Ansaldo STS

A Hitachi Group Company

H1 2016 Results

Analysts Conference Call

July 28, 2016

Agenda and contents

Andrew Barr - New CEO and General Manager

Joined ASTS on May 24 from Hitachi Rail Europe (HRE), where he has worked for the last 12 years. At Hitachi Rail Europe he was instrumental in building the company from startup to over €1bn sales acquiring significant experience of leading multi company consortia in delivery of complex projects.

Most recently he was COO and Deputy Managing Director at HRE, having at various stages been responsible for each department, including finance, procurement and HR. A significant achievement he delivered was the formation from start for the Hitachi Rail group of a maintenance business.

He was latterly on the board of Hitachi Rail Europe. However, he relinquished this position at Hitachi to be an employee of Ansaldo STS as CEO and General Manager.

An engineer by background, Andrew Barr has had a 26 year career in rail, starting in the London Underground, later working with Bombardier, GNER (rail operating company) and the UK government prior to his move to Hitachi.

He is a board member of the UK Institution of Mechanical Engineers.

Andrew Barr is based in Genoa and has an office in Naples.

ASTS initial focus areas as CEO

Andrew Barr has spent his first two months in ASTS

Visiting sites,

Listening to employee feedback,

Visiting key clients and hearing their opinions,

Assessing potential optimisation of the organization.

Next steps

Consolidate ASTS already strong position in the transportation industry,

Maximise the opportunities for ASTS in cooperating with Hitachi on tenders,

Realize the potential afforded ASTS through Hitachi Group membership,

Develop the business attractively for all ASTS shareholders.

H1 2016 Results - Main Orders booked

Country	Project Name	Customer	Value (M€)
Taiwan	Sanying Line MRT System	NCTG DRTS	220
U.K.	Glasgow Metro (maintenance included)	Strathclyde Partnership for Transport	135
Australia	Auto Haul - variation order	Rio Tinto	48
USA	LIRR Ronkonkoma	LIRR	38
Malaysia	KVDT	Dhaya Maju Infrastrucure	37
Various EU/Asia	Components	Various	28
France	2016 Maintenance	RATP	27
USA	Components	Various	22
Sweden	Ester Line 2	Trafikverket	21
Various EU/Asia	Service & Maintenance	Various	21
U.K.	Ferriby Gilberdjke	Network Rail	20
USA	LIRR MID-DAY Storage Yard	LIRR	17

Q2 2016 Main Events - Taipei Metro (1/2)

Q2 2016 Main Events - Taipei Metro (2/2)

Ansaldo STS and Hitachi, Ltd. as members of the ARH consortium (including Ansaldo STS SpA, RSEA Engineering Corp. and Hitachi, Ltd.), have signed a turnkey contract with New Taipei City Government Department of Rapid Transit System (NTCG DORTS).

Ansaldo STS's scope of work, as leader of the consortium, includes the supply of CBTC technology (Communication Based Train Control) and all the electromechanical systems (Power Supply, Telecommunication, Platform Screen Doors, Automatic Fare Collection, SCADA and Depot Equipment), for an equivalent value of Euro 219,8 million (VAT excluded).

The CBTC solution is leading a new era of rail transit control, enhancing flexibility, reducing maintenance costs and improving interoperability.

For NTCG DORTS, this turnkey project combines Civil, E&M (Electro-Mechanic) works and Rolling Stock. It is the first medium-capacity Metro to be constructed and managed by New Taipei City.

The total length of Sanying Line is 14.29 km with 12 elevated stations and one depot. With fully elevated station design, the line route starts from MRT Blue Line Dingpu station in Tucheng, passing through Sanxia to Yingge.

As part of the "3-rings-3-lines" project, Sanying Line will enter construction stage in the second half of 2016 and aim for completion in 2023, providing citizens of New Taipei City with a convenient and safe mass transportation system.

Q2 2016 Main Events – ZST contract

Ansaldo STS has reported regularly on the contract with Zarubezhstroytechnology (ZST), a subsidiary of Russian Railways JSC RZT. Three key events were:

- 2010 – €202m contract signed, in joint venture with Selex Communications, for 550km Sirth-Benghazi line in Libya, €71m advance payment received
- 2011 – contract suspended for force majeure, due to the civil war in Libya
- 2013 - ZST terminated the contract. Ansaldo STS returned €41m of the advance payment

Ansaldo STS maintained that the termination, as claimed by ZST, was invalid and that, taking into account the activities that had already been performed and the costs already incurred, ZST was entitled only to a partial return of the advance payment.

