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INTERIM FINANCIAL REPORT
AT **30 SEPTEMBER 2016**

Ansaldo STS **A Hitachi Group Company**

Directors’ report at 30 september 2016

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

Directors' report at 30 september 2016

Introduction

The group's financial performance was generally satisfactory for the first nine months of 2016. It is summarised in the table below:

Key performance indicators

(€'000)	**First nine months of 2016**	First nine months of 2015	Change	2015
New orders	**996,059**	589,331	406,728	1,336,027
Order backlog	**6,443,519**	6,029,215	414,304	6,410,362
Revenue	**900,555**	952,631	(52,076)	1,383,837
Operating profit (EBIT)	**76,971**	90,857	(13,886)	135,769
Adjusted EBIT	**76,971**	90,857	(13,886)	135,769
Profit for the period/year	**45,766**	59,527	(13,761)	93,036
Net working capital	**132,074**	81,432	50,642	64,481
Net invested capital	**378,644**	336,782	41,862	316,419
Net financial position	**(287,887)**	(276,793)	(11,094)	(338,674)
Free operating cash flow	**(11,738)**	23,303	(35,041)	87,701
ROS	**8.5%**	9.5%	-1.0 p.p.	9.8%
ROE	**12.4%**	15.5%	- 3.1 p.p.	15.1%
EVA	**29,661**	39,408	(9,747)	65,788
Research and development	**26,858**	27,326	(468)	36,914
Headcount (no.)	**3,933**	3,759	174	3,772

Ansaldo STS group recognised a profit of €45.8 million for the first nine months of 2016, compared to €59.5 million for the corresponding period of 2015. Revenue came to €900.6 million, down on the first nine months of 2015 (€952.6 million), and ROS was 8.5%, compared to 9.5% in the first nine months of 2015.

More specifically:
New orders totalled €996.1 million compared to €589.3 million for the first nine months of 2015; the order backlog amounted to €6,443.5 million (€6,410.4 million at 31 December 2015, €6,029.2 million at 30 September 2015).

Revenue came to €900.6 million, down by €52.1 million on €952.6 million for the first nine months of 2015. The continued progress on the contracts of the previous years has only partially offset the decrease in revenue, in particular that due to the near completion of some major contracts in the Asia/Pacific area.

Operating profit (EBIT) came to €77.0 million, compared to €90.9 million for the corresponding period of the previous year, down €13.9 million. ROS was 8.5%, compared to 9.5% in the first nine months of 2015.

The profit for the period came to €45.8 million (€59.5 million for the corresponding period of 2015).

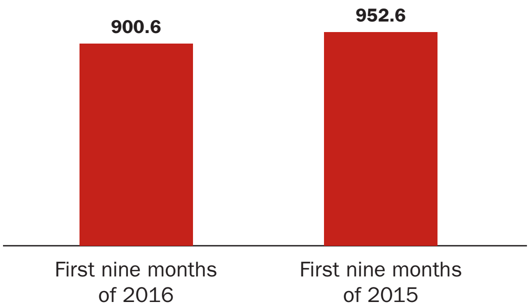
The group's net financial position (greater loan assets, cash and cash equivalent than loans and borrowings) amounted to €287.9 million, down on €338.7 million at 31 December 2015 and €276.8 million at 30 September 2015.

Research and development expense recognised in profit or loss amounted to €26.9 million, substantially in line with the €27.3 million expense recognised in the corresponding period of the previous year.

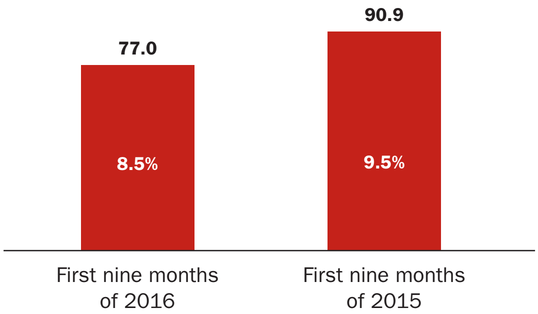
The group's headcount increased by a net 174 employees to 3,933 from 3,759 at 30 September 2015 (3,772 at 31 December 2015). This increase is mainly led by the Parent Company Ansaldo STS S.p.A..

The average headcount of 3,799 employees rose by a net 44 employees compared to 3,755 in the same period of the previous year (3,772 in 2015).

Revenue for the nine months ended 30 September 2016 (€m)



EBIT and ROS for the nine months ended 30 September 2016 – 2015 (€m)



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.

The group's performance for the reporting period and corresponding period of the previous year is shown in the following table:

(€'000)	**2016**	2015
Revenue	**900,555**	**952,631**
Purchases and personnel expense (*)	(812,973)	(855,351)
Amortisation, depreciation and impairment losses	(13,980)	(13,655)
Other net operating income (**)	1,266	3,400
Change in work in progress, semi-finished products and finished goods	2,103	3,832
Adjusted EBIT	**76,971**	**90,857**
Restructuring costs	-	-
Operating profit (EBIT)	**76,971**	**90,857**
Net financial expense	(6,831)	(282)
Income taxes	(24,374)	(31,048)
Profit from discontinued operations	**45,766**	**59,527**
Profit (loss) for the period from non-current assets held for sale	-	-
Profit for the period	**45,766**	**59,527**
attributable to the owners of the parent	*45,782*	*59,562*
attributable to non-controlling interests	*(16)*	*(35)*
Earnings per share		
Basic and diluted	0.23	0.30

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

The smaller production volumes, the prudent accruals recognised in respect of the dispute with the Russian customer about the contract in Libya (approximately €7.5 million) and the recognition of transaction costs related to the resignation of key managers, substantially caused the decrease in operating profit.
The increase in total net financial income and expense, in relation to which accruals were prudently recognised to cover the dispute about the Libya contract (approximately €7.0 million), was only partially offset by the reduction in income taxes, due to the lower taxable profit.

The group's reclassified statement of financial position as at 30 September 2016 is set out below:

(€'000)	**30.09.2016**	31.12.2015
Non-current assets	307,942	307,250
Non-current liabilities	(61,372)	(55,312)
	246,570	**251,938**
Inventories	129,241	121,217
Contract work in progress	409,156	346,353
Trade receivables	570,627	663,558
Trade payables	(394,793)	(415,973)
Progress payments and advances from customers	(571,367)	(635,785)
Working capital	**142,864**	**79,370**
Provisions for risks and charges	(19,950)	(11,126)
Other assets (liabilities), net (*)	9,160	(3,763)
Net working capital	**132,074**	**64,481**
Net invested capital	**378,644**	**316,419**
Equity attributable to the owners of the parent	666,268	654,787
Equity attributable to non-controlling interests	263	306
Equity	**666,531**	**655,093**
Non-current assets held for sale	-	-
Net financial position	**(287,887)**	**(338,674)**

Reconciliation between the reclassified statement of financial position and the statement of financial position included in the condensed interim consolidated financial statements:
(*) Includes "Tax assets", "Other current assets" and "Derivative assets", net of "Tax liabilities", "Other current liabilities" and "Derivative liabilities".

