1	-	**1**
Other group companies						
AnsaldoBreda S.p.A.	-	-	-	1,954	-	**1,954**
Selex ES S.p.A.	-	-	-	45,966	200	**46,166**
Finmeccanica Global Services S.p.A.	-	-	-	562	-	**562**
Fata Logistic System S.p.A.	-	-	-	462	-	**462**
Fata S.p.A.	-	-	-	82	-	**82**
DRS Technologies	-	-	-	2	-	**2**
MetroB S.r.l.	-	-	-	-	370	**370**
E-Geos S.p.A.	-	-	-	17	-	**17**
Other - MEF						
Ferrovie dello Stato group	-	-	-	933	-	**933**
Eni group	-	-	-	6	-	**6**
Enel group	-	-	-	7	-	**7**
Total	**-**	**-**	**10,351**	**54,005**	**602**	**64,958**
% of the total corresponding financial statements caption			**59%**	**15%**	**0.5%**	

13.2 Intangible assets

(€'000)	Goodwill	Other development expense	Patents and similar rights	Concessions, licences and trademarks	Assets under development	Other	Total
At 31 December 2014	**34,569**	**3,263**	**9,738**	**494**	**2,199**	**2,481**	**52,744**
Acquisitions	-	-	1,622	256	383	441	2,702
Capitalisations	-	4,569	-	-	34	-	4,603
Amortisation and impairment losses	-	(1,446)	(3,686)	(295)	-	(1,173)	(6,600)
Opening/average net exchange rate gains (losses)	-	-	-	2	12	56	70
Transferred from work-in-progress	-	-	1,849	-	(2,054)	182	(23)
Reclassifications	-	(1,950)	-	-	(151)	151	(1,950)
At 31 December 2015	**34,569**	**4,436**	**9,523**	**457**	**423**	**2,138**	**51,546**

Intangible assets amount to €51,546 thousand (31 December 2014: €52,744 thousand), while investments of the year are equal to €7,305 thousand and amortisation and impairment losses to €6,600 thousand.

Specifically:

- Goodwill (€34,569 thousand), which is tested for impairment at year end in accordance with group procedures, was tested at the reporting date with no need for impairment.

  The test compared net invested capital (including goodwill) at 31 December 2015 against the higher of value in use and fair value. Specifically, value in use is calculated based on the discounted cash flow model, applying the unlevered version to the cash flows as per the guidelines to the five-year plans approved by management (2016 – 2020) and the present value of the terminal value (calculated on a going concern basis). The growth rate included in the terminal value was equal to 2% (in line with the previous year).

  Where available, the related macro-economic assumptions are determined using external sources of information, while the profitability and growth estimates assumed in the business plans are defined by management based on past experience and expectations about the developments of the markets in which the group operates.

  The cash flows used are those generated by group 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 recoverable amount obtained through fair value was calculated based on the EV/EBITDA market multiples methods, with respect to both the transaction multiple derived from recent acquisitions in the sector and current stock exchange multiples of a panel of peer companies.

The basic assumptions underlying the projected cash flows for the five-year plans approved by management are described in detail in the directors' report to which reference should be made.

- Patents and similar rights relate to:
  - the CMMI (Capability Maturity Model Integration) project to improve the software development process;
  - software developed to support the New Controlling Model (NCM) and the Product Data Management (PDM) which were launched as part of a major worldwide reorganisation process (Fast Forward Driven by Business);
  - the development of several technical tools.

- Development expense includes:
  - the Stream project, which was fully amortised in previous years;
  - the Satellite and Rail Telecom project to develop satellite technologies for new railway signalling systems. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

13.3 Property, plant and equipment

(€'000)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other assets	Total
At 31 December 2014	**61,761**	**7,285**	**6,410**	**2,311**	**9,776**	**87,543**
Acquisitions	483	575	1,550	1,913	2,257	6,778
Capitalisations	-	-	95	584	30	709
Sales	-	(19)	(168)	-	-	(187)
Depreciation and impairment losses	(2,272)	(2,071)	(1,931)	-	(2,863)	(9,137)
Opening/average net exchange rate gains	370	444	33	150	285	1,282
Transfer from assets under construction	29	358	345	(907)	199	24
Reclassifications	385	948	-	(1,628)	295	-
At 31 December 2015	**60,756**	**7,520**	**6,334**	**2,423**	**9,979**	**87,012**

Property, plant and equipment amount to €87,012 thousand (31 December 2014: €87,543 thousand). They are mainly comprised of the properties of the parent Ansaldo STS S.p.A., specifically the residual value of the building located in Genoa, Via Mantovani 3/5.

Investments of the year, equal to the sum of acquisitions and capitalisations, amount to €7,487 thousand and mainly relate to the following:

- Ansaldo STS S.p.A. for restructuring works and equipment purchased for the Tito plant and the Piossasco facilities for €3,212 thousand;
- Ansaldo STS France group for the purchase of technical laboratory equipment and production tools for the Riom and Les Ulis facilities for €2,555 thousand;
- Ansaldo STS USA INC. for maintenance at the Batesburg plant and works at the Pittsburgh office for €1,511 thousand.

Depreciation and impairment losses of the year amount to €9,137 thousand, while net exchange rate gains total €1,282 thousand, mainly opening balances.

13.4 Equity investments

(€'000)

At 31 December 2014	**34,202**
Acquisitions/subscriptions and capital increases	11,203
Sales/returns	(2)
At 31 December 2015	**45,403**
Equity-accounted investments	**23,638**
Total equity investments	**69,041**

List of equity investments in thousands of euros:

Name	Registered office	Type of activity	Reporting date	Accounting standards	Equity (€'000)	Total assets (€'000)	Total liabilities (€'000)	Currency	investment %	% of 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	€'000
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2014	IT GAAP	97,802	384,322	286,520	Euro	24.60%	24.60%	N/A	N/A	N/A	N/A	15,203
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2014	IT GAAP	11,065	11,407	342	Euro	49.00%	49.00%	N/A	✔	N/A	N/A	2,482
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2013	IT GAAP	260	4,362	4,102	Euro	46.87%	46.87%	N/A	✔	N/A	N/A	122
Alifana S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2015	IT GAAP	26	671	645	Euro	65.85%	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.r.l.	Naples (Italy)	Transportation	31.12.2015	IT GAAP	26	1,469	1,443	Euro	53.34%	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transportation	31.12.2014	IT GAAP	4,393	41,812	37,419	Euro	19.80%	19.80%	N/A	N/A	N/A	✔	869
Balfour Beatty Ansaldo Systems JV SDN BHD	Kuala Lumpur (Malaysia)	Transportation	31.12.2015	IFRS	12,248	28,150	15,902	MYR	40.00%	40.00%	N/A	N/A	N/A	N/A	4,899
Kazakhstan TZ-Ansaldo STS Italy LLP	Astana (Kazakhstan)	Transportation	31.12.2015	IFRS	65	3,157	3,092	KZT	49.00%	49.00%	N/A	N/A	N/A	N/A	32
Total equity-accounted investments															**23,638**
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2014	IT GAAP	149,518	393,371	243,853	Euro	14.00%	14.00%	N/A	N/A	N/A	✔	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transportation	31.12.2014	IT GAAP	2,136	6,421	4,285	Euro	16.67%	16.67%	N/A	N/A	N/A	✔	523
Società Tram di Firenze S.p.A.	Florence (Italy)	Transportation	31.12.2014	IT GAAP	10,454	122,398	111,944	Euro	3.80%	3.80%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	520	9,681	9,161	Euro	17.44%	17.44%	N/A	N/A	N/A	✔	90
Iricav Due consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	516	60,787	60,271	Euro	17.05%	17.05%	N/A	N/A	N/A	✔	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	155	227,885	227,730	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	39
S. Giorgio Volla consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	72	6,171	6,099	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	72	48,327	48,255	Euro	25.00%	25.00%	N/A	N/A	✔	N/A	18
Cris consortium	Naples (Italy)	Research	31.12.2014	IT GAAP	2,445	6,022	3,577	Euro	1.00%	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	57	78,574	78,517	Euro	25.00%	25.00%	N/A	N/A	✔	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2014	IT GAAP	610	2,218	1,608	Euro	2.30%	2.30%	N/A	N/A	N/A	N/A	14
Saturno Consortium	Rome (Italy)	Transportation	31.12.2013	IT GAAP	31	2,408,862	2,408,831	Euro	50.00%	50.00%	N/A	✔	N/A	N/A	16
Train consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	1,180	44,787	43,607	Euro	4.55%	4.55%	N/A	N/A	N/A	✔	6
Sesamo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2014	IT GAAP	102	762	660	Euro	2.00%	2.00%	N/A	N/A	N/A	N/A	2
Isict consortium	Genoa (Italy)	Research	31.12.2014	IT GAAP	51	264	213	Euro	14.29%	14.29%	N/A	N/A	N/A	✔	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31.12.2014	IT GAAP	108	109	1	Euro	0.92%	0.92%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transportation	31.12.2014	IT GAAP	200	24,773	24,573	Euro	18.20%	18.20%	N/A	N/A	N/A	✔	36
Radiolabs consortium	Rome (Italy)	Research	31.12.2014	IT GAAP	221	2,007	1,786	Euro	25.00%	25.00%	N/A	N/A	✔	N/A	52
SPV M4 S.p.A.	Milan (Italy)	Transportation	n/a	IT GAAP	n/a	n/a	n/a	Euro	5.33%	5.33%	N/A	N/A	N/A	N/A	5,640
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transportation	31.12.2015	IFRS	128,536	216,339	87,803	USD	16.90%	16.90%	N/A	N/A	N/A	✔	16,638
TOP IN S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2014	IT GAAP	80	140	60	Euro	5.03%	5.03%	N/A	N/A	N/A	N/A	4
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Fortaleza (Brazil)	Transportation	31.12.2015	Brazil GAAP	213	215	2	BRL	99.99%	99.99%	N/A	N/A	N/A	N/A	334
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2013	IT GAAP	41	135	94	Euro	12.00%	12.00%	N/A	N/A	N/A	✔	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2014	IT GAAP	99	104	5	Euro	14.00%	14.00%	N/A	N/A	N/A	✔	14
S.P. M4 S.c.p.a.	Milan (Italy)	Transportation	31.12.2014	IT GAAP	360	204,351	203,991	Euro	16.90%	16.90%	N/A	N/A	N/A	✔	61
MetroB S.r.l.	Rome (Italy)	Transportation	31.12.2014	IT GAAP	18,037	18,147	110	Euro	2.47%	2.47%	N/A	N/A	N/A	✔	494
Total equity investments recognised at cost															**45,403**
Total equity investments															**69,041**