On the other side, in March 2014 ZST notified the “Statement of Claim” which formally started the arbitration in the “Wien International Arbitration Centre”, requesting ASTS and Selex to pay, jointly and severally, the outstanding sum due on the advance payment, plus interests and arbitration proceedings’ costs.

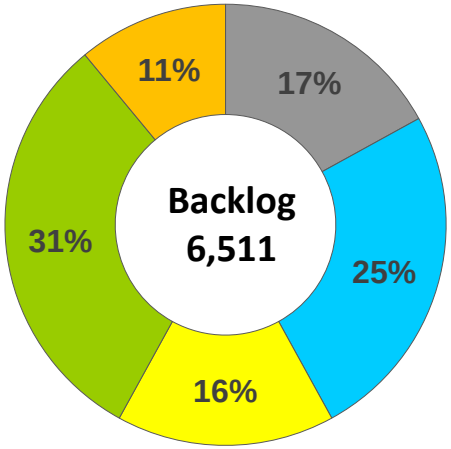
The arbitrator has almost entirely rejected the counterclaims by Ansaldo STS and its partner Selex, as a result of which Ansaldo STS has been ordered to repay to ZST €29m (advance payment share) plus related costs and interest.

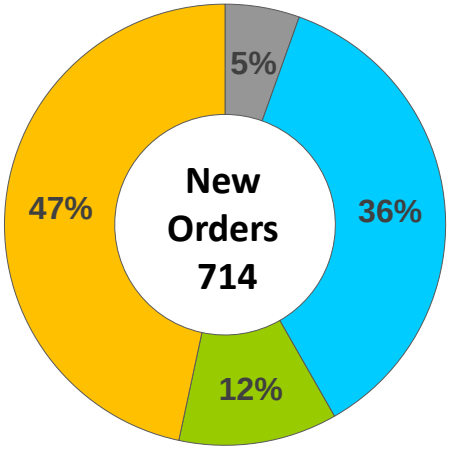
Ansaldo STS has decided to post a prudential provision in its accounts for a total amount of approximately €15m (of which €7.5m at EBIT level).

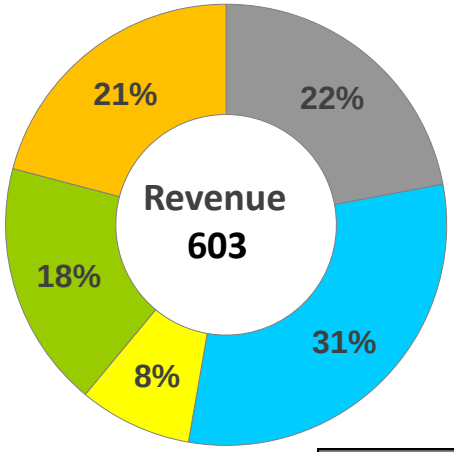
Although a reversal of the decision is unlikely, Ansaldo STS and Selex have retained legal counsel to analyze the appeal process.

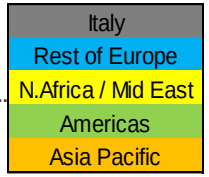
Backlog, Orders & Revenue by Geographic Area