Net invested capital totals €378.6 million, up on €316.4 million at 31 December 2015 (€336.8 million at 30 September 2015).
The increase is substantially attributable to the rise in net working capital due to greater work in progress and the reduction in progress payments and advances from customers, partially offset by the decrease in trade receivables.

The group's net financial position at 30 September 2016 and 31 December 2015 is made up as follows:

(€'000)	**30.09.2016**	31.12.2015
Current loans and borrowings	2,559	1,628
Non-current loans and borrowings	-	-
Cash and cash equivalents	(256,963)	(304,306)
NET CASH AND CASH EQUIVALENTS	**(254,404)**	**(302,678)**
Related party loan assets	(1,042)	(563)
Other loan assets	(32,441)	(37,933)
Current financial assets at fair value through profit or loss	-	-
LOAN ASSETS	**(33,483)**	**(38,496)**
Related party loans and borrowings	-	2,500
Other current loans and borrowings	-	-
Other non-current loans and borrowings	-	-
OTHER LOANS AND BORROWINGS	**-**	**2,500**
NET FINANCIAL POSITION	**(287,887)**	**(338,674)**

The group's net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was €287.9 million (after the granting of dividends of €36,0 million), compared to €338.7 million at 31 December 2015 and €276.8 million at 30 September 2015.
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 million).

Furthermore, the net financial position at 30 September 2016 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 due to the armed conflict, 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.
In May 2016, the arbitral centre rejected almost all claims filed by Ansaldo STS.
In accordance with the arbitration award, Ansaldo STS shall repay ZST its portion (approximately €29 million) of the advance withheld by the JV, in addition to the legal fees and the interest accrued until the repayment date.

The reclassified statement of cash flows for the period ended 30 September 2016 follows:

Statement of cash flows (€'000)

	First nine months of 2016		First nine months of 2015	
Opening cash and cash equivalents	**304,306**		**270,067**	
Gross cash flows from operating activities	107,038		112,503	
Changes in other operating assets and liabilities	(9,023)		(53,076)	
Funds from operations		**98,015**		**59,427**
Change in working capital	(101,532)		(25,728)	
Cash flows from (used in) operating activities	**(3,517)**		**33,699**	
Cash flows used in ordinary investing activities	(8,221)		(10,396)	
Cash flows from (used in) operating activities		**(11,738)**		**23,303**
Free operating cash flow	-		(8,277)	
Strategic transactions	744		-	
Other changes in investing activities	**(7,477)**		**(18,673)**	
Cash flows used in investing activities	(36,000)		(30,755)	
Flusso di cassa da attività di finanziamento	2,700		(19,110)	
Cash flows used in financing activities	**(33,300)**		**(49,865)**	
Closing cash and cash equivalents	**(3,049)**		**2,025**	
Closing cash and cash equivalents	**256,963**		**237,253**	

Cash and cash equivalents increased by €19.7 million to €257.0 million at the reporting date from the balance for the corresponding period of the previous year (€237.3 million).

The Free Operating Cash Flow (FOCF) before strategic transactions totalled an outflow of €11.7 million, compared to the €23.3 million cash inflow for the corresponding period of the previous year.

Non-IFRS alternative performance indicators

Ansaldo STS's management 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 05-178b, 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 profits (losses) of equity-accounted investees".
- **Adjusted EBIT:** is the EBIT as described above, net of:
  - any impairment losses on goodwill;
  - amortisation of the portion of any purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

A reconciliation of EBIT and Adjusted EBIT for the reporting period and corresponding period of the previous year is set out below:

	First nine months of	
(€'000)	**2016**	2015
EBIT	76,971	90,857
Restructuring costs	-	-
Adjusted EBIT	**76,971**	**90,857**

- **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 first nine months of 2016 and 2015 is shown in the reclassified statement of cash flows in the previous section.
- **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 the first nine months of 2016 and 2015 is shown in the reclassified statement of cash flows in the previous section.
- **Economic value added (EVA):** the difference between adjusted gross operating profit net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the weighted average cost of capital (WACC).
- **Working capital:** includes inventories, trade receivables and payables, work in progress and progress payments and advances from customers.
- **Net working capital:** working capital net of the current portion of provisions for risks and charges and 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 period that meet the contractual requirements to be recorded in the orders book.
- **Order backlog:** 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 period.
- **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 reporting period to the average amount of equity at the reporting date and the corresponding period 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.

Performance

The market and commercial situation

New orders acquired during the reporting period totalled approximately €996 million (€589 million in the corresponding period of the previous year).

Specifically, the key events of the reporting period are described by geographical segment below:

ITALY
New orders acquired during the period amounted to approximately €143 million and mainly relate to the technological upgrade of the Florence-Rome high-speed line (approximately €75 million) and provide for the construction of the ERTMS L2 and ACC-M track-side subsystem.

REST OF EUROPE
New orders approximate €373 million and mainly relate to contracts acquired in the UK to upgrade the Glasgow metro (€135 million), using the driverless (CBTC) signalling technology, for the re-signalling of the Ferriby - Gilderdyke line (€20 million) using the CBI SEI technology, and the Belgium contract for the automation of lines 1 and 5 of the Brussels metro using the CBTC technology (€88 million).
New orders in France approximate €59 million, including the contract with RATP to maintain the Paris metro (roughly €27 million).
New orders acquired in Northern Europe approximate €58 million and mainly consist of the level 2 ERTMS contract in Haparanda (Sweden) (€21 million) and variations for the Copenhagen metro.

AMERICAS
New orders in the United States total approximately €102 million. The main order refers to a contract of about €38 million related to the design and construction of a new computer-based train control signalling system for Long Island Rail Road (LIRR). Furthermore, approximately €35 million relates to the sale of components, maintenance and renovation of freight railway lines, while roughly €17 million relates to the LIRR Mid Day Yard contract with Long Island Rail Road (LIRR) for the supply of interlocking products, switch machines and track circuits.

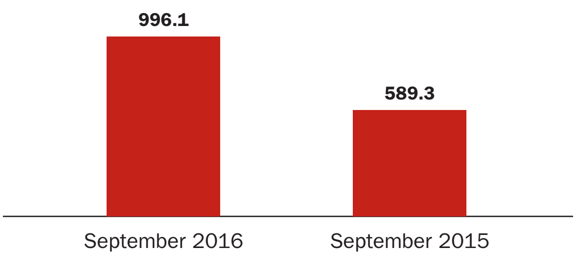
ASIA PACIFIC
New orders for the reporting period come to approximately €378 million, including roughly €57 million acquired in Australia and mainly relating to mining and freight transport railway lines (Rio Tinto) and roughly €37 million acquired in Malaysia for signalling works within a section of the Klang Valley railway network.
The main order refers to the signing of the turnkey contract by the consortium of Ansaldo STS, Hitachi Ltd. and RSEA Engineering Corp. and NCTG DORTS (New Taipei City Government Department of Rapid Transit System), concerning the Sanying (Sanxia-Yingge) line of the Taipei metro.
As the consortium leader, Ansaldo STS will provide the CBTC (Communication Based Train Control) technology and all electromechanical systems (power supply, telecommunications, platform screen doors, ticketing system, SCADA system and depot equipment), worth approximately €220 million.