n/a: the company has yet to approve its first financial statements

Equity investments at year end amounted to €69,041 thousand (31 December 2014: €55,949 thousand), of which €23,638 thousand (31 December 2014: €21,747 thousand) was measured using the equity method and €45,403 thousand (31 December 2014: €34,202 thousand) at cost.
The €11,201 thousand increase on 2014, which relates to equity investments measured at cost, is mainly due to the subscription of a further equity investment in Metro de Lima line 2 S.A. (€9,293 thousand), the SPE set up following the award of the contract to build the Lima metro in Peru, and to the SPE Linea M4 S.p.A. (€1,575 thousand) which will construct Line M4 of the Milan metro under concession and the subscription of the investment in Ansaldo STS do Brasil Sistemas de Transporte Ferroviàrio e Metropolitao LTDA (€333 thousand).

13.5 Loans and receivables and other non-current assets

(€'000)	**31.12.2015**	**31.12.2014**
Guarantee deposits	2,267	2,186
Other	18,355	21,362
Other non-current related party loans and receivables	21,210	16,371
Non-current financial assets	**41,832**	**39,919**
Other prepayments	18,332	20,548
Other non-current assets	**18,332**	**20,548**

Other non-current financial assets at 31 December 2015 amount to €41,832 thousand, up by €1,913 thousand on 2014 (€39,919 thousand), while non-current assets amount to €18,332 thousand (31 December 2014: €20,548 thousand).
They may be analysed as follows:

- guarantee deposits (€2,267 thousand), mainly for advances to lessors;
- other: €12,216 thousand related to the Pittsburgh facilities lease; €4,776 thousand to the sale of part of the inventory of the US subsidiary Ansaldo STS USA INC.; €2,313 thousand to the advance paid by the partners of the AIASA Thessaloniki metro joint arrangement which was contracted to construct this metro. The group also participates in the expenses that the joint arrangement has incurred and will incur to develop the contract;
- other non-current related party loans and receivables:
    - €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;
    - €296 thousand due from the EPC Lima consortium;

- €182 thousand due from the MM4 consortium.

- other prepayments relate to the non-current portion of deferred costs for the licence to use the “Ansaldo” trademark owned by Finmeccanica S.p.A. for a 20-year period (€14,479 thousand).

  With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica S.p.A. on 27 December 2005 allowing the group to use the “Ansaldo” trademark on the market. Against the advance payment of royalties of €32,213 thousand, this contract gives the group the exclusive right to use this trademark until 27 December 2025.

13.6 Inventories

(€'000)	**31.12.2015**	**31.12.2014**
Raw materials, consumables and supplies	19,383	17,562
Work-in-progress and semi-finished products	12,314	11,610
Finished goods	10,854	9,943
Advances to suppliers	78,666	67,012
Total	**121,217**	**106,127**

Inventories amount to €121,217 thousand, up by €15,090 thousand on the balance at 31 December 2014 (€106,127 thousand). The increase is due to greater advances to suppliers and higher value of raw materials, work-in-progress and semi-finished products. They are shown net of the relevant allowance of €106,127 thousand (31 December 2014: €5,987 thousand).

13.7 Contract work in progress and progress payments and advances from customers

(€'000)	**31.12.2015**	**31.12.2014**
Advances from customers	(65,594)	(58,719)
Progress payments	(1,842,741)	(1,549,862)
Work-in-progress	2,298,527	1,960,511
Provision for expected losses to complete contracts	(14,947)	(15,619)
Allowance for write-down	(28,892)	(32,157)
Work-in-progress (net)	**346,353**	**304,154**
Advances from customers	(384,195)	(382,968)
Progress payments	(1,749,832)	(3,860,208)
Work-in-progress	1,513,214	3,567,751
Provision for expected losses to complete contracts	(10,272)	(5,602)
Allowance for write-down	(4,700)	(5,200)
Progress payments and advances from customers (net)	**(635,785)**	**(686,227)**
Work-in-progress, net of progress payments and advances from customers	**(289,432)**	**(382,073)**

Work in progress is usually recognised under assets when the related gross carrying amount is higher than advances from customers, or under liabilities when advances are greater than the relevant work in progress.

The overall net amount increased by €92,641 thousand on 31 December 2014, mainly due to the fact that revenue was lower than production.

The provision for expected losses to complete contracts reflects losses not yet incurred but for which a provision was recognised on an accruals basis when the contract budget corresponds to a loss. This provision refers to the relevant contracts. Specifically, €14,947 thousand reflects the decrease in "work in progress (net)" and €10,272 thousand to the increase in "progress payments and advances from customers (net)".

Total advances from customers amount to €449,789 thousand (31 December 2014: €441,687 thousand).

The net balance of work in progress and progress payments and advances from customers 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 described in the directors' report. These advances largely cover the works performed to date which are yet to be invoiced and receivables due. As a consequence, there are no probable risks which would require any accruals or that could have significant effects on the group's financial position and results of operations.

13.8 Trade receivables and loan assets

(€'000)	**31.12.2015**		**31.12.2014**	
	Trade receivables	Loan assets	Trade receivables	Loan assets
Third parties	604,606	37,933	540,748	30,326
Total third parties	**604,606**	**37,933**	**540,748**	**30,326**
Related parties	58,952	563	169,901	10,709
Total	**663,558**	**38,496**	**710,649**	**41,035**

Total trade receivables at 31 December 2015 (€663,558 thousand) decreased from the balance at the previous year end (€710,649 thousand).

Specifically, related party trade receivables decreased to €58,952 thousand, compared to €169,901 thousand at 31 December 2014, mainly as a result of the reclassifications of the amounts due from

Ferrovie dello Stato group and ENI group following Ansaldo STS group's exit from Finmeccanica group during the year.

Third party loan assets at 31 December 2015 amounted to €37,933 thousand (31 December 2014: €30,326 thousand) and mainly relate to amounts due from the parent, Ansaldo STS India and Ansaldo STS Malaysia Sdn Bhd.

Specifically:
- €28,443 thousand reflects the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited in a local bank and tied up pending the resumption of activities;
- €9,489 thousand reflects the short-term deposits made by Ansaldo STS India STS (€7,636 thousand) and Ansaldo STS Malaysia Sdn Bhd (€1,853 thousand) with leading banks.

Related party loan assets amount to €563 thousand (31 December 2014: €10,709 thousand) and relate to an interest-bearing loan granted to S.P. M4 S.C.p.a. which will be repaid in 2016.

With respect to CONSOB communication no. DAC/RM/97003369 of 9 April 1997, we note that, during the year, the group factored without recourse receivables not yet due for €21,946 thousand for the subsidiary Ansaldo STS France S.A.S. (31 December 2014: €49,639 thousand overall, also including for the parent), which were fully settled during the year (31 December 2014: €41,395 thousand), in addition to the repayment of the residual 2014 balance of €8,244 thousand.

13.9 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.

13.10 Tax assets and liabilities

(€'000)	**31.12.2015**		**31.12.2014**	
	Assets	Liabilities	Assets	Liabilities
Direct taxes	26,378	10,816	23,131	10,269
Total	**26,378**	**10,816**	**23,131**	**10,269**

Direct tax assets at 31 December 2015 amount to €26,378 thousand, up €3,247 thousand on the €23,131 thousand at 31 December 2014.

Direct tax assets relate to the parent Ansaldo STS S.p.A. (€15,008 thousand), the companies of the Ansaldo STS France group (€7,941 thousand), the Asia Pacific group (€1,993 thousand) and the Ansaldo STS US INC. group companies (€1,435 thousand).

The direct tax assets pertaining to the parent Ansaldo STS S.p.A. mainly relate to foreign tax assets (€9,974 thousand; 31 December 2014: €6,096 thousand) and to a tax credit in connection with the reimbursement claimed pursuant to article 2.1-*quater* of Decree Law no. 201/2011, related to the smaller IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€3,716 thousand).