H1 - 2016

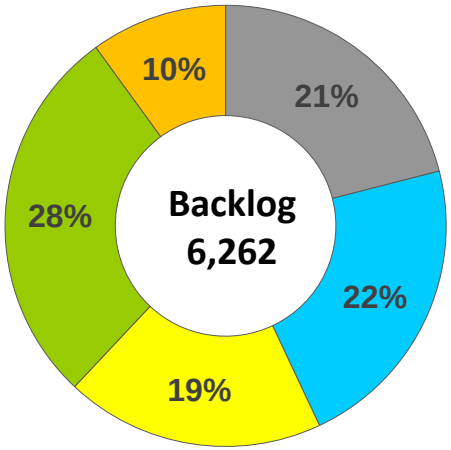


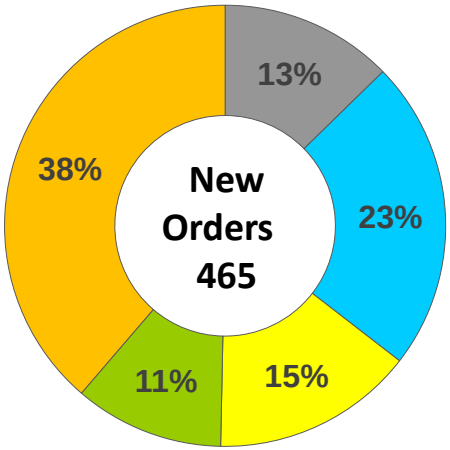


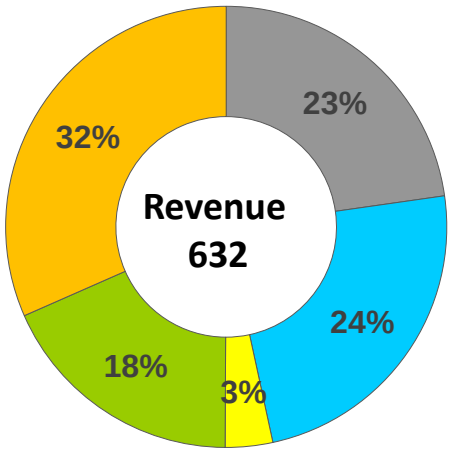




H1 - 2015







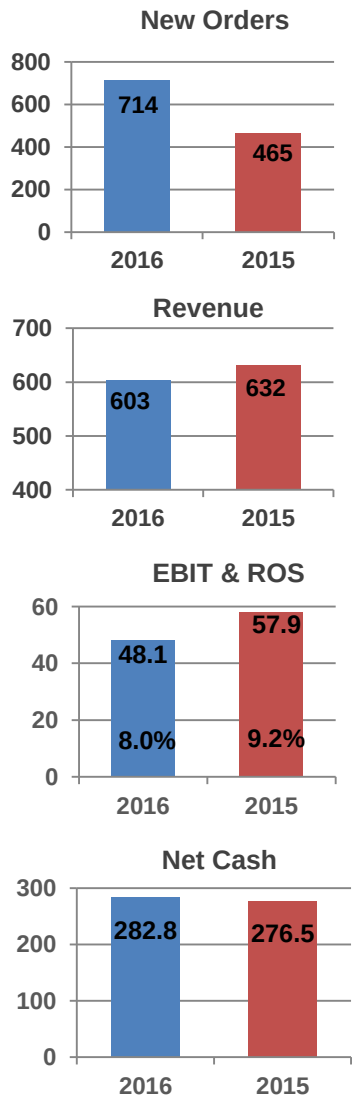
H1 2016 - Key Facts

❑ **New Orders** at 714 M€, with a increase of 249 million (+54%) compared with H1 2015. Main orders booked in the second quarter are Sanying Metro Line in Taipei (Taiwan) for 220 M€, LIRR Ronkonkoma Line in USA for 38 M€, KDVT project in Malaysia for 37 M€, together with some minor signalling orders and various Components and Service & Maintenance orders.

❑ **Revenue** at 603 million, in line with expectations, with a decrease of 30 million (-5%) compared with H1 2015, mainly due to lower volumes in Asia Pacific region (some projects in a completion phase), only partially offset by higher contribution coming from projects in Rest of Europe and Middle East regions.

❑ **EBIT** at 48.1 M€, 9.8 M€ lower versus same period last year, with a **ROS** of 8.0% compared to 9.2% in H1 2015. Lower volumes partially offset by a favorable contract mix, together with ZST prudential provisions in Q2 and accounting impacts of transactions with strategic managers who left the company in the period, mainly affected EBIT trend in the first six months of 2016.

❑ **Net Financial Position** (**cash**) at 282.8 M€, with an improvement of 6.3 million compared with H1 2015. **FOCF** equal to -17.3 M€, as expected, compared to +17.4 M€ in H1 2015, mainly due to last year higher collections in Middle East (last tranche of Riyadh Metro advance payment).



H1 2016 Results - Key Data

(M€)	H1 2016	H1 2015	*% change*	FY 2015
New Orders	**714.0**	464.6	*53.7%*	**1,336.0**
Order Backlog	**6,510.7**	6,261.6	*4.0%*	**6,410.4**
Revenue	**602.7**	632.4	*-4.7%*	**1,383.8**
EBIT	**48.1**	57.9	*-17.0%*	**135.8**
ROS	**8.0%**	9.2%	*(1.2) p p*	**9.8%**
Tax Rate	**35.2%**	33.2%	*2.0 p p*	**32.0%**
Net Result	**27.3**	39.3	*-30.7%*	**93.0**
Net Working Capital	**111.4**	69.8	*59.5%*	**64.5**
Net Financial Position	**(282.8)**	(276.5)	*2.3%*	**(338.7)**
R&D	**18.5**	18.6	*-0.4%*	**36.9**
Total Headcount	**3,841**	3,796	*1.2%*	**3,772**
EVA	**18.3**	25.0	*-26.7%*	**65.8**