Finally, orders of approximately €38 million refer to India and mainly comprise the contract agreed with NMRC (Noida Metro Rail Corporation) for the construction of the CBTC signalling system for the Noida - Gerater Noida Metro project (€26 million).

Key orders acquired in the first nine months of 2016 are as follows

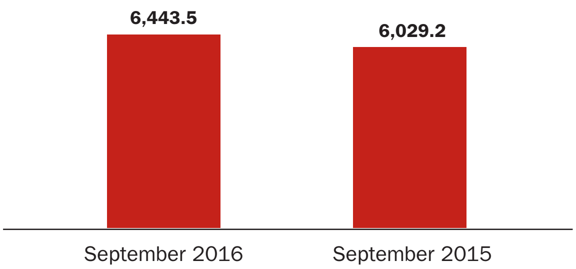
Country	Project	Customer	Amount (€m)
Taiwan	Sanying Line MRT System	NCTG DRTS	220
Great Britain	Glasgow metro - including maintenance	Strathclyde Partnership for Transport	135
Belgium	Brussels metro	STIB	88
Italy	Rome-Florence CAS-MDD including the ERTMS ETCS level 2 track-side subsystem	RFI	75
Australia	Auto Haul – order variation AC Loco	Rio Tinto Iron Ore	48
USA	LIRR Ronkonkoma	LIRR	38
Malaysia	KVDT	Dhaya Maju infrastructure	37
France	2016 maintenance	RATP	27
India	Noida metro	Delhi Metro Rail Corporation Limited	26
Sweden	Line 2 ESTER	Trafikverket	21
Great Britain	Ferriby Gilberdijke	Network Rail	20
USA	LIRR MID-DAY - Storage Yard	LIRR	17
Various EU / Asia	Components	Various	37
USA	Components	Various	35
Various EU / Asia	Service & Maintenance	Various	35

New orders for the first nine months of 2016 and 2015 (€m)



The order backlog at 30 September 2016 amounted to €6,443.5 million compared to €6,029.2 million at 30 September 2015, up by €414.3 million.

Order backlog at 30 September 2016 and 2015 (€m)*



* The order backlog at 30 September 2016 includes the residual amount of contracts in Libya, currently interrupted, worth €458.8 million.

Business performance

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 project as part of the Saturno consortium. As requested by the customer RFI, Ansaldo is working on its activation by the end of 2016. During the period, two intermediate activation milestones were reached: Bivio Roncadelle and Bivio Casirate, which play a fundamental role in getting the new Brescia-Treviglio high-speed section operative.
With reference to the litigation between the Saturno consortium (of which the company is a member with a 33.33% interest) and one of its main member companies, in the third quarter of the year, an arbitration award was issued, covering, in particular, the repairing of the damage caused by the failure to participate in a tender. The effects, if any, in terms of assets and liabilities, income and expense, that may arise from the settlement of the above litigation will be recharged to the consortium member companies.

In the SCMT on-board/ERTMS systems segment, work to equip the ETR1000 high-speed trains for the Trenitalia fleet continued.

Production by the central automated system business segment mainly related to the project for the technological upgrade of the Turin-Padua line. During the period, a number of intermediate activation milestones were reached.

With reference to Line 6 of the Naples metro, both the civil works and the electro-mechanical installations along the Mergellina-S.Pasquale line continued. The S. Pasquale station is substantially completed as per the updated schedule.

With respect to Line C of the Rome metro, civil works for the construction of the San Giovanni station and section T3 (from San Giovanni to Fori Imperiali) were resumed in March. The financial disputes between Metro C and the customer are still underway. The judicial authorities carried out an in-depth analysis of the relationship between Metro C and the customer.

The project for Line 5 of the Milan metro has been completed; the line is running and management is currently focussed on the guarantee stage.

Engineering and procurement activities continue on Line 4 of the Milan metro. The first access points to the line are expected next year. During the period, the Municipality approved the variation which would streamline the civil works on the stations in the historic centre.

Finally, with respect to the litigation between the company and Metro Campania Nord Est about the orders of the court against the latter company for unpaid invoices, as described in the parent Ansaldo STS's 2015 separate financial statements, at the end of July, a ruling was published, rejecting the arguments opposing the invalidity of the concession relationship and the related supplements, stating that the counterparty make the relevant payments. However, the judge allowed the counterparty's requests on the alleged lack of jurisdiction of the ordinary judge over some invoices in favour of the administrative judge. On this point, the company is preparing the necessary documentation to file an appeal with the regional administrative court (TAR).

REST OF EUROPE

In France, activities mainly focus on the on-board systems and equipment for the country's high-speed network (specifically the two main projects relating to 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 Scotland, the design of the upgrade of the Glasgow metro has begun.

At the end of June, a popular referendum declared Britain's exit from the European community. At present, no significant financial impacts are expected for the current year.

In Sweden, production principally related to the development of technological systems for the Stockholm Red Line metro, for which line installations continue and the Ester project to upgrade the Swedish railway network to the ERTMS L2 standard.

In Germany, activities continue 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.

In Turkey, the recent geopolitical events have had no effect on the contracts underway at present.
The Mersin-Toprakkale project continued, specifically, the works to install and roll out the multi-station equipment in the southern section.
In relation to the Ankara metro, the safety and assessment documents and the related certification of the M1, M2 and M3 lines for use of the CBTC system were issued in March 2016. The CBTC system for the above lines is therefore ready to be used by the customer for passenger service.

In Greece, works have resumed on the Thessaloniki metro project pending the formalisation of the settlement reached with the customer which closes the arbitration request made by the consortium contractor to obtain the payment of sundry greater expense and/or extra costs incurred. The design and procurement of technological systems continue.

Work on the Copenhagen Cityringen project went ahead in Denmark; the design and procurement of materials continue concurrently with the dynamic testing on a trial rail.
Meanwhile, the activities for the construction of the tram line in the city of Aarhus continue.

AMERICAS

In the USA, the construction of the Honolulu metro continued. Specifically, the static tests began on the first vehicles.
With respect to the Positive Train Control project for SEPTA in Philadelphia, after the roll out of the Warminster line, works are underway to roll out the Airport and West Chester lines.
Meanwhile, preliminary activities relating to two projects acquired at the end of 2015 continued: the design and construction of a Positive Train Control system for MBTA's 15 lines in Boston and the supply of a CBTC system for the Sharon Hill tram line in Philadelphia managed by SEPTA.
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. The first stage design has been completed, 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 contract with the Russian customer Zarubezhstroytechnology (ZST) for the Sirth - Benghazi line in Libya commenced by the latter in Vienna against the Ansaldo STS - Selex ES joint venture was completed, accepting almost all the counterparty's requests.
With respect to the contract in Tunisia, in September, the Chamber of commerce arbitration court in Paris issued a final document on the litigation between the consortium comprising ASTS/Alstom and Société Nationale des Chemins de Fer Tunisiens, that partly allows the consortium's requests.
Finalisation of the litigation is currently underway in Tunisia.