Direct tax liabilities amount to €10,816 thousand, up €547 thousand on the balance of €10,269 thousand at 31 December 2014. They mainly relate to the parent Ansaldo STS S.p.A. (€4,726 thousand), ASTS France S.A.S.'s subsidiaries (€3,744 thousand), Ansaldo Railway System Trading (Beijing) Company Limited (€2,316 thousand) and, finally, ASTS Australia PTY LTD subsidiaries (€30 thousand).

13.11 Other current assets

(€'000)	**31.12.2015**	**31.12.2014**
Prepayments - current portion	8,328	11,133
Research grants	18,046	15,148
Employees	1,340	1,264
Social security institutions	50	109
Indirect and other tax assets	42,678	32,745
Derivatives	5,367	8,435
Other	16,117	14,691
Total	**91,926**	**83,525**
Related parties	4	251
Total	**91,930**	**83,776**

Other current third party assets amounted to €91,926 thousand, up €8,401 thousand on the balance of €83,525 thousand at 31 December 2014. The main changes relate to the increase in indirect taxes due to the greater VAT credit for its own and its branches' items.

Other current related party assets amount to €4 thousand and decreased on the previous year (€251 thousand).

For additional information on derivatives, reference should be made to note 13.22.

13.12 Cash and cash equivalents

(€'000)	31.12.2015	31.12.2014
Cash-in-hand	126	105
Bank accounts	304,180	269,962
Total	**304,306**	**270,067**

Cash and cash equivalents at 31 December 2015 amount to €304,306 thousand and mainly relate to Ansaldo STS S.p.A. (€178,636 thousand), Ansaldo STS France group (€28,101 thousand), the Asia/Pacific subsidiaries (€17,538 thousand), Ansaldo STS USA group (€43,653 thousand), Ansaldo Railway System Trading (Beijing) Company Ltd. (€31,254 thousand), Ansaldo STS Sweden (€2,356 thousand) and Ansaldo Deutschland GmbH (€2,145 thousand).

They increased by €34,239 thousand due to the increased cash and cash equivalents of the American subsidiaries and of Ansaldo Railway System Trading (Beijing) Company Ltd.

13.13 Share capital

<u>**Share capital**</u>	**No. of shares**	**in euros** **Nominal amount**	**Treasury shares**	**Total**
Outstanding shares	100,000,000	50,000,000	(806,054)	49,193,946
31 December 2009	**100,000,000**	**50,000,000**	**(806,054)**	**49,193,946**
Bonus issue as resolved by the shareholders in their extraordinary 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 as resolved by the shareholders in their extraordinary 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 as resolved by the shareholders in their extraordinary 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 as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	114	114
31 December 2013	**180,000,000**	**90,000,000**	**(1,578)**	**89,998,422**
Bonus issue as resolved by the shareholders in their extraordinary 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
31 December 2015	**200,000,000**	**100,000,000**	**-**	**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 last instalment of the bonus issue (€10,000,000), issuing 20,000,000 ordinary shares with a nominal amount of €0.50 each.

The parent 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 its managers as part of the 2012 Stock Grant Plan ("SGP") were sold on the market in September 2015.

Based on the shareholders' register and the communications sent to CONSOB and received by the parent 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 shareholders which hold more than 2% of Ansaldo STS S.p.A.'s share capital at 31 December 2015:

Shareholder	% held
Hitachi Rail Italy Investments	40.066
UBS	6.413
Old Mutual PLC	2.970
Amber Capital	2.381
Other shareholders with an investment of less than 2%	48.17

13.14 Retained earnings

(€'000)	
At 31 December 2014	**445,581**
Changes in the consolidation scope	(4,368)
Profit for the year	93,228
Dividends	(30,000)
Reclassifications	64
Other changes	(1)
At 31 December 2015	**504,504**

At 31 December 2015, retained earnings, including profit for the year and consolidation reserves, amounted to €504,504 thousand. The increase is mainly due to the group's profit for the year of €93,228 thousand and the dividend distribution of €30,000 thousand.

13.15 Other reserves

(€'000)	Legal reserve	Hedging reserve	Stock grant reserve	Deferred tax reserve	Translation reserve	Other reserves	Total
31 December 2014	**20,000**	**4,015**	**4,262**	**307**	**3,458**	**(3,978)**	**28,064**
Reclassification from retained earnings or losses carried forward and consolidation reserves	-	-	(64)	-	-	-	**(64)**
Change in the consolidation scope	-	-	-	-	1,562	-	**1,562**
Transfers to profit or loss	-	3,189	-	(39)	-	-	**3,189**
Net exchange rate gains	-	-	-	-	23,702	-	**23,702**
Increase/decrease	-		413	-	-	633	**1,046**
Fair value gains (losses)	-	(8,673)	-	1,495	-	-	**(7,217)**
31 December 2015	**20,000**	**(1,469)**	**4,611**	**1,763**	**28,722**	**(3,345)**	**50,283**

Legal reserve

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.

Hedging reserve

This reserve comprises the fair value gains or losses on the derivatives the group uses to hedge its foreign currency or interest rate exposure (-€1,469 thousand at 31 December 2015), gross of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this takes place, the reserve is recognised in profit or loss to offset the effects of the hedged transaction.

Stock grant reserve

This reserve was set up in 2007 following the board of directors' approval of the Stock Grant Plan (SGP) under which Ansaldo STS shares are awarded to "strategic" and "key" resources and high potential managers upon reaching the agreed targets. For additional information, reference should be made to section 7 "Human resources and organisation" in the directors' report.

This reserve came to €4,611 thousand at 31 December 2015 and the €349 thousand increase is due to:

- the €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;
- €477 thousand due to the transfer to retained earnings for the final calculation and settlement of the 2012-2013 stock grant plan.

Deferred tax reserve

The deferred tax reserve amounts to €1,763 thousand and changed in relation to the recognition of deferred taxation generated by: actuarial gains (losses) following the adoption of the equity method for defined benefit plans and fair value gains and losses on hedging transactions.

Translation reserve

This reserve is used to recognise the exchange rate gains and losses generated by the translation of the financial statements of consolidated companies (31 December 2015: €28,722 thousand). The largest amounts are generated by the consolidation of the subsidiaries Ansaldo STS USA and Ansaldo STS Australia.

Other reserves

This caption also includes the reserve for defined benefit plans (€-5,422 thousand), to which the decrease for the year refers (€633 thousand: actuarial gains on defined benefit plans), the revaluation reserve pursuant to Law no. 413/91 (€832 thousand) and the reserves set up following the parent's receipt of research grants.

13.16 Equity attributable to non-controlling interests

(€'000)	
At 31 December 2014	**1,278**
Change in the consolidation scope	10
Loss for the year attributable to non-controlling interests	(192)
Translation reserve attributable to non-controlling interests	(35)
Dividends	(755)
At 31 December 2015	**306**

Equity attributable to non-controlling interests relates to Ansaldo STS Beijing Ltd., with its registered office in Beijing (China) (20%), a subsidiary of Ansaldo STS France S.A.S..

13.17 Loans and borrowings

(€'000)	31.12.2015			31.12.2014		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans and borrowings	21	-	21	5,363	-	5,363
Other loans and borrowings	1,607	-	1,607	1,973	-	1,973
Related party loans and borrowings	2,500	-	2,500	10,351	-	10,351
Total	**4,128**	**-**	**4,128**	**17,687**	**-**	**17,687**

Changes of the year are as follows:

(€'000)	31.12.2014	Increases	Decreases	Reclassifications	Other changes	31.12.2015
Bank loans and borrowings	5,363	-	(5,342)	-	-	21
Other loans and borrowings	1,973	-	(366)	-	-	1,607
Related party loans and borrowings	10,351	2,500	(10,351)	-	-	2,500
Total	**17,687**	**2,500**	**(16,059)**	**-**	**-**	**4,128**

Other loans and borrowings

Third party loans and borrowings amounted to €1,607 thousand and related to the parent as part of joint ventures for which Ansaldo STS is lead contractor.

Financial debt

The repayment plan and exposure to interest rate fluctuations for group financial liabilities are as follows:

(€'000)	Bank loans and borrowings		Other		Total	
31 December 2015	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within one year	21	-	4,107	-	4,128	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**21**	**-**	**4,107**	**-**	**4,128**	**-**

(€'000)	Bank loans and borrowings		Other		Total	
31 December 2014	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within one year	5,363	-	12,324	-	17,687	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**5,363**	**-**	**12,324**	**-**	**17,687**	**-**

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

	(€'000)	**31.12.2015**	**31.12.2014**
A	Cash-in-hand	126	105
B	Other cash and cash equivalents (bank current accounts)	304,180	269,962
C	Securities held for trading	-	-
D	**CASH AND CASH EQUIVALENTS (A+B+C)**	**304,306**	**270,067**
E	**CURRENT LOAN ASSETS**	**38,496**	**41,035**
F	Current bank loans and borrowings	21	5,363
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	4,107	12,324
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**4,128**	**17,687**
J	**NET CURRENT FINANCIAL POSITION (I-E-D)**	**(338,674)**	**(293,415)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	-	-
N	**NON-CURRENT FINANCIAL DEBT (POSITION) (K+L+M)**	**-**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(338,674)**	**(293,415)**

13.18 Provisions for risks and charges and contingent liabilities

(€'000)	**Product warranties**	**Disputes with employees**	**Other**	**Total**
At 31 December 2014	**8,466**	**861**	**1,095**	**10,422**
Reclassifications	-	(70)	70	-
Accruals	2,439	395	558	3,392
Reversals	(911)	(366)	(107)	(1,384)
Utilisation	(1,414)	(7)	(35)	(1,456)
Other changes	152	-	-	152
At 31 December 2015	**8,732**	**813**	**1,581**	**11,126**
Current	8,466	861	1,095	10,422
Non-current	-	-	-	-
At 31 December 2014	**8,466**	**861**	**1,095**	**10,422**
Current	8,732	813	1,581	11,126
Non-current	-	-	-	-
At 31 December 2015	**8,732**	**813**	**1,581**	**11,126**

The provision for risks and charges totalled €11,126 thousand at 31 December 2015, up by €704 thousand on the previous year end (€10,422 thousand). The increase is mainly due to the accruals for product warranties of the French subsidiary and the accrual to the provision for taxation made by the parent Ansaldo STS (€550 thousand) to cover a tax risk that arose during the year in relation to an inspection underway at the Danish branch.