2016 Key Data Guidance - ROS and NFP revised

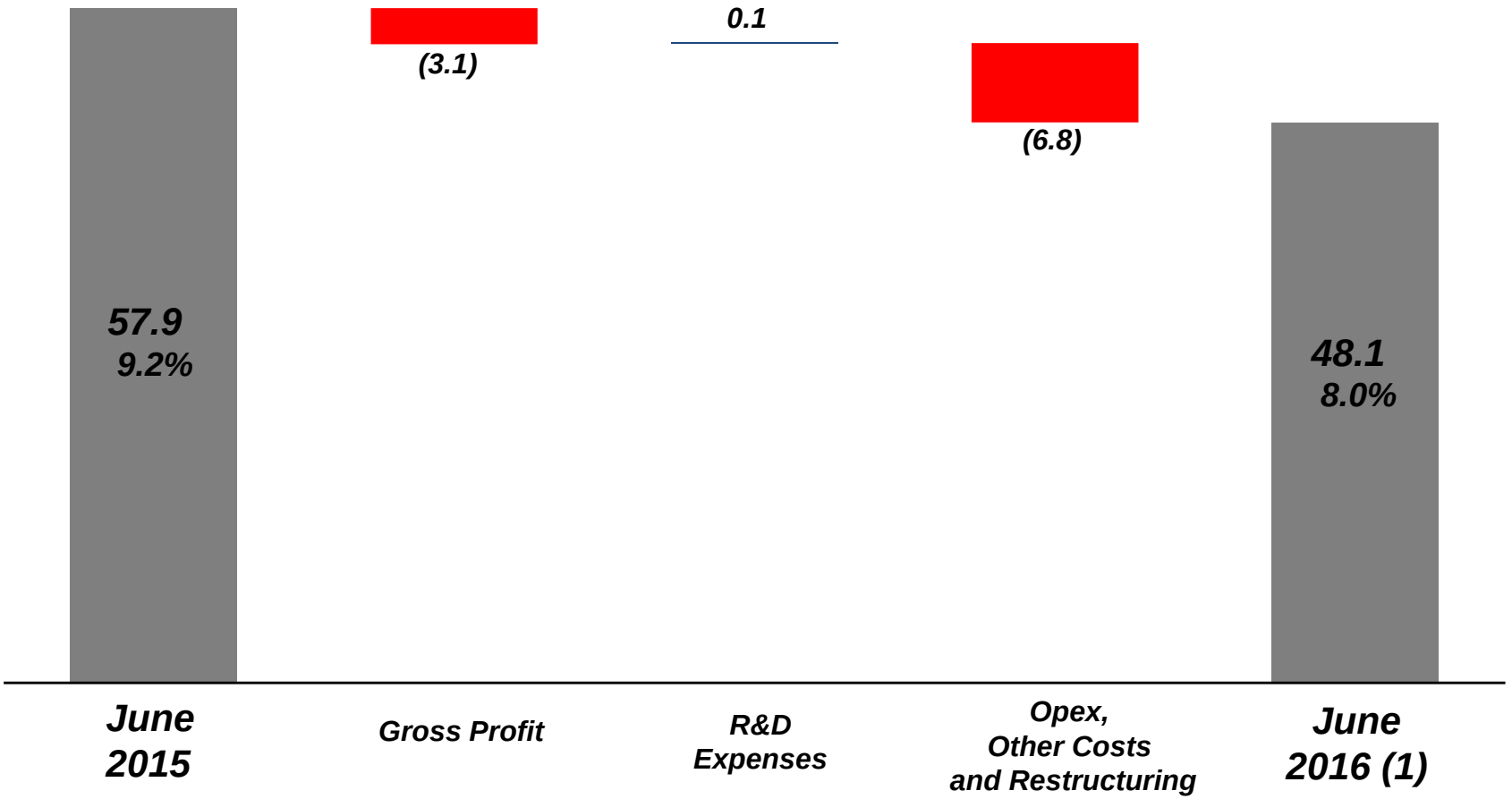
(M€)	2015 Actual	2016 *Guidance*	2016 Revised *Guidance*
New Orders	1,336.0	1,400 - 2,000	1,400 - 2,000
Order Backlog	6,410.4	6,300 - 7,000	6,300 - 7,000
Revenue	1,383.8	1,350 - 1,450	1,350 - 1,450
ROS	9.8%	~ 9.8%	9.0% - 9.3%
Net Financial Position	(338.7)	(320) - (370)	(300) - (350)