In Saudi Arabia, the activities for Line 3 of the Riyadh Metro project continued. Some delays were incurred compared to the original plan due to the project changes and variations requested by the customer.

ASIA

In China, the projects related to the CBTC systems for the Chengdu, Dalian, Hangzhou, Xi'an, Zhengzhou and Shenyang metros continued according to schedule.

Design and production activities continued for the construction of the Taipei Metro Circular Line. The delays in civil works impacted the construction times of the metro. A new work plan is still under negotiation with the customer. The latter participated in the acceptance tests of the first vehicle at the factory.

ASIA PACIFIC

In Australia, production of the period mainly focused on projects covered by the master agreement with Rio Tinto (RAFA), the Roy Hill's and the Moreton Bay Rail Link projects.
With respect to the RAFA projects and especially the AutoHaul project, the software upgrade and installation on locomotives continued, along with the system testing on the line. The project is set to be completed by the end of 2017.
With respect to the Roy Hill project, stage 3 (IETO) was delivered while activities for stage 4 (CBS) continue, although they are behind the original schedule.
The Moreton Bay Rail Link line was rolled out in Queensland.
In relation to the RAFA, Roy Hill and Moreton Bay Rail Link projects, negotiations are taking place with the customers about the claims for higher costs incurred.

In India, work on the signalling systems for the KFW project continues. Due to the delays accumulated by the numerous variations requested by the customer, work is not expected to be completed before the second half of 2017.
The Kolkata Metro project also continues to incur delays caused by the civil works and the unavailability of design inputs despite the customer's re-awarding of the rolling stock supply contract.
In Malaysia, the preliminary activities for the project related to the signalling of the Rawang-Salak Selatan section of the Klang Valley railway network began.

In Korea, the activities continue for the high-speed line of the Sudokwon project. The problems encountered in respect of the completion of the civil works may delay the closing of the project scheduled for the end of the year.

Significant transactions of the reporting period and events 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 approximately 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 was managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

On 2 November 2015, 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"). The offer period ended on 14 March 2016. 12,832,398 Ansaldo STS S.p.A. ordinary shares, equal to 6.416% of its share capital, were tendered to the offer. Therefore, at 21 March 2016, the date on which the consideration was paid to the holders of said shares and the latter concurrently transferred to the bidder, Hitachi Rail Italy Investments S.r.l.'s investment in Ansaldo STS S.p.A. was equal to 46.482% of its share capital.

As Hitachi Rail Italy Investments S.r.l.'s investment in Ansaldo STS S.p.A. did not reach 90% of its share capital, the conditions for exercising the purchase obligation pursuant to article 108.2 or article 108.1 of the Consolidated Finance Act and the purchase right pursuant to article 111 of the Consolidated Finance Act did not materialise.

Subsequently, Hitachi Rail Italy Investments S.r.l. acquired 8,581,223 more Ansaldo STS S.p.A. ordinary shares as a result of which its investment therein is now equal to 50.772% of its share capital.

More information about the tender offer 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/en/investor-relations/public-tender-offer.

In March 2016, the Ansaldo STS – Stadler consortium won contracts to upgrade the Glasgow metro. These include the supply of 17 new trains, Driverless Communication Based Train Control (CBTC) signalling technology, platform screen doors and depot equipment, as well as the related maintenance support services to upgrade the 10.5 km long twin metro lines and 15 stations of the Glasgow metro system.
This project has a total value of GBP203.2 million. Ansaldo STS's share amounts to GBP104.3 million (approximately €135 million).

On 21 June 2016, Ansaldo STS and Hitachi, Ltd., as members of the ARH consortium (made up of Ansaldo STS S.p.A., RSEA Engineering Corp. and Hitachi, Ltd.), entered into a turnkey contract with New Taipei City Government Department of Rapid Transit System (NTCG DORTS) worth a total of approximately €885 million.
As the consortium leader, Ansaldo STS will provide the CBTC (Communication Based Train Control) technology and all electromechanical systems (power supply, telecommunications, platform screen doors, ticketing system, SCADA system and depot equipment), worth approximately €219.8 million (net of VAT).
The CBTC solution is leading a new era of rail transit control, enhancing flexibility, reducing maintenance costs and improving interoperability.
Hitachi, Ltd's scope of work includes design and manufacture of metro rail transit train cars which consists of 29 two-car trains, for a total of 58 cars.
For NTCG DORTS, this turnkey project combines civil, 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 the Sanying Line is 14.29 km with 12 elevated stations and one depot. With a 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 the 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.

In September 2016, Ansaldo STS won two contracts worth a total of €74.8 million related to the signalling of the DD Rome–Florence section of the HC/HS Turin–Milan–Naples line.
The scope of Ansaldo STS' work in the contracts awarded by RFI (the Italian railway network) covers the design and construction of the ERTMS/ETCS Level 2 track-side subsystem, the ACC-M and complementary and accessory technological upgrades of the DD Rome–Florence section of the HC/HS Turin–Milan–Naples line.
Ansaldo STS signalling systems will serve the current 234 km double track line, elevating it to the highest technological levels.

In the third quarter of the year, the French subsidiary signed a contract worth €88 million with STIB (Société des Transports Intercommunaux de Bruxelles) for the automation of lines 1 and 5, as part of the plan to renovate the Brussels metro (project Pulsar).
As part of the renovation project, Ansaldo STS will provide STIB with its CBTC driverless solution to increase the operating performance, the efficiency and the safety of the metro's east-west direction (lines 1 and 5), for a total length of 35.5 km and 37 stations, with a fleet comprising 60 trains.
The master agreement also covers the 2 and 6 optional lines.
The scope of the work is also the study, design, production, full integration, testing and roll out, as well as the provision of training, maintenance and services related to the systems and sub-systems both on-board and wayside.

With the deed dated 14 July 2016, the Elliott International L.P., The Liverpool Limited Partnership and Elliott Associates L.P. funds (the "Elliott funds") requested that the Genoa Court annulled the shareholders' decision dated 13 May 2016 appointing the board of directors and the chairman, Mr. Dormer, with the prior suspension of its effectiveness and preventing Hitachi Rail Italy Investments S.r.l.'s ("Hitachi"), from exercising its voting right which was also notified of the summons.

On 18 July 2016, the Elliot funds notified the company of the decree signed on 14 July 2016, under which the Presiding Judge of the Genoa Court appointed Alessandro Barca as special administrator pursuant to article 78 of the Italian Code of Civil Procedure.