In relation to the provisions for risks, the activities of the Ansaldo STS group companies relate to business units and markets where disputes are generally only settled after a significant time lapse, especially in cases where the counterparty is a public body.

Provisions have been made for risks that are probable and for which the amount can be determined.

Based on current information, specific provisions have not been set aside for the various disputes as they are expected to be resolved satisfactorily and without significantly impacting results.

For additional information, reference should be made to the "Litigation" paragraph of the separate financial statements.

13.19 Employee benefits

The amount of and changes in post-employment benefits and the defined benefit plans are as follows:

(€'000)	**31.12.2015**	**31.12.2014**
Italian post-employment benefits	17,948	20,120
Defined benefit pension plans	15,207	14,555
Total	**33,155**	**34,675**

(€'000)	**Italian post-employment benefits**		**Defined benefit plans**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Present value of obligations	17,948	20,120	15,207	14,555
Fair value of plan assets	-	-	-	-
Unrecognised actuarial gain (loss)	-	-	-	-
Total	**17,948**	**20,120**	**15,207**	**14,555**

Changes in defined benefit plans and Italian post-employment benefits are as follows:

(€'000)	31.12.2014 Italian post-employment benefits	Defined benefit plans
At 31 December 2014	**20,120**	**14,555**
Current costs	613	934
Benefits paid	(2,258)	(176)
Other changes	-	6
Actuarial losses taken to equity	(527)	(112)
of which:		
Actuarial losses taken to equity following changes to financial assumptions	(282)	(276)
Actuarial gains/(losses) taken to equity following experience-based adjustments	(245)	164
At 31 December 2015	**17,948**	**15,207**

The amount recognised in the income statement is as follows:

	Italian post-employment benefits		Defined benefit plans	
(€'000)	**2015**	**2014**	**2015**	**2014**
Current service costs	324	269	669	470
Interest expense	289	447	265	378
Total	**613**	**716**	**934**	**848**

The following main actuarial assumptions were used:

	Italian post-employment benefits		Defined benefit plans	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Discount rate (p.a.)	1.89%	1.75%	1.9%	1.8%
Salary increase rate	N.A.	N.A.	2.5%	2.5%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.26%	0.91% - 3.81%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the company's obligation:

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	**0.25**	**-0.25%**	**0.25%**
Discount rate (p.a.)	18,330	17,584	15,780	14,417
Inflation rate	17,667	18,235	14,418	15,775
Turnover rate	17,943	17,953	14,830	15,328

The average term of the Italian post-employment benefits 12 years, while that of other defined benefit plans is 18 years.

13.20 Other current and non-current liabilities

(€'000)	31.12.2015		31.12.2014	
	Current	Non-current	Current	Non-current
Employees	34,995	7,353	40,119	6,795
Indirect and other tax liabilities	15,079	-	13,691	-
Amounts due to social security institutions	17,611	-	16,048	-
Derivatives	14,612	-	5,194	-
Other	28,556	4,439	34,593	5,063
Total other third party liabilities	**110,853**	**11,792**	**109,645**	**11,858**
Other related party liabilities	402	-	602	-
Total	**111,255**	**11,792**	**110,247**	**11,858**

Other current and non-current third party liabilities amount to €122,645 thousand, up €1,142 thousand on 31 December 2014 (€121,503 thousand). The increase is mainly due to derivatives and amounts due to social security institutions, offset by the decrease in personnel liabilities for accruals for short-term deferred remuneration, and other liabilities.

Specifically, other third party liabilities include the outstanding 62% of the consideration to be paid for the acquisition of the investment in Metro C S.c.p.A. (€12,950 thousand) (31 December 2014: €12,950 thousand) and advances for R&D grants of the parent of €8,843 thousand.

Other current and non-current related-party liabilities amount to €402 thousand (31 December 2014: €602 thousand).

For additional information on derivatives, reference should be made to note 13.22.

13.21 Trade payables

(€'000)	31.12.2015	31.12.2014
Trade payables	390,726	314,860
Total trade payables	**390,726**	**314,860**
Related party trade payables	25,247	54,005
Total	**415,973**	**368,865**

Total trade payables at 31 December 2015 of €415,973 thousand increased on the previous year's balance of €368,865 thousand.

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 group's exit from the Finmeccanica group.

The decrease in related party liabilities relates to this reclassification.

There are no trade payables due after five years.

13.22 Derivatives

Derivative assets and liabilities may be analysed as follows:

	31.12.2015		31.12.2014	
(€'000)	Assets	Liabilities	Assets	Liabilities
Fair value hedges	3,599	163	3,726	1,385
Cash flow hedges	1,768	14,449	4,709	3,809
Currency hedges	**5,367**	**14,612**	**8,435**	**5,194**

Derivative liabilities increased from the previous year's balance due to the new cash flow hedges.

Fair value measurement

Ansaldo STS group does not hold listed derivative instruments at 31 December 2015. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies. The fair value of swaps is calculated discounting the future cash flows at market rates.

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

(€'000)	**31.12.2015**	**31.12.2014**
Euro	62,345	98,022
US dollar	397,556	155,986
Pound sterling	10,014	9,629
Swedish krona	29,849	28,609
Australian dollar	34,436	43,159
Hong Kong dollar	1,291	451
Indian rupee	5,133	4,819
United Arab Emirates dirham	12,511	4,485

Although it is exposed to the risk of fluctuations in interest rates, the group does not hedge the interest rate risk.

13.23 Guarantees and other commitments

Leases

The group is party to certain operating leases, mainly for use of property, plant and equipment. Minimum future payments are as follows:

(€'000)	*Operating leases*
Within one year	2,389
Between two and five years	8,147
After five years	1,859
	12,395

Guarantee portfolio

Sureties and bonds issued by banks or insurance companies to customers for trading transactions play a fundamental role in the finalisation of national/international tenders and are a basic requirement in the awarding of contracts.

Bid bonds

This guarantee is given to participate in tenders. Usually, it has a 3/6-month term and reflects 1-3% of the basic bid amount or the estimated bid amount.

Because of its nature, the total value of the bid bond with respect to guarantees is usually modest. At 31 December 2015, it accounted for approximately €39 million in the guarantee portfolio.

Performance bonds

This guarantee ensures the successful performance of the project or the supply. They are usually required when signing contracts and its term reflects that of the works or the supply for which they were issued.
They can be of a short-term nature in the case of supply contracts, while they can be of a very long-term nature for turnkey contracts as they include the operation & maintenance stage. The amount depends on the type of contract and the relevant context. Usually, it ranges between 10-15% of the contractual value.
This type of guarantee accounted for approximately €983 million in the guarantee portfolio at 31 December 2015.

Retention money bonds
Where contractually provided for, retention money bonds represent the guarantee given to release the amounts held by the customer as a guarantee on the services provided and invoiced. They are released progressively and for minimum amounts (for example, 5% of works/supplies performed and invoiced). Where not explicitly provided for in the contract, the bond can be also be released upon completion of works.
This type of guarantee accounted for approximately €29 million in the guarantee portfolio at 31 December 2015.

Advance payment bonds
Advance payment bonds, also called down payment bonds, enable the customer to recover an advance payment made to the supplier at the beginning of the project/supply. They decrease as the advance is reabsorbed through the invoicing of the supplier to the customer. The amount of this guarantee varies according to the contract type and the context in which it has been issued. Generally, it can vary from 10% to 15% of the contractual amount up to 25%-35% in some international contexts. At 31 December 2015, these guarantees amounted to over €623 million.

Counter guarantees
Counter guarantees are another type of guarantee. They are presented by the parent Ansaldo STS S.p.A. for contracts agreed as member of consortia and joint ventures. At 31 December 2015, this type of guarantee amounted to approximately €130 million.

Part of the sureties detailed above was released at 31 December 2015 by using the credit lines of Finmeccanica S.p.A. (€190 million) and Ansaldo STS S.p.A. (€258 million) for transactions on behalf of the subsidiaries.

Parent company guarantees - Ansaldo STS S.p.A.