THANK YOU FOR YOUR ATTENTION

Q&A……

Back Up

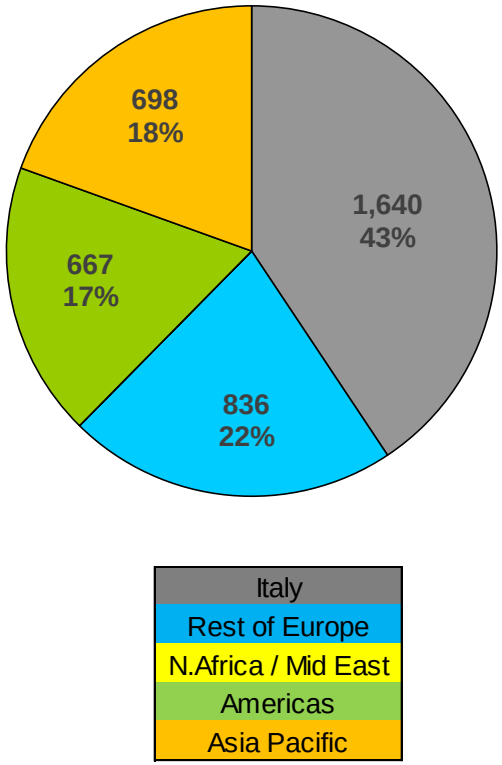
Back Up detail - EBIT Evolution - H1 2016 vs H1 2015



(1) June 2016 EBIT includes the ZST prudential provisions posted in Q2 (€7.5m) and the accounting impacts of transactions with strategic managers who left the company in the period.

Back Up detail - June 2016 - Total Headcount

Country	Main Locations	Headcount
ITALY	*Genoa, Naples, Turin Potenza, Branches*	*1,640*
FRANCE	*Les Ulis, Riom*	*602*
SPAIN	*Madrid*	*171*
SWEDEN	*Stockholm*	*56*
OTHER EUROPE	*Munich, London*	*7*
USA - CANADA	*Pittsburgh, Batesburg, Montreal*	*667*
AUSTRALIA	*Perth, Brisbane*	*309*
INDIA	*Bangalore*	*262*
MALAYSIA	*Kuala Lumpur*	*46*
CHINA	*Beijing*	*62*
Other Locations	*various*	*19*
TOTAL HEADCOUNT		*3,841*



Q2 2016 Main Events - ZST contract update
Press release details on the background

Ansaldo STS and Selex Communications, in joint venture, signed in 2010 a contract with Zarubezhstroytechnology (ZST), a subsidiary of Russian Railways JSC RZD, to provide signalling, automation, telecommunications, power supply, security and ticketing systems on the Sirth to Benghazi line in Libya.

Ansaldo STS was leader of the JV with a 81,8% share, leading to a contract value of 202 million euro.

The tender, assigned following a process involving the main international competitors of Ansaldo STS, was launched by Russian Railways as main contractor, responsible to Libyan Railways for all works on the 550 km Sirth-Benghazi line (civil works, fit-out and technologies).

Ansaldo STS received advance payment amounting to approximately 71 million euro and issued advance payment bond for a corresponding amount in favor of its counterparty.

Due to the civil war events in Libya, the contract was suspended for force majeure.

Unexpectedly, at the beginning of August 2013, by enforcing the advance payment bond issued by Crédit Agricole in its favor, ZST requested Ansaldo STS to return the advance payment under the Sirth-Benghazi line contract and notified its intention to terminate it.

Ansaldo STS maintained that the termination, as claimed by ZST, was invalid and that, taking into account the activities that had already been performed and the costs already incurred, ZST was entitled only to a partial return of the advance payment.

The resulting dispute was then settled by an order issued in November 2013 by the Tribunal of Milan, which authorized Crédit Agricole to repay a portion of the advance payment for approximately 41 million euro. Based on this order, Ansaldo STS returned to ZST the partial amount concerned.

In March 2014 ZST notified the “Statement of Claim” which formally started the arbitration in the “Wien International Arbitration Centre”, requesting ASTS and Selex to pay, jointly and severally, the outstanding sum due on the advance payment, plus interests and arbitration proceedings’ costs.

Q2 2016 Main Events - ZST contract update
Recent press release details

On June 20th Ansaldo STS announced that the recent arbitration award, related to the dispute between the joint venture Ansaldo STS - Selex ES and ZST about the contract for the Sirth – Benghazi line in Libya, almost entirely rejected Ansaldo STS and Selex's counterclaims accepting ZST claims.

Following the arbitration award, Ansaldo STS has to repay to ZST its own share of the residual amount (about 29 million euro) of the advance payment and related legal fees plus interests.

Ansaldo STS and Selex have retained an Austrian legal counsel to conduct an in-depth analysis of their actual chances to successfully appeal the arbitration award. In light of the assessments conducted and of the related legal opinion, the chances of a positive outcome of a potential appeal are to be considered rather low.

Accordingly, a prudential provision has been posted to cover the costs incurred as of today.