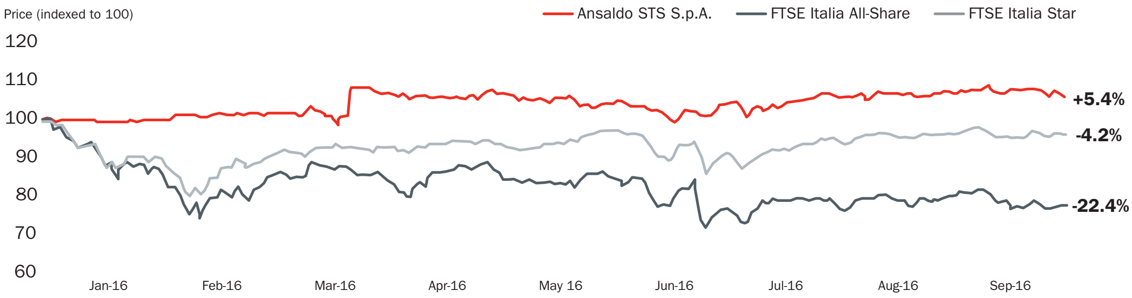
- With respect to the proceedings under article 78 of the above code (appointing a special administrator) and the appeal for the annulment of the above resolution, in its measure of 6 September 2016, the Court of Appeals, stating that "there were no conflicts of interest affecting the legal representatives and the company", definitively annulled the administrator's appointment by the Court.
- Consequently, the company responded in the proceedings for the precautionary suspension of the opposed resolution, defending its position, and, after two hearings, where also the directors and the statutory auditors were heard, the judge reserved the right to decide.

With respect to the merits of the case, the company will appear before the court by 1 November 2016.
The first hearing is fixed for 22 November 2016.

Financial disclosure

The official share price in the 31 December 2015 to 30 September 2016 period rose from €9.87 to €10.40, up 5.4%.
The share's period high of €10.71 was recorded on 9 September 2016 and its low of €9.73 on 18 March 2016.
An average 247,178 shares were traded daily in the period, compared to 1,493,062 shares traded in the corresponding period of the previous year. The decrease is directly attributable to the float reduction following the completion of the takeover bid made by Hitachi Rail Italy Investments on Ansaldo STS in the first quarter of 2016 and the subsequent acquisitions by HRII on the market, which generated an increase in its equity investment to the current 50.772%.
The FTSE Italia All-Share index lost 22.4%, while the FTSE Italia STAR index dropped 4.2%.

Share performance compared to the main indices (base 100)



Condensed Interim Consolidated Financial Statements and for the nine months ended **30 September 2016**

1. Condensed interim consolidated financial statements

1.1 Income statement (€'000)

	First nine months of			
	2016	**of which, related parties**	2015	of which, related parties
Revenue	900,555	50,809	952,631	151,783
Other operating income	15,638	973	19,790	3,780
Purchases	(208,440)	(13,780)	(197,545)	(17,043)
Services	(363,071)	(42,288)	(420,245)	(41,852)
Personnel expense	(245,540)	-	(241,189)	-
Amortisation, depreciation and impairment losses	(13,980)	-	(13,655)	-
Other operating expense	(13,847)	(4)	(16,903)	(19)
Changes in finished goods, work in progress and semi-finished products	2,103	-	3,832	-
(-) Internal work capitalised	3,553	-	4,141	-
Operating profit (EBIT)	**76,971**		**90,857**	
Financial income	9,975	-	27,985	219
Financial expense	(21,110)	-	(33,500)	(35)
Share of profits of equity-accounted investees	4,304	-	5,233	-
Pre-tax profit	***70,140***		***90,575***	
Income taxes	(24,374)	-	(31,048)	-
Profit/(loss) for the period from non-current assets held for sale	-	-	-	-
Profit for the period	***45,766***		***59,527***	
attributable to the owners of the parent	*45,782*		*59,562*	
attributable to non-controlling interests	*(16)*		*(35)*	
Earnings per share				
Basic and diluted	*0.23*		*0.30*	

1.2 Statement of comprehensive income (€'000)

	First nine months of	
	2016	2015
Profit for the period	**45,766**	**59,527**
Items that will not be reclassified to profit or loss:		
- Net actuarial gains/(losses) on defined benefit plans	(1,779)	488
- Income tax	570	(134)
	(1,209)	**354**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	15,193	1,212
- Net exchange rate gains (losses)	(9,291)	11,524
- Income tax	(4,240)	(256)
	1,662	**12,480**
Other comprehensive income, net of taxes	**453**	**12,834**
Total comprehensive income for the period	**46,219**	**72,361**
Attributable to:		
- owners of the parent	46,262	72,425
- non-controlling interests	(43)	(64)

1.3 Statement of financial position (€'000)

	30.09.2016	of which, related parties	31.12.2015	of which, related parties
ASSETS				
Non-current assets				
Intangible assets	49,366	-	51,546	-
Property, plant and equipment	83,619	-	87,012	-
Equity investments	70,982	-	69,041	-
Loans and receivables	43,675	22,685	41,832	21,211
Deferred tax assets	43,751	-	39,487	-
Other non-current assets	16,549	-	18,332	-
	307,942		**307,250**	
Current assets				
Inventories	129,241	-	121,217	-
Contract work in progress	409,156	-	346,353	-
Trade receivables	570,627	52,435	663,558	58,952
Financial assets at fair value through profit or loss	-	-	-	-
Tax assets	33,194	-	26,378	-
Loan assets	33,483	1,042	38,496	563
Other current assets	90,032	4	91,930	4
Cash and cash equivalents	256,963	-	304,306	-
	1,522,696		**1,592,238**	
Non-current assets held for sale	-	-	-	-
Total assets	**1,830,638**		**1,899,488**	
EQUITY AND LIABILITIES				
Equity				
Share capital	100,000	-	100,000	-
Reserves	566,268	-	554,787	-
Equity attributable to the owners of the parent	*666,268*		*654,787*	
Equity attributable to non-controlling interests	*263*	-	*306*	-
Total equity	**666,531**		**655,093**	
Non-current liabilities				
Loans and borrowings	-	-	-	-
Employee benefits	35,467	-	33,155	-
Deferred tax liabilities	13,062	-	10,365	-
Other non-current liabilities	12,843	-	11,792	-
	61,372		**55,312**	
Current liabilities				
Progress payments and advances from customers	571,367	-	635,785	-
Trade payables	394,793	16,294	415,973	25,247
Loans and borrowings	2,559	-	4,128	2,500
Tax liabilities	16,174	-	10,816	-
Provisions for risks and charges	19,950	-	11,126	-
Other current liabilities	97,892	397	111,255	402
	1,102,735		**1,189,083**	
Total liabilities	**1,164,107**		**1,244,395**	
Total liabilities and equity	**1,830,638**		**1,899,488**	

1.4 Statement of cash flows (€'000)

	First nine months of 2016	of which, related parties	First nine months of 2015	of which, related parties
Cash flows from operating activities:				
Gross cash flows from operating activities	107,038	-	112,503	-
Change in working capital	(101,532)	-	(25,728)	-
Changes in other operating assets and liabilities	8,674	(15,470)	(34,835)	(4,411)
Net interest received	(1,628)	(5)	1,506	184
Income taxes paid	(16,069)	-	(19,747)	-
Cash flows from (used in) operating activities	**(3,517)**		**33,699**	
Cash flows from investing activities:				
Acquisitions/coverage of losses of investees, net of cash acquired	-	-	-	-
Investments in property, plant and equipment and intangible assets	(7,496)	-	(10,595)	-
Cash flows used for strategic transactions	-	-	(8,277)	-
Sales of property, plant and equipment and intangible assets	14	-	199	-
Sale of equity investments and financial assets	5	-	-	-
Changes in non-current financial assets	-	-	-	-
Dividends received	-	-	-	-
Cash flows used in investing activities	**(7,477)**		**(18,673)**	
Cash flows from financing activities:				
Net change in other financing activities	2,700	(2,499)	(18,816)	(2,266)
Share capital increases	-	-	-	-
Other changes	-	-	(294)	-
Dividends paid	(36,000)	-	(30,755)	-
Other financing activities	-	-	-	-
Cash flows used in financing activities	**(33,300)**		**(49,865)**	
Net decrease in cash and cash equivalents	(44,294)	-	(34,839)	-
Net exchange rate gains (losses)	(3,049)	-	2,025	-
Opening cash and cash equivalents	304,306	-	270,067	-
Closing cash and cash equivalents	**256,963**		**237,253**	