The parent company guarantee (PCG) represents the guarantee given by the parent in favour of third parties to guarantee the commitments of a subsidiary. This guarantee can be given for various purposes: issuing commercial guarantees, where the parent Ansaldo STS S.p.A. takes over as guarantor with the banks, for a total of approximately €635 million at 31 December 2015, to the guarantees released by the parent to the banks for the credit lines granted to Ansaldo STS group companies totalling €221 million at 31 December 2015.

Parent company guarantees - Finmeccanica

At 31 December 2015, the parent has parent company guarantees issued by the former ultimate parent Finmeccanica (€1,263 thousand) to foreign customers of the group.

The group has the following guarantees at 31 December 2015:

Direct guarantees and hold harmless agreements for guarantees issued by third parties in the interest of the group to customers and other third parties (€'000)	**Total**
Personal guarantees issued by Finmeccanica (parent company guarantees) and Finmeccanica Finance S.A. (advance payment bonds, performance bonds and retention money bonds) to customers for trading transactions (*)	**1,262,985.0**
Personal guarantees issued by Ansaldo STS (parent company guarantees) to customers for trading transactions	**631,866.4**
Sureties and bonds (advance payment bonds, performance bonds, bid bonds and retention bonds) issued by banks or insurance companies to customers for trading transactions	**1,861,060.5**
of which, counter-guaranteed by Finmeccanica (*)	190,184.4 (**)
of which, counter-guaranteed by Ansaldo STS	257,959.7
Direct and other guarantees issued by Ansaldo STS, banks or insurance companies to other third parties for non-contractual/trading guarantees (financial and tax transactions)	**35,324.5**
Total	**3,791,236.4**

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

(**) including USD194 million related to the Honolulu project.

14 NOTES TO THE INCOME STATEMENT

14.1 Impact of related party transactions on profit or loss

2015	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	(301)	-	-	-
Subsidiaries						
Alifana S.c.r.l.	25	-	-	-	-	-
Alifana Due S.c.r.l.	195	-	194	-	-	-
Associates						
International Metro Service S.r.l.	-	10	-	-	-	-
Metro 5 S.p.A.	26,484	4,067	112	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	185	-	-	-
SP M4 S.C.p.A	-	-	503	210	-	-
Metro Brescia S.r.l.	1,370	74	60	11	-	-
Metro Service A.S.	-	-	39,316	-	-	-
Joint ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(2,770)	-	-	-	-	-
Consortia						
Ascosa Quattro consortium	134	-	40	-	-	-
Cesit consortium	-	-	-	-	-	-
Ferroviario Vesuviano consortium	(993)	-	49	-	-	-
Saturno consortium	21,343	-	1,911	-	-	-
Consorzio San Giorgio Volla 2	668	-	70	-	-	-
San Giorgio Volla consortium	(80)	-	(4)	-	-	-
MM4 consortium	22,468	-	537	-	-	-
Cris Consortium	-	-	1	-	-	-
Other group companies						
Hitachi Rail Italy S.p.A.	4,343	-	14,084	-	-	-
I.M. Intermetro S.p.A. (in liquidation)	15	-	2	-	-	-
Total	**73,202**	**4,151**	**56,759**	**221**	**-**	**-**
% of the total corresponding financial statements caption	**5%**	**17%**	**6%**	**1%**	**0.0%**	**0.0%**

2014	**Revenue**	**Other operating income**	**Costs**	**Financial income**	**Financial expense**	**Other operating expense**
(€'000)						
Ultimate parent						
Finmeccanica S.p.A.	-	-	4,656	60	37	35
Subsidiaries						
Alifana S.c.r.l.	25	-	84	-	-	-
Alifana Due S.c.r.l.	687	-	687	-	-	-
Associates						
International Metro Service S.r.l.	-	21	-	-	-	-
Metro 5 S.p.A.	2,993	613	65	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	345	-	-	-
SP M4 S.C.p.A	-	-	-	400	-	-
Metro Brescia S.r.l.	206	-	31	-	-	-
Metro 5 Lilla S.r.l.	19,727	-	236	-	-	-
Metro Service S.p.A.	-	-	48,149	-	-	-
Joint ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	10,314	-	16	-	-	-
Consortia						
Ascosa Quattro consortium	156	-	86	-	-	-
Cesit consortium	-	-	-	-	-	24
Ferroviario Vesuviano consortium	-	-	125	-	-	-
Cris consortium	-	-	1	-	-	-
Consorzio San Giorgio Volla 2	584	-	77	-	-	-
San Giorgio Volla consortium	4	-	24	-	-	-
MM4 consortium	19,909	-	1,345	-	-	-
Saturno Consortium	18,435	-	1,720	-	-	-
Other group companies						
AnsaldoBreda S.p.A.	9,265	-	28,664	-	-	-
I.M. Intermetro S.p.A. (in liquidation)	1	-	-	-	-	-
Electron Italia S.r.l.	4	-	-	-	-	-
Selex ES S.p.A.	683	-	30,868	-	-	-
Fata S.p.A.	-		232			
Fata Logistic System S.p.A.	-	-	1,578	-	-	-
Finmeccanica UK LTD	-	-	127	-	-	-
AnsaldoBreda España SLU	(5)	-	-	-	-	-
Finmeccanica Global Services S.p.A.	-	5	867	-	-	14
Telespazio S.p.A.	-	-	2	-	-	-
E-Geos S.p.A.	-	-	36	-	-	-
Other - MEF						
Ferrovie dello Stato group	116,261	350	1,696	-	-	-
Eni group	22,521	-	20	-	-	-
Enel group	-	-	101	-	-	-
Total	**221,770**	**989**	**121,838**	**460**	**37**	**73**
% of the total corresponding financial statements caption	**17%**	4%	**14%**	**1%**	**0.1%**	**0.5%**

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.

2015 (€'000)	Revenue	Other operating income	Costs	Recovery of costs	Other operating expense	Financial income	Financial expense
Utimate parents							
Finmeccanica S.p.A.	-	1	4,655	43	18	17	35
Associates							
Telespazio S.p.A.	-	-	1	-	-	-	-
E-Geos S.p.A.	-	-	68	-	-	-	-
AnsaldoBreda S.p.A.	16,922	-	14,938	1,230	-	-	-
SO.GE.PA. S.p.A. (in liq.)	-	-	-	-	-	-	-
Fata Logistic System S.p.A.	-	-	1,349	-	-	-	-
Finmeccanica Global Services S.p.A.	-	-	460	-	1	-	-
Fata S.p.A.	-	-	194	-	-	-	-
Finmeccanica UK LTD	-	-	115	-	-	-	-
AnsaldoBreda España SLU	8	-	-	-	-	-	-
Selex ES S.p.A.	101	71	22,157	-	-	-	-
Ferrovie dello Stato group	97,475	-	1,692	-	-	-	-
Enel group	-	-	69	-	-	-	-
ENI group	7,528	-	10	-	-	-	-
Total	**122,034**	**72**	**45,708**	**1,273**	**19**	**17**	**35**

14.2 Revenue

(€'000)	**2015**	**2014**
Sales	2,587,278	851,464
Services	165,451	146,439
	2,752,729	**997,903**
Change in work in progress	(1,442,094)	83,835
Third party revenue	**1,310,635**	**1,081,738**
Related party revenue	**73,202**	**221,770**
Total revenue	**1,383,837**	**1,303,508**

Revenue amounted to €1,383,837 thousand in 2015, up €80,329 thousand on the €1,303,508 thousand balance in 2014. The increase was mainly due to projects of the parent and the subsidiary Ansaldo STS USA.

Related party revenue decreased by €148,568 thousand, mainly as a result of the reclassifications of the amounts due from Ferrovie dello Stato group and ENI group following the group's exit from Finmeccanica group during the year.

Progress reports were recognised in relation to certain of the parent's projects (the high speed, Brescia metro and Riyadh metro projects), balancing the amount of the change in work in progress.

14.3 Other operating income

(€'000)	**2015**	**2014**
R&D grants	2,683	3,773
Training grants	202	502
Gains on sales of property, plant and equipment and intangible assets	108	8
Reversals of impairment losses on loans and receivables	911	1,227
Reversals of provisions for risks and charges	103	4,175
Release of the provision for expected losses to complete contracts	1,025	-
Royalties	288	443
Financial income and exchange rate gains on operating items	2,218	2,025
Tax asset for R&D	2,974	3,111
Other operating income	10,095	11,210
Other third party operating income	**20,607**	**26,474**
Other related party operating income	**4,151**	**989**
Total other operating income	**24,758**	**27,463**

Other operating income amounted to €24,758 thousand, down on the balance of the previous year (€27,463 thousand). Within the individual captions comprising this balance, there was a decrease due to the release of the provisions for risks and charges (for additional information reference should be made to the note to "Provisions for risks and charges and contingent liabilities") and grants for research and development projects, offset by the increase in the release of provisions for expected losses to complete contracts.

14.4 Purchases and services

(€'000)	**2015**	**2014**
Materials	340,717	296,952
Change in inventories	(745)	(1,559)
Services	494,588	414,488
Rentals and operating leases	21,570	24,487
Total third party purchases and services	**856,130**	**734,368**
Total related party purchases and services	**56,759**	**121,838**
Total purchases and services	**912,889**	**856,206**

Total purchases and services of €912,889 thousand increased by €56,683 thousand on those for the previous year (€856,206 thousand) mainly due to larger production volumes in 2015.