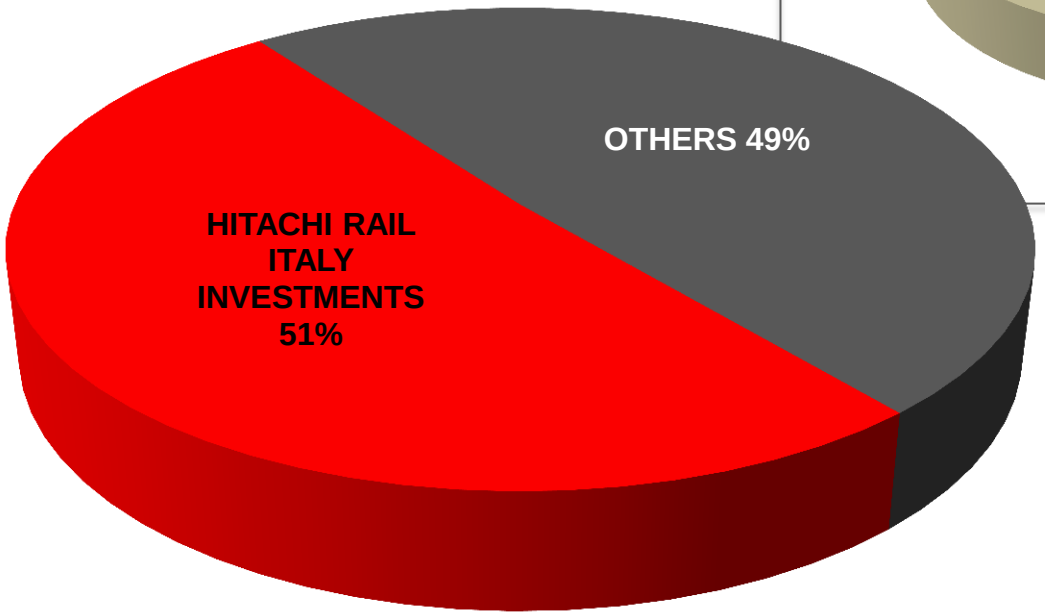
Ansaldo STS is currently assessing further legal actions against such decision.

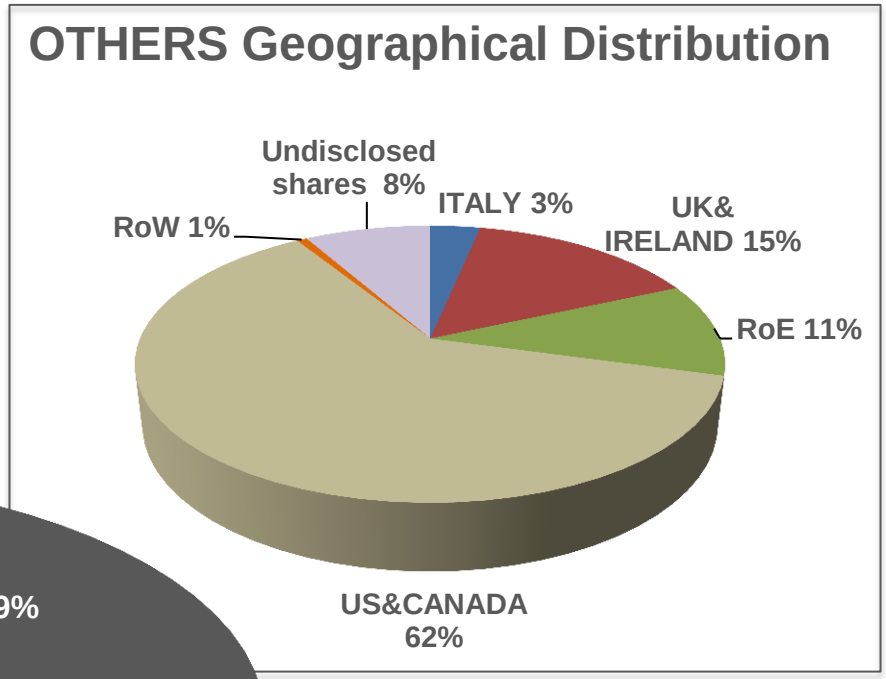
Shareholdings as of 30th June 2016

Total number of shares 200.000.000

HITACHI RAIL ITALY INVESTMENTS
101.544.702 shares

OTHERS
98.455.298 shares





Accounting definitions (1/3)

Roberto Carassai, the Manager in charge of preparing the company's financial reports, hereby declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the actual accounting information contained in this presentation corresponds to document results, books and accounting records

This Analysts Presentation contains forward-looking statements which are based on current plans and forecasts of Ansaldo STS S.p.A. Such forward-looking statements are by their nature subject to a number of risk and factors not foreseeable that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements.
These such forward-looking statements speak only as of the date on which they are made, and Ansaldo STS S.p.A. undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Accounting definitions (2/3)

NB: Ansaldo STS's management also assesses the performance of the group using certain indicators that are not defined by the IFRS.