1.5 Statement of changes in equity (€'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 at 1 January 2015	**99,999**	**445,581**	**4,015**	**4,262**	**3,458**	**16,329**	**573,644**	**1,278**	**574,922**
Change in consolidation scope	-	(3,897)	-	-	949	-	(2,948)	-	**(2,948)**
Net change in stock grant reserve	-	-	-	6	-	-	6	-	**6**
Other changes	-	-	-	-	-	(11)	(11)	-	**(11)**
Bonus issue of 20,000,000 shares	-	-	-	-	-	-	-	-	**-**
Other comprehensive income, net of taxes	-	-	1,212	-	11,553	98	12,863	(29)	**12,834**
Dividends	-	(30,000)	-	-	-	-	(30,000)	(755)	**(30,755)**
Net change in treasury shares	1	(1)	-	-	-	-	-	-	**-**
Profit for the period ended 30 September 2015	-	59,562	-	-	-	-	59,562	(35)	**59,527**
Equity at 30 September 2015	**100,000**	**471,245**	**5,227**	**4,268**	**15,960**	**16,416**	**613,116**	**459**	**613,575**
Equity at 1 January 2016	**100,000**	**504,504**	**(1,469)**	**4,611**	**28,723**	**18,418**	**654,787**	**306**	**655,093**
Change in consolidation scope	-	(271)	-	-	271	-	-	-	**-**
Net change in stock grant reserve	-	-	-	2,971	-	-	2,971	-	**2,971**
Other changes	-	(1,752)	-	-	-	-	(1,752)	-	**(1,752)**
Other comprehensive income (expense), net of taxes	-	-	15,193	-	(9,264)	(5,449)	480	(27)	**453**
Dividends	-	(36,000)	-	-	-	-	(36,000)	-	**(36,000)**
Net change in treasury shares	-	-	-	-	-	-	-	-	**-**
Profit for the period ended 30 September 2016	-	45,782	-	-	-	-	45,782	(16)	**45,766**
Equity at 30 September 2016	**100,000**	**512,263**	**13,724**	**7,582**	**19,730**	**12,969**	**666,268**	**263**	**666,531**

2. Notes to the condensed interim consolidated financial statements at 30 September 2016

2.1 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 23 March 2014 and in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were re-included again in the FTSE MIB index starting from 7 April 2015 until 20 December 2015. Since 21 December 2015, the company's shares have again been included in the FTSE Italia Mid Cap index.

The company'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.

Hitachi Rail Italy Investments S.r.l. currently owns 101,544,702 ordinary shares, equal to 50.772% of Ansaldo STS S.p.A.'s share capital.
Moreover, Hitachi Ltd. manages and coordinates Ansaldo STS S.p.A. pursuant to article 2497 and following articles of the Italian Civil Code.

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").

2.2 Basis of preparation

Ansaldo STS group's interim financial report at 30 September 2016 is drafted in accordance with article 154-ter.5 of Legislative decree no. 58/98 (the Consolidated Finance Act) and subsequent amendments and integrations.
This interim financial report was approved and authorised for publication by the board of directors in accordance with ruling legislation on 28 October 2016.
The notes to the condensed interim consolidated financial statements do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. These condensed interim consolidated financial statements should, therefore, be read in conjunction with the 2015 annual consolidated financial statements.
The accounting policies used for the condensed interim consolidated financial statements are unchanged from those of the 2015 annual consolidated financial statements.
Amounts are shown in thousands or millions of euros unless stated otherwise.
Preparation of the condensed interim consolidated financial statements required management to make estimates.

2.3 Consolidation scope

Ansaldo STS group's condensed interim consolidated financial statements at 30 September 2016 include the interim financial statements at 30 September 2016 of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the IFRS 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 (UK)	1,000	GBP	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)	5,612,915	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

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 the directors, to date, the above transactions will not generate significant liabilities for the Ansaldo STS group.

Companies measured using the cost method

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	INVESTMENT %
Metro C S.c.p.A.	Indirect	Rome (Italy)	150,000	EUR	14.00
I.M. Intermetro S.p.A.	Indirect	Rome (Italy)	2,461	EUR	16.67
Società Tram di Firenze S.p.A.	Indirect	Florence (Italy)	7,000	EUR	3.80
Iricav Uno consortium	Indirect	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Indirect	Rome (Italy)	510	EUR	17.05
Ferroviario Vesuviano consortium	Indirect	Naples (Italy)	153	EUR	25.00
San Giorgio Volla consortium	Indirect	Naples (Italy)	71	EUR	25.00
San Giorgio Volla consortium	Indirect	Naples (Italy)	71	EUR	25.00
Cris consortium	Indirect	Naples (Italy)	2,377	EUR	1.00
Ascosa Quattro consortium	Indirect	Rome (Italy)	57	EUR	25.00
SIIT S.c.p.a.	Indirect	Genoa (Italy)	600	EUR	2.30
Saturno consortium	Indirect	Rome (Italy)	31	EUR	33.33
Train consortium	Indirect	Rome (Italy)	120	EUR	4.55
Sesamo S.c.a.r.l.	Indirect	Naples (Italy)	100	EUR	2.00
Isict consortium	Indirect	Genoa (Italy)	43	EUR	14.29
Cosila consortium (in liq.)	Indirect	Naples (Italy)	114	EUR	0.92
MM4 consortium	Indirect	Milan (Italy)	200	EUR	18.20
Radiolabs consortium	Indirect	Rome (Italy)	103	EUR	50.00
SPV M4 S.p.A.	Indirect	Milan (Italy)	103,200	EUR	5.46
Ansaldo STS do Brasil Sistema de Transporte Ferroviario e Metropolitano LTDA	Direct	Fortaleza (Brazil)	985	BRL	99.99
Metro de Lima Linea 2 S.A.	Indirect	Lima (Peru)	368,808	PEN	16.90
TOP IN S.ca.r.l.	Indirect	Naples (Italy)	80	EUR	5.29
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Indirect	Rome (Italy)	40	EUR	12.00
Dattilo S.c.a.r.l.	Indirect	Naples (Italy)	100	EUR	14.00
S.P. M4 S.c.p.a.	Indirect	Milan (Italy)	360	EUR	16.90
MetroB S.r.l.	Indirect	Rome (Italy)	20,000	EUR	2.47