Purchases of materials and change in inventories amount to €339,972 thousand (2014: €295,393 thousand), up by €44,579 thousand.

Services amount to €494,588 thousand (2014: €414,488 thousand), up by €80,100 thousand.

Rentals and operating leases amount to €21,570 thousand (2014: €24,487 thousand), down by €2,917 thousand. They mainly relate to long-term rentals of company cars, software licences and the lease of premises.

Related party purchases and services decreased by €65,079 thousand, mainly as a result of the reclassifications of the amounts due from Ferrovie dello Stato group and ENI group following the group's exit from Finmeccanica group during the year.

Reference should be made to note 4.1 "Impact of related party transactions on profit or loss" for further details on related party transactions.

14.5 Personnel expense

(€'000)	***2015***	***2014***
Wages and salaries	250,532	245,585
Stock grant plans	1,891	1,926
Social security and pension contributions	57,200	52,342
Italian post-employment benefits	324	269
Other defined benefit plans	669	470
Other defined contribution plans	4,439	4,150
Recovery of personnel expense	(1,264)	(1,617)
Disputes with personnel	29	284
Restructuring costs	-	5,970
Other costs	7,856	7,143
Total	**321,676**	**316,522**

The headcount at 31 December 2015 numbered 3,772, down by 27 employees on the previous year (3,799).
The average headcount on the payroll in 2015 numbered 3,748, compared to 3,854 employees in 2014, down by 106 employees.
Personnel expense came to €321,676 thousand, up by €5,154 thousand on the previous year (€316,522 thousand). This is due to the higher wages and salaries and social security charges, partially offset by the absence of restructuring costs due to the completion of the redundancy plan in Italy in 2014 (2014: €5,970 thousand).
In relation to incentive plans which involve assigning shares to employees, on 17 February 2014, the parent’s remuneration committee approved a three-year stock grant plan for 2014 - 2016 which was subsequently passed by the shareholders in their meeting of 15 April 2014. This 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).
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 for 2015, equal to €1,891 thousand (2014: €1,926 thousand), was recognised with a balancing entry in an equity reserve.
The Italian post-employment benefit and other defined benefit plan expense represents only the service cost, as interest expense is classified under financial expense following the adoption of the equity method.

14.6 Amortisation, depreciation and impairment losses

(€'000)	**2015**	**2014**
Amortisation and depreciation:		
- intangible assets	6,601	5,604
- property, plant and equipment	9,137	9,096
	15,738	**14,700**
Impairment losses:		
- current loans and receivables	2,968	3,627
- other assets	19	20
	2,987	**3,647**
Total amortisation, depreciation and impairment losses	**18,725**	**18,347**

Amortisation, depreciation and impairment losses amount to €18,725 thousand and increased by €378 thousand on 2014 (€18,347 thousand). The increase was due to higher amortisation of the year.

Specifically, €6,601 thousand relates to intangible assets and €9,137 thousand to property, plant and equipment.

14.7 Other operating expense

(€'000)	***2015***	***2014***
Accruals to the provisions for risks and charges	2,447	2,646
Losses to complete contracts	4,085	(2,193)
Membership fees	762	803
Losses on sales of property, plant and equipment and intangible assets	196	30
Exchange rate losses on operating items	9,275	6,745
Interest and other operating expense	1,873	1,739
Indirect taxes	3,753	4,326
Other operating expense	2,193	1,589
Total other third party operating expense	**24,584**	**15,685**
Other related party operating expense	**-**	**73**
Total other operating expense	**24,584**	**15,758**

Other third party and related party operating expense amounted to €24,584 thousand, up by €8,826 thousand on 2014 (€15,758 thousand). Specifically, the increase related to greater losses to complete contracts and higher exchange rate losses.

Starting from 2012, expected losses to complete contracts are no longer recognised against revenue, rather under "Other operating expense".

14.8 Internal work capitalised

(€'000)	*2015*	*2014*
Internal work capitalised	(5,312)	(4,885)

Internal work capitalised mainly relates to:

- the parent Ansaldo STS S.p.A. (€4,694 thousand), almost entirely related to the Satellite and Rail Telecom project begun in 2012 to develop satellite technologies for new railway signalling systems. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority;
- the French subsidiary Ansaldo STS France S.A.S. (€618 thousand), with respect to costs for the internal construction (personnel, materials and services) of intangible assets and property, plant and equipment.

14.9 Net financial expense

	2015			**2014**		
(€'000)	Income	Expense	Net	Income	Expense	Net
Interest and fees	1,246	1,786	(540)	919	1,636	(717)
Exchange rate gains and losses	28,828	28,980	(152)	29,206	29,154	52
Fair value gains and losses	545	3,347	(2,802)	1,378	1,781	(403)
Interest on Italian post-employment benefits	-	289	(289)	-	447	(447)
Interest on other defined benefit plans	-	265	(265)	-	378	(378)
Other financial income and expense	-	554	(554)	-	851	(851)
Total net financial expense	**30,619**	**35,221**	**(4,602)**	**31,503**	**34,247**	**(2,744)**
Net related party financial income	**221**	**-**	**221**	**460**	**37**	**423**
Total	**30,840**	**35,221**	**(4,381)**	**31,963**	**34,284**	**(2,321)**

In 2015, net third party financial expense amounted to €4,602 thousand, compared to €2,744 thousand in 2014.

The €1,858 thousand drop in this balance is mainly due to the €2,399 thousand decrease in net fair value losses on derivatives still in place at the end of the reporting period.

In 2015, net related party financial income decreased by €202 thousand, mainly as a consequence of lower interest expense due to an interest-bearing loan granted to SP M4 S.C.p.A..

As shown in the table, interest on the Italian post-employment benefits and defined benefit plans amount to €554 thousand in 2015, compared to €825 thousand in 2014.

14.10 Share of profits (losses) of equity-accounted investees

	2015			2014		
(€'000)	Income	Expense	Net	Income	Expense	Net
Share of profits (losses) of equity-accounted investees	5,324	-	5,324	2,700	896	1,804
Total	**5,324**	**-**	**5,324**	**2,700**	**896**	**1,804**

The share of profits (losses) of equity-accounted investees is a positive €5,324 thousand and comprises the profit of the investees International Metro Service S.r.l. (€3,682 thousand), the associates Metro 5 S.p.A. (€1,368 thousand) and Metro Brescia S.r.l. (€48 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€226 thousand).

14.11 Income taxes

This caption comprises:

(€'000)	***2015***	***2014***
IRES	12,594	12,385
IRAP	1,985	4,887
Other foreign taxes	27,503	27,725
Prior year taxes	(163)	(51)
Provisions for tax risks	550	-
Net deferred tax (income) expense	1,207	(1,665)
Total	**43,676**	**43,281**

The amount of income taxes in 2015 is substantially unchanged from that of the previous year. Specifically:

- the €2,872 thousand increase in net deferred tax income, which rose from net deferred tax expense of €1,665 thousand to net deferred tax income of €1,207 thousand. This is mainly due to the transfer of the deferred tax assets of the parent Ansaldo STS and the subsidiary Ansaldo STS USA related to the provisions for risks and charges;
- IRES (€12,594 thousand) and IRAP (€1,985 thousand), related to the parent. The €2,902 thousand decrease in IRAP is a result of the new legislation introduced in Italy by the 2015 Stability Law related to the deductibility of personnel expense for employees with open-ended contracts;

- income taxes of foreign companies (€27,503 thousand), largely unchanged from the previous year.

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

Pre-tax profit	136,712	-		123,975	-	
Taxes calculated at ruling tax rates		37,596	27.50%		34,093	27.50%
Permanent differences	(356)	(98)	-0.07%	8,716	2,397	1.93%
	136,356	37,498	27.43%	132,691	36,490	29.43%
Different rates on foreign taxes and/or due to losses of the year	-	3,078	2.25%	-	3,232	2.61%
IRAP and other taxes calculated on a basis other than pre-tax profit	-	2,713	1.98%	-	3,720	3.00%
Prior year taxes	-	(163)	-0.12%	-	(162)	-0.13%
Provisions for tax risks	-	550	0.40%	-	-	0.00%
Total effective taxes recognised in profit or loss		**43,676**	**31.95%**		**43,281**	**34.91%**

At 31 December 2015, the effective tax rate is 31.95%, compared to 34.91% in the previous year, with a decrease of approximately 3%, mainly due to the lower IRAP of the parent Ansaldo STS following the deductibility of personnel expenses for employees with open-ended contracts (as per the 2015 Stability Law) and to the different mix of pre-tax profits (losses) of individual group companies.

	Income statement		Statement of financial position	
(€'000)	Income	Expense	Assets	Liabilities
Italian post-employment benefits and pension funds	258	(145)	5,125	-
Remuneration			697	-
Property, plant and equipment and intangible assets	(374)	141	1,218	533
Provisions for risks and charges	(3,002)		20,495	-
Research grants		179	154	2,127
Allowances for WIP and inventory write-down	923		1,959	-
Cash flow hedges - defined benefit plans			2,490	1,158
Tax losses	(427)		1,670	
Other	(496)	(2,086)	5,679	6,547
Total	**(3,118)**	**(1,911)**	**39,487**	**10,365**

The deferred tax assets generated by the "Provisions for risks and charges" mainly relate to the US subsidiaries (€6,269 thousand) and the parent (€13,797 thousand).