The components of each indicator are described below as required by CESR/05 - 178b Communication:

EBIT: earnings before interest and taxes, before any adjustment. EBIT excludes gains or losses on unconsolidated equity investments and securities, as well as any gains or losses on sales of consolidated equity investments, which are classified under "financial income and expense" or "share of profits (losses) of equity-accounted investees" if related to equity-accounted investments.

Return on Sale (ROS): it is calculated as the ratio of EBIT to Revenue.

Free operating cash flow (FOCF): this indicator is the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions and sales of equity investments which are deemed "strategic" due to their nature or importance. The FOCF is shown in the reclassified consolidated statement of cash flows.

Economic Value Added (EVA): it is the difference between EBIT, net of income taxes and the cost of the average invested capital of the current and previous year measured on the base of the Weighted Average Cost of Capital (WACC).

Accounting definitions (3/3)

Net Working Capital: It is working capital less provisions for current risks and other current assets and liabilities.

Net Financial (Position) or Debt: The calculation model used complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation (EC) n° 809/2004.

New Orders: It is the sum of the contracts agreed with customers during the reporting period that meet the contractual requirements to be recorded in the orders book.

Order Backlog: It is the difference between new orders and revenue for the period (including the change in contract work in progress). This difference is added to the backlog for the previous year.

Headcount: It is the number of employees recorded in the relevant register on the reporting date.

Research and development costs: 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.

Glossary (1/6)

APRs: Automatic Position Reporting System, radio based digital communications system for local, regional, or long distance

ATC: Automatic Train Control, or ATC, is an integrated signaling system that guarantees the secure movement of trains. ATC integrates various subsystems positioned on-board and wayside. In addition to a full interlocking system, a complete ATC system consists of three subsystems: (i) ATP, (ii) ATO and (iii) ATS.

ATP: Automatic Train Protection, or ATP, is an ATC subsystem responsible for the safe operation of a signaling system. It imposes speed limits on trains, both to maintain a safe operating distance between them and to comply with safety and speed requirements. The ATP system is designed to be a fail-safe (vital) system.

ATO: Automatic Train Operation, or ATO, is an ATC subsystem which performs on-board, non-vital functions normally performed by a train driver, including ensuring a smooth acceleration of the train to the running speed, speed regulation and smoothly stopping the train at the proper position at station platforms or in front of stopping signals. ATO subsystems are primarily located on-board and represent one of the principal components of a driverless system. Additionally, ATO subsystems report vehicle health status to the central control offices.

ATS: Automatic Train Supervision, or ATS, is an ATC subsystem which operates to control trains automatically by means of ATO and ATP, in accordance with the railway timetable. This also involves a CTC system.

BALISE: An electronic beacon or transponder placed between the rails of a railway as part of an Automatic Train Protection system.

Glossary (2/6)

CBI: Computer Based Interlocking, or CBI, is an Interlocking System (see below) where the traditional wired networks of relays are replaced by software logic running on special-purpose fail-safe control hardware. The fact that the logic is implemented by software rather than hard-wired circuitry greatly facilitates the ability to make modifications when needed by reprogramming rather than rewiring (ACC, MicroLok® and SEI/PAI-NG are the Ansaldo STS CBI interlockings).

CBTC: Communication Based Train Control, or CBTC, is a system that allows for the interchangeability of different technological systems in use on various metro lines. CBTC can be understood as an attempt to create an ERTMS type standard for the mass transit industry.

CENELEC: European Committee for Electro technical Standardization

CTC: A Centralized Traffic Control system, or CTC, monitors the status of signaling on a line or network and displays the relevant status information to a central operator, assists in the management of the line or network consistent with the timetable and exercises control to prevent small schedule disturbances from becoming traffic jams. CTC also notifies the operator of ATC equipment failures and of failures in traction power and passenger station support facilities.

CTCS : Chinese Train Control System, a train control system used on railway lines in China

DPL: Dedicated Passenger Line.

DTG: Distance to Go, Wayside and on board ATP system track circuit based

Glossary (3/6)

ETCS: The European Train Control System (ETCS) is a signaling, control and train protection system designed to replace the many legacy safety systems currently used by European railways, especially on high-speed lines.