2.4 Exchange rates adopted

The following exchange rates were adopted to translate the foreign currency financial statements and balances for the reporting period and the corresponding period of the previous year:

	Spot rate at 30/09/2016	**Average rate for the nine months ended 30/09/2016**	Spot rate at 30/09/2015	Average rate for the nine months ended 30/09/2015
USD	1.12250	1.11564	1.11700	1.11499
CAD	1.48290	1.47568	1.49210	1.40294
GBP	0.86208	0.80218	0.73520	0.73096
HKD	8.70410	8.66199	8.65690	8.64462
SEK	9.61650	9.37030	9.45270	9.37480
AUD	1.46370	1.50555	1.59670	1.46180
INR	74.59150	74.89654	73.83910	70.85987
MYR	4.64340	4.55927	4.94100	4.21244
BRL	3.63890	3.96512	4.47870	3.51798
CNY	7.49110	7.34267	7.10990	6.96790
VEB	11.211.00000	10.064.81333	7.028.28000	7.015.08556
BWP	11.69490	12.22908	11.81770	11.06356
ZAR	15.24920	16.70704	15.67280	13.68553
KZT	378.37700	384.12301	301.64100	219.01086
AED	4.12070	4.09544	4.10051	4.09325
KRW	1.231.76000	1.296.42427	1.334.11000	1.251.92205
JPY	112.93000	121.09670	134.13000	134.76953

3. Segment reporting

A breakdown of revenue by geographical segment is as follows:

(€'000)	**First nine months of 2016**	First nine months of 2015
Italy	200,927	220,155
Rest of Europe	275,894	226,924
North Africa and the Middle East	73,047	46,037
Americas	171,782	180,250
Asia/Pacific	178,905	279,265
Total	**900,555**	**952,631**

Property, plant and equipment and intangible assets may be broken down by the geographical segment in which the investment was made as follows:

(€'000)	**30.09.2016**	30.09.2015
Italy	106,533	110,055
Rest of Europe	13,422	14,340
North Africa and Middle East	610	184
Americas	10,793	12,354
Asia/Pacific	1,627	1,625
Total	**132,985**	**138,558**

4. Notes to the condensed interim consolidated financial statements at 30 september 2016

Related party assets and liabilities

Related party trading transactions generally take place on an arm's length basis. The relevant statement of financial position balances are shown below. The statement of cash flows presents the impact of related party transactions on cash flows.

FINANCIAL ASSETS AT 30.09.2016 (€'000)	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Ultimate parent						
Hitachi LTD	-	-	-	170	-	**170**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	103	-	**103**
Alifana Due S.c.r.l.	-	-	-	230	-	**230**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,256	-	**2,256**
Associates						
Metro de Lima Linea 2 S.A.	-	296	-	-	-	**296**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	22,207	-	1,513	-	**23,720**
Metro Brescia S.r.l.	-	-	-	784	-	**784**
Metro Service A.S.	-	-	-	2,128	-	**2,128**
Consortia						
Saturno consortium	-	-	-	26,119	-	**26,119**
SP M4 S.C.p.A.	-	-	527	-	-	**527**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	1,168	-	**1,168**
MM4 consortium	-	182	-	6,931	-	**7,113**
San Giorgio Volla Due consortium	-	-	-	3,125	4	**3,129**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	515	4,146	-	**4,661**
Hitachi Rail Inc.	-	-	-	797	-	**797**
Total	**-**	**22,685**	**1,042**	**52,435**	**4**	**76,166**
% of the total corresponding financial statements caption		**52%**	**3%**	**9%**	**0.01%**	

FINANCIAL ASSETS AT 31.12.2015 (€'000)	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
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 J.V. 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%**	**0.01%**	

FINANCIAL LIABILITIES AT 30.09.2016 (€'000)	**Non-current loans and borrowings**	**Other non-current financial liabilities**	**Current loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Ultimate parent						
Hitachi LTD	-	-	-	518	-	**518**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	72	3	**75**
Alifana Due S.c.r.l.	-	-	-	55	-	**55**
Associates						
Metro Service S.A.	-	-	-	7,976	-	**7,976**
SPV M4 S.p.A.	-	-	-	-	370	**370**
Metro 5 S.p.A.	-	-	-	1	-	**1**
Pegaso S.c.r.l. (in liq.)	-	-	-	16	-	**16**
Consortia						
Saturno consortium	-	-	-	814	-	**814**
Ascosa Quattro consortium	-	-	-	150	8	**158**
San Giorgio Volla Due consortium	-	-	-	8	-	**8**
Ferroviario Vesuviano consortium	-	-	-	145	8	**153**
Cris consortium	-	-	-	1	8	**9**
MM4 consortium	-	-	-	238	-	**238**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	6,296	-	**6,296**
Hitachi India Pvt Ltd Rail Systems Company	-	-	-	4	-	**4**
Total	**-**	**-**	**-**	**16,294**	**397**	**16,691**
% of the total corresponding financial statements caption				**4%**	**0.4%**	

FINANCIAL LIABILITIES AT 31.12.2015 (€'000)	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	93	3	**96**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	313	-	**313**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	9	-	**9**
Associates						
Metro Service A.S.	-	-	-	4,821	-	**4,821**
Metro Brescia S.r.l.	-	-	-	142	370	**512**
METRO 5 S.p.A.	-	-	-	1	-	**1**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	2	-	**2**
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%**	

Non-current assets

Non-current assets totalled €307,942 thousand at 30 September 2016, as follows:

(€'000)	30.09.2016	31.12.2015
Intangible assets	49,366	51,546
Property, plant and equipment	83,619	87,012
Equity investments	70,982	69,041
Loans and receivables	43,675	41,832
Deferred tax assets	43,751	39,487
Other non-current assets	16,549	18,332
Total	**307,942**	**307,250**

Specifically:

- intangible assets amount to €49,366 thousand and mainly include goodwill (€34,569 thousand). The group recognised intangible assets of €3,033 thousand relating to the Satellite and Rail Telecom project during the period. Acquisitions and amortisation for the period totalled €937 thousand and €5,419 thousand, respectively;
- property, plant and equipment of €83,619 thousand mainly include the parent's properties. They increased by €440 thousand during the period. Acquisitions and depreciation for the period totalled €3,750 thousand and €7,245 thousand, respectively;
- equity investments increased by €1,941 thousand to €70,982 thousand on 31 December 2015, mainly due to the share of profits (losses) of equity-accounted investees, namely Balfour Beatty System JV SDN BHD (€192 thousand), Metro 5 S.p.A. (€1,700 thousand), Metro Brescia S.r.l. (€195 thousand) and the effect of the decrease in the equity of International Metro Service S.r.l. (€109 thousand), due to the dividend distribution.
- non-current loans and receivables rose by €1,843 thousand to €43,675 thousand, mainly relating to the parent Ansaldo STS S.p.A., in respect of the advances paid to Metro 5 S.p.A. (€1,474 thousand) and Metro 4 S.p.A. (€2.497 thousand), net of AIASA's repayment of the advance for managing the operations related to the Thessaloniki metro (€2.279 thousand);
- deferred tax assets increased by €4,264 thousand to €43,751 thousand at 31 December 2015, principally relating to the parent and the French subsidiary;
- other non-current assets of €16,549 thousand show a decrease of €1,783 thousand due to the reduction of the non-current prepaid trademark licence fees.