The deferred tax assets on tax losses fully relate to the subsidiary Ansaldo STS USA (€1,670 thousand).

The deferred tax assets related to the allowance for work-in-progress and inventory write-down mainly relate to the subsidiary Ansaldo STS USA (€253 thousand), Ansaldo STS France (€1,413 thousand) and the parent Ansaldo STS S.p.A. (€293 thousand).

"Other" mainly relates to the parent, Ansaldo STS S.p.A. (€2,138 thousand), the subsidiary Ansaldo STS Australia (€1,830 thousand) and the subsidiary Ansaldo STS USA INC. (€1,618 thousand).

Deferred tax liabilities mainly relate to the parent.

Deferred tax assets and liabilities include those recognised with a balancing entry directly in equity, on derivatives recognised as cash-flow hedges and actuarial gains/losses following the adoption of the equity method for defined benefit plans.

This equity item changed as follows during the year:

(€'000)	**2014**	**Transfers to profit or loss**	**Fair value gains or losses**	**Other changes**	**2015**
Deferred taxes directly recognised in equity	**307**	(39)	1,495	-	**1,763**

15 EARNINGS PER SHARE

Earnings per share ("EPS") are calculated by:

- dividing the profit for the year attributable to holders of ordinary shares by the average number of ordinary shares outstanding in the year, net of treasury shares (basic EPS);
- dividing the profit for the year by the average number of ordinary shares and those that could arise from the exercise of all options under stock option plans, net of treasury shares (diluted EPS).

Basic EPS	***2015***	***2014***
Average shares outstanding during the year	199,995,192	189,313,578
Profit for the year (€'000)	93,036	80,694
Basic and diluted EPS	0.47	0.43

16 CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the cash flows from operating activities:

(€'000)	**2015**	**2014**
Profit for the year	93,036	80,694
Share of profits (losses) of equity-accounted investees	(5,324)	(1,804)
Income taxes	43,676	43,281
Italian post-employment and other employee benefits	993	739
Stock grant plans	1,891	2,043
Net gains on the sale of assets	87	22
Net financial income	4,381	2,321
Litigation costs	-	284
Amortisation, depreciation and impairment losses	18,725	18,347
Accruals to/reversals of provisions for risks	2,008	(2,756)
Other operating income/expense	7,758	(298)
Write-downs/reversals of write-downs of inventories and work in progress	(5,223)	6,262
Total	**162,008**	**149,135**

The change in working capital, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

(€'000)	**2015**	**2014**
Inventories	(14,223)	5,807
Work in progress and progress payments and advances from customers	(28,366)	29,741
Trade receivables and payables	51,483	(69,410)
Total	**8,894**	**(33,862)**

The change in other operating assets and liabilities, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

(€'000)	**2015**	**2014**
Payment of Italian and other post-employment benefits	(7,513)	(2,135)
Taxes paid	(33,003)	(29,039)
Changes in other operating items	(27,983)	758
Total	**(68,499)**	**(30,416)**

Reference should be made to section 2.3 on the group's financial position for a discussion of changes in the consolidated statement of cash flows.

17 FINANCIAL RISK MANAGEMENT

The group's operations expose it to the following financial risks:

- market risks, related to currency risk, operations in currencies other than the functional currency, interest rate 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 group specifically monitors each of these financial risks and acts promptly to minimise them including via hedging derivatives. Ansaldo STS group's approach to managing these risks, in line with internal policies, is described below.

Currency risk

As described in the treasury management policy, Ansaldo STS group manages currency risk by pursuing the following objectives:

- limiting potential losses generated by unfavourable exchange rate fluctuations against the currency used by Ansaldo STS S.p.A. and its subsidiaries;
- limiting forecast or actual costs related to the implementation of currency risk management policies.

Currency risk shall only be hedged if it has a material impact on cash flows, compared to the functional currency.

Costs and risks related to a hedging policy (hedge, no hedge or partial hedge) must be acceptable in both financial and commercial terms.

Currency risk may be hedged using the following tools:

- purchase and sale of currency forwards: these are the most commonly used cash flows hedges;
- funding/lending in foreign currency: used to mitigate 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 Ansaldo STS group's overall treasury management and financial position (both long- and short-term).

The purchase and sale of foreign currency is generally the hedge tool used when foreign markets are not sufficiently liquid or when it is the most cost effective hedging method.

Currency risk hedging

There are three main types of currency risk:

1. The 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. The 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.

Ansaldo STS group 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.

Cash flow hedges

Hedges are entered into at the time sales contracts are agreed, using plain vanilla instruments (currency swaps and forwards) that qualify for hedge accounting under IAS 39. They are recognised as cash flow hedges, whereby the effective portion of fair value gains or losses on hedging derivatives is recognised in the relevant hedging reserve once the hedging strategy is demonstrated to be effective.

If the hedge is not deemed effective (i.e., does not fall within the 80% and 125% range), fair value gains or losses on hedging instruments are immediately expensed as financial items and the related fair value gains or losses accumulated in the hedging reserve up to the date of the most recent successful test of effectiveness are reclassified to profit or loss.

The calculation of hedge effectiveness does not include the fair value of financial income and expense as it is directly recognised in profit or loss. Accordingly, the impact on profit or loss of this component is not deferred, improving the transparency and consistency of the hedging reserve. Moreover, the result of the forex effectiveness test is simplified as comparison is limited to two notional amounts: the forex and the hedged underlying.

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 group hedges fair value gains or losses related to the currency risk on recognised assets and liabilities.

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

local currency in €'000	*Sell15*	*Buy15*	***31.12.2015***	*Sell14*	*Buy14*	***31.12.2014***
Euro	21,482	40,863	**62,345**	38,630	59,392	**98,022**
US dollar	330,936	66,620	**397,556**	77,882	78,104	**155,986**
Pound sterling	10,014	-	**10,014**	9,629	-	**9,629**
Swedish krona	-	29,849	**29,849**	861	27,748	**28,609**
Australian dollar	-	34,436	**34,436**	-	43,159	**43,159**
Hong Kong dollar	1,291	-	**1,291**	451	-	**451**
Indian rupee	5,133	-	**5,133**	4,819	-	**4,819**
United Arab Emirates dirham	12,511	-	**12,511**	4,485	-	**4,485**

The net fair value of the derivatives in place at 31 December 2015 was a negative €9,245 thousand.

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 relevant 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 group, a sensitivity analysis was performed on financial instruments denominated in 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 group's consolidated financial statements:

(€'000)	*31.12.2015*		*31.12.2014*	
	+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	(6,500)	7,184	(4,740)	5,239
Hedging reserve	13,100	(14,553)	79	(108)

The sensitivity of the income statement to the Euro/US dollar exchange rate fluctuations is higher than in 2014, and the impact on the financial position increased, as a result of the new significant forex positions opened by the parent Ansaldo STS S.p.A. during the year.

Interest rate risk

Under the policy, the aim of interest rate risk management is to reduce the negative effects of interest rate fluctuations on the group's financial position, results of operations and weighted average cost of capital.

Ansaldo STS group manages interest rate risk to pursue the following objectives:

- stabilise the weighted average cost of capital;
- minimise Ansaldo STS group's medium- and long-term weighted average cost of capital by focusing on the effects of interest rates on both 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.

Again in 2015, the group managed this risk without the use of derivatives.

Sensitivity analysis of interest rates

A sensitivity analysis was performed on the assets and liabilities exposed to interest rate risk to assess the impact on profit or loss, assuming a parallel and symmetric 50 basis point rise (fall) (0.5%) in interest rates; the adopted range has been chosen by IFRS for the analysis.

The impact of these scenarios on the group's financial statements at 31 December 2015 is summarised in the following table:

	2015		*2014*	
(€'000)	+50 bps	-50 bps	+50 bps	-50 bps
Income statement	760	(760)	217	(217)

These impacts are the result of lower interest income that would be produced by floating rate net financial position, in the case of interest rates greater or lower by 50 basis points, respectively.
The change in interest rates would have no impact on the measurement of recognised financial instruments, as there are no financial assets or liabilities (not derivative) recognised at fair value through profit or loss.
Moreover, the derivatives entered into by the group are exclusively exchange rate derivatives and a change in the interest rates of the various currencies would have no relevant impacts on fair value at year end.
There are no impacts on equity, as the group has no cash flow hedges on the interest rate risk.
The results achieved at 31 December 2015 increased on those of the previous year as a result of to the increase in receivables and payables exposed to interest rate fluctuations.

Liquidity risk

Ansaldo STS group 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 (current accounts between the parent and the group companies) and an active presence on financial markets which has enabled the group to obtain short- and medium- to long-term non-revolving cash and unsecured credit lines to meet its needs.
It had a net financial position of €338,674 thousand at 31 December 2015 and a net financial position of €293,415 thousand at 31 December 2014.