ERTMS: The European Rail Traffic Management System, or ERTMS, was introduced by the EU in 1992 as a means of creating a uniform system of command, control and coordination of rail traffic to allow for ‘‘interoperability’’ throughout EU territory. The ERTMS standard exists at three levels (ERTMS 1, 2 and 3) depending on use, each distinguished by the type of wayside and on-board equipment used and the manner in which this equipment communicates relevant data.

EUROCAB / EVC: Onboard computer used to process ETCS information.

GA: Generic Application

GCP: Grade Crossing Predictor, an electronic device which is connected to the rails of a railroad track and activates the crossing's warning devices (lights, bells, gates, etc.), based on a range of factors, including train speed, which minimizes waiting delays for drivers and therefore reduces the number of accidents

GNSS: Global Navigation Satellite System, satellite-based global navigation system, can rely on US **GPS** (Global Positioning System), or Russian GLONASS (Global Navigation Satellite System), or European Galileo system under development.

GP: Generic Product

GSM-R: Global System for Mobile Communications-Railway, an international wireless communications standard for railway communication

Glossary (4/6)

HERMES: Automation – Supervision system used for mass transit system

HSL: High Speed Line, or HSL, refers to railway lines with capacity for speeds in excess of 200 km/h (125 mph).

ICSS: Integrated Control & Safety System. Integrated Communication Switching System.

IXL: Interlocking System. An interlocking system is responsible for the reliable and safe movement of trains inside a station, through complex junctions and for the length of the line. The interlocking system ensures that train movement is permitted only when a route is available and the switches along this route are safely locked in their position. In all cases the interlocking allocates a track portion or a route to one train at a time, excluding all others.

LDS: Localization Determination System, satellite-based solution for train control system SIL 4 localization

LEU: Encoder. Product that is interfaced to balise and permit it to change the telegram to be sent to the train in the intermittent ATP according to the status of the route

LRT: Light Rail Transit, or LRT, refers to a form of urban rail transit that utilizes equipment and infrastructure that is typically less massive than that used for metro systems, with modern light rail vehicles usually running along the system.

MTBF: Mean time between failures is the predicted elapsed time between inherent failures of a system during operation.

MTBHE: Mean Time Between Hazardous Events, estimated time between two events that can cause an hazardous event.

MT: Mass Transit

Glossary (5/6)

OCC: Operational Control Centre, system that monitors the status of signaling on the line and the location of trains

OTP: Optimizing Traffic Planner, or OTP, is a traffic management system that permits real time monitoring of the positioning of trains throughout a railway system. OTP optimizes system or network capacity by safely minimizing the time between trains, reducing operating costs. OTP is primarily designed for those markets where railway systems infrastructure is being used to full capacity

PTC: Positive Train Control, North American freight railway implementation of CBTC.

RBC: Radio Block Centre. All trains automatically report their exact position and direction of travel to the RB C at regular intervals. RBC sends by radio fail safe information to the train (ATP)

SA: Specific Application

SCADA: A Supervisory Control And Data Acquisition system, or SCADA, allows for the supervision of the various subsystems at work in a railway or mass transit environment. SCADA collects information from remote installations, transfers it back to a central office, analyzes the information, takes appropriate action and displays that data on a number of operator screens.

SCC: Automation – Supervision system used for railways system

SCMT: Sistema di Controllo della Marcia del Treno. Automatic train protection system.

SIL: 0, 2, 4: Safety Integrity Level (SIL) is determined for components and systems with safety functions.

Glossary (6/6)

SSC: Sistema Supporto Condotta, Italian train stopping system. Less sophisticated than SCMT.

STO: Semi-automated Operation Mode

TETRA: Terrestrial Trunked Radio , digital data and voice communication system

TLC: Telecom networking

TSRs: Temporary Speed Restrictions

TTCS: Train Conformity Check System verifies the conformity of running Rolling Stocks

TVM: Transmission Voie-Machine (TVM, track-to-train transmission in English) is a form of in-cab signalling originally deployed in France and used on high-speed railway lines.

UTO: Grade of Automation for systems, where there is no driver in the front cabin of the train, nor accompanying staff assigned to a specific train. This can also be referred to as Unattended Train Operation, or UTO

VSS: Vital Safety Server used in freight application (both as for IXl and RBC)

Our commitment to the theme of sustainable development is expressed in the countries where we operate, across five continents, through the dissemination of our corporate vision, attention to environmental, social, and promote our work through a climate of cooperation with local cultures.

In coherence with our vision this year we have joined the Global Compact, a voluntary initiative launched by the UN to spread the culture of respect for human rights, labor, environment and the fight against corruption.

Ansaldo STS SpA

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