Liquidity analysis – amounts in thousands of euros – figures at 31.12.2015

A – Financial liabilities excluding derivatives	**Within one year**	**Between one and five years**	**After five years**
Non-current liabilities			
Other non-current liabilities	7,622	650	-
Current liabilities			
Related party trade payables	24,975	272	-
Third party trade payables	389,890	836	-
Third party financial liabilities	1,628	-	-
Related party financial liabilities	2,500	-	-
Total A	**426,615**	**1,758**	**-**
B – Negative value of derivatives			
Hedging derivatives	14,612	-	-
Total B	**14,612**	-	-
Total A + B	***441,227***	***1,758***	**-**

The following financial assets were recognised against loans and borrowings and trade payables of €442,985 thousand:

C - Financial assets

Cash-in-hand and cash and cash equivalents	304,306
Third party trade receivables	604,606
Related party trade receivables	58,952
Loan assets	38,496
Positive value of derivatives	5,367
TOTAL FINANCIAL ASSETS	**1,011,727**
D – Unsecured credit lines	**90,712**
TOTAL C + D	**1,102,439**
C+D-(A+B)	**659,454**

The group 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 tensions.

Credit risk

The group does not have significant credit risks, either in terms of its trading counterparties or its financing and investing activities. Its main customers are public entities or related to public bodies, mostly in the European, US and South-East Asia areas. Ansaldo STS group's typical customer rating is therefore medium-to-high. However, for contracts with customers/counterparties with which the group does not have regular trading transactions, solvency is analysed at the time the offer is placed, in order to identify future credit risks.

Given the nature of the group's customers, collection times are longer (and, in certain countries, significantly longer) than those typical of other businesses, leading to overdue amounts, which are sometimes considerable.

At 31 December 2015, third party trade receivables amounted to €604,606 thousand (31 December 2014: €540,748 thousand) and were overdue for €233,724 thousand, of which €117,325 thousand by more than 12 months.

Third party trade receivables mainly relate to the parent Ansaldo STS S.p.A. (€456,266 thousand), overdue for €216,846 thousand.

The following table gives a breakdown of receivables at 31 December 2015:

31.12.2015 (€'000)	Public bodies			Other customers			Total
	Europe	Americas	Other	Europe	Americas	Other	
- Retentions	35,325	6,666	6,689	18,188	1,603	1,388	69,859
- Not overdue	105,596	4,455	728	155,434	8,795	26,015	301,023
- Overdue by less than six months	20,189	5,487	710	33,007	4,273	6,354	70,020
- Overdue between 6 months and 1 year	24,564	2,182	113	18,261	876	383	46,379
- Overdue between one and five years	80,286	4,641	2,246	29,133	667	352	117,325
Total	**265,960**	**23,431**	**10,486**	**254,023**	**16,214**	**34,492**	**604,606**

The allowance for impairment changed as follows:

	2015	2014
1 January	20,470	18,138
Accruals	2,968	3,627
Releases/Utilisation	(776)	(298)
Other changes	5	(997)
31 December	**22,667**	**20,470**

During the year, the allowance for impairment rose by €2,197 thousand, mainly as a result of the amounts accrued by the parent Ansaldo STS S.p.A. for the collection risk of receivables for interest in arrears and late payment.

With respect to the credit risk arising from the positive value of derivatives, the counterparties of derivative contracts are mainly banks.
The table below breaks down the positive value of derivatives by the counterparty's rating class.

The ratings below are based on S&P's data.

Rating class	Positive fair value
AA -	57.6%
A+	10.8%
A	16.7%
BBB+	14.9%
Total positive fair value	**100.0%**

Classification and fair value of financial assets and liabilities

The tables below give a breakdown of the group's financial assets and liabilities by the measurement category set out in IAS 39.

Financial liabilities are all recognised using the amortised cost method, since the group did not use the fair value option.

Derivatives are analysed separately.

31.12.2015	**Fair value through profit or loss**	**Loans and receivables**	**Held to maturity**	**Total**	***Fair value***
(€'000)					
Non-current assets					
Non-current related party loans and receivables	-	21,211	-	**21,211**	**21,211**
Financial assets at fair value through profit or loss	-	-	-	**-**	**-**
Loans and receivables	-	20,621	-	**20,621**	**20,621**
Current assets				**-**	
Current related party loans and receivables	-	58,952	-	**58,952**	**58,952**
Trade receivables	-	604,606	-	**604,606**	**604,606**
Financial assets measured at fair value through profit or loss	-	38,496	-	**38,496**	**38,496**

31.12.2015	**Fair value through profit or loss**	**Amortised cost**	**Held to maturity**	**Total**	***Fair value***
(€'000)					
Current liabilities					
Current related party liabilities	-	25,247	-	**25,247**	**25,247**
Related party loans and borrowings	-	2,500	-	**2,500**	**2,500**
Trade payables	-	390,726	-	**390,726**	**390,726**
Loans and borrowings	-	4,128	-	**1,628**	**1,628**

31.12.2014	**Fair value through profit or loss**	**Loans and receivables**	**Held to maturity**	**Total**	***Fair value***
(€'000)					
Non-current assets					
Non-current related party loans and receivables	-	16,371	-	**16,371**	**16,371**
Financial assets at fair value through profit or loss	-	-	-	**-**	**-**
Loans and receivables	-	23,548	-	**23,548**	**23,548**
Current assets					
Current related party loans assets	-	169,901	-	**169,901**	**169,901**
Trade receivables	-	540,748	-	**540,748**	**540,748**
Financial assets measured at fair value through profit or loss	-	41,035	-	**41,035**	**41,035**

31.12.2014	Fair value through profit or loss	Amortised cost	Held to maturity	Total	*Fair value*
(€'000)					
Current liabilities					
Current related party liabilities	-	54,005	-	**54,005**	**54,005**
Trade payables	-	314,860	-	**314,860**	**314,860**
Loans and borrowings	-	17,687	-	**17,687**	**17,687**

The carrying amount of short-term financial instruments, such as trade receivables and payables, represents a fair approximation of fair value.

Derivatives

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

The table below shows the fair values of financial instruments in portfolio.

			Fair value at 31.12.2015	***Fair value at 31.12.2014***
	Fair value hierarchy at the reporting date		Level 2	Level 2
Assets				
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	3,599	3,726
		Cash flow hedges	1,768	4,709
Liabilities				
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	163	1,385
		Cash flow hedges	14,449	3,809

The group uses cash flow hedges to hedge the currency risk of highly probable future transactions and fair value hedges to hedge the exposure to currency risk of recognised assets and liabilities.
With respect to derivatives hedging future cash inflows and outflows in currencies other than the functional currency, the table below shows the maturities of these cash flows, hedged in US dollars.

	31.12.2015		31.12.2014	
	Notional (USD'000)		**Notional (USD'000)**	
Maturity	**Collection**	**Payment**	**Collection**	**Payment**
Within one year	260,863	28,125	22,583	28,010
Between one and three years	71,857	3,899	20,426	170
Between three and nine years	-	-	1,507	-
After nine years	-	-	-	-
Total	**332,720**	**32,024**	**44,516**	**28,180**

18 KEY MANAGERS' REMUNERATION

Fees paid to those who have the power to plan, manage and control the group, including executive and non-executive directors, are as follows:

(€'000)	*2015*	*2014*
Fees	4,161	2,965
Post-employment benefits	-	288
Other long-term employee benefits	-	-
Termination benefits	-	-
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 in the parent or in other companies included in the consolidation scope, which represented a cost for the group.
A one-off financial incentive was incorporated in 2015 for those persons holding certain key roles within the group, with a view to maintaining business continuity in light of the transfer of the controlling interest in the parent's share capital.
Fees include those paid to the members of the board of directors and the supervisory bodies.
Statutory auditors' fees pertaining to the parent amounted to €210 thousand in 2015 (2014: €210 thousand).

In order to implement an incentive and loyalty scheme for the group's employees and consultants, the parent 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.

The following table gives a breakdown of the parent's directors', statutory auditors' and general managers' fees:

(in euros)

Name and surname	POSITION: Position	POSITION: Date of appointment	POSITION: 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	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	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)	Director	02/11/2015	Approval of 2017 financial statements	65,479 (8)			
Giovanni Cavallini (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 (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 term	20,000			
Nicoletta Garaventa (e)	Chairperson of the supervisory body	06/05/2013	Three-year term	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

19 OUTLOOK

Management presently believes that 2016 volumes and profitability will be in line with those of 2015.

20 INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUER REGULATION

The following schedule was prepared in accordance with article 149-duodecies of Consob's Issuer regulation and shows the fees for 2015 for audit and non-audit services provided by the audit company or entities belonging to its network.

(€'000)	**Service provider**	**Beneficiary**	**2015 fees**
Audit	KPMG S.p.A.	Parent	207
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	467
	Other auditors	Subsidiaries	36
Attestation services	KPMG S.p.A.	Parent	45
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	-
Tax consultancy services	KPMG S.p.A.	Parent	-
	KPMG S.p.A.	Subsidiaries	14
	KPMG network	Subsidiaries	-
Other services	KPMG S.p.A.	Parent	74
	KPMG S.p.A.	Subsidiaries	42
	KPMG network	Subsidiaries	-
			885

Milan, 25 February 2016

On behalf of the board of directors
The Chairperson

Alistair Dormer
(signed on the original)

21 STATEMENT ON THE CONSOLIDATED 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 consolidated financial statements at 31 December 2015:
   - are adequate in relation to the nature of the business
   - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:

3.1 the consolidated 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 and the companies included in the consolidation scope.

3.2 The directors' report provides a reliable analysis of the important events taking place in the year and the financial position and results of operations of the issuer and the companies included in the consolidation scope, together with a description of the key risks and uncertainties to which they are exposed.

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**