In line with group procedures, impairment testing takes place at the time the annual financial statements are prepared unless there is an indication that an impairment loss may have taken place. There was no such indication during the period.

Non-current liabilities

Non-current liabilities of €61,372 thousand at the reporting date are made up as follows:

(€'000)	30.09.2016	31.12.2015
Employee benefits	35,467	33,155
Deferred tax liabilities	13,062	10,365
Other non-current liabilities	12,843	11,792
Total	**61,372**	**55,312**

Specifically:

- employee benefits, which include the Italian post-employment benefits and other employee benefit obligations, rose €2,312 thousand to €35,467 thousand compared to 31 December 2015;
- deferred tax liabilities increased by €2,697 thousand to €13,062 thousand;
- other non-current liabilities increased by €1,051 thousand to €12,843 thousand.

Inventories

Inventories totalled €129,241 thousand at the reporting date. The caption can be analysed as follows:

(€'000)	**30.09.2016**	31.12.2015
Raw materials, consumables and supplies	27,864	19,383
Work in progress and semi-finished products	13,466	12,314
Finished goods	11,177	10,854
Advances to suppliers	76,734	78,666
Total	**129,241**	**121,217**

The net increase for the period of €8,024 thousand is mainly due to the rise in raw materials, consumables and supplies (€9,956 thousand), mainly as a consequence of the US subsidiary's insourcing of some activities.

Work in progress, net of progress payments and advances from customers

Work in progress, net of progress payments and advances from customers, is a negative €162,211 thousand. It can be analysed as follows:

(€'000)	**30.09.2016**	31.12.2015
Advances from customers	(49,092)	(65,594)
Progress payments	(1,873,921)	(1,842,741)
Work in progress	2,373,017	2,298,527
Provision for expected losses to complete contracts	(12,485)	(14,947)
Allowance for write-down	(28,363)	(28,892)
Work in progress (net)	**409,156**	**346,353**
Advances from customers	(356,100)	(384,195)
Progress payments	(1,874,241)	(1,749,832)
Work in progress	1,679,176	1,513,214
Provision for expected losses to complete contracts	(10,502)	(10,272)
Allowance for write-down	(9,700)	(4,700)
Progress payments and advances from customers (net)	**(571,367)**	**(635,785)**
Work in progress, net of progress payments and advances from customers	**(162,211)**	**(289,432)**

The overall carrying amount increased by €127,221 thousand mainly due to production in excess of revenue and the decrease in progress payments and advances from customers.

Trade receivables and payables

Trade receivables and payables are made up as follows:

	30.09.2016		31.12.2015	
(€'000)	**Trade receivables**	**Trade payables**	Trade receivables	Trade payables
Third parties	518,192	378,499	604,606	390,726
Total third parties	**518,192**	**378,499**	**604,606**	**390,726**
Related parties	52,435	16,294	58,952	25,247
Total	**570,627**	**394,793**	**663,558**	**415,973**

Overall, receivables and payables decreased on the balance at 31 December 2015.

Provisions for risks and charges

Provisions for risks and charges amount to €19,950 thousand at 30 September 2016, up by €11,126 thousand at 31 December 2015.

Specifically, during the period, specific accruals were recognised in respect of the probable risks related to the payment of interest on the arbitration procedures commenced in Vienna by Zarubezhstroytechnology (ZST) against the Ansaldo STS - Selex ES joint venture.
Reference should be made to the Performance paragraph for further details.

Other assets/liabilities

Other current liabilities, net, of €7,860 thousand, are made up as follows:

	30.09.2016		31.12.2015	
(€'000)	**Assets**	**Liabilities**	Assets	Liabilities
Prepayments - current portion	8,299	-	8,328	-
Research grants	18,530	-	18,046	-
Employees	1,732	37,200	1,340	34,995
Social security institutions	18	15,235	50	17,611
Indirect and other tax assets/liabilities	38,758	11,816	42,678	15,079
Derivatives	9,100	6,185	5,367	14,612
Other	13,591	27,059	16,117	28,556
Total	**90,028**	**97,495**	**91,926**	**110,853**
Related parties	4	397	4	402
Total	**90,032**	**97,892**	**91,930**	**111,255**

Details of the main items are set out below:
- prepayments of €8,299 thousand decreased by €29 thousand, mainly due to the prepaid insurance premiums and prepaid commissions on sureties reclassified to profit or loss;
- net liabilities to employees of €35,468 thousand increased by €1,813 thousand on 31 December 2015;
- net indirect and other tax assets decreased to €26,942 thousand from €27,599 thousand at 31 December 2015;
- other liabilities, net, of €13,468 thousand are basically unchanged from 31 December 2015 (€12,439 thousand);
- net derivatives increased by €12,160 thousand due to the signature of new hedging agreements;
- net related party liabilities (€393 thousand) are in line with the balance at 31 December 2015 (€398 thousand).

Financial disclosure

The following disclosure is required by CONSOB communication no. DEM/6064293 of 28 July 2006.

(€'000)		30.09.2016	31.12.2015
A	Cash-in-hand	129	126
B	Other cash and cash equivalents (bank current accounts)	256,834	304,180
C	Securities held for trading	-	-
D	**CASH AND CASH EQUIVALENTS (A+B+C)**	**256,963**	**304,306**
E	**CURRENT LOAN ASSETS**	**33,483**	**38,496**
F	Current bank loans and borrowings	11	21
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	2,548	4,107
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**2,559**	**4,128**
J	**NET CURRENT FINANCIAL POSITION (I-E-D)**	**(287,887)**	**(338,674)**
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)**	**(287,887)**	**(338,674)**

Analysis of the income statement

Impact of related party transactions on profit or loss

Related party trading transactions generally take place on an arm's length basis. The relevant income statement balances are shown below.

First nine months of 2016 (€'000)	**Revenue**	**Other operating income**	**Costs**	**Financial income**	**Financial expense**	**Other operating expense**
Ultimate parent						
Hitachi Ltd	410	-	518	-	-	-
Ultimate parent						
Hitachi Ltd	-	-	(1)	-	-	-
Alifana Due S.c.r.l.	106	-	206	-	-	-
Associates						
Metro 5 S.p.A.	2,266	950	83	-	-	-
International Metro Service S.r.l.	(75)	6	-	-	-	4
Pegaso S.c.r.l. (in liq.)	-	-	164	-	-	-
Metro Service S.A.	4,745	-	37,097	-	-	-
Metro Brescia S.r.l.	153	17	9	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(169)	-	40	-	-	-
Consortia						
Saturno consortium	23,339	-	989	-	-	-
Ascosa Quattro consortium	(26)	-	-	-	-	-
SanGiorgio Volla Due consortium	2,052	-	(1)	-	-	-
Ferroviario Vesuviano consortium	28	-	-	-	-	-
M4 consortium	-	-	33	-	-	-
MM4 consortium	10,088	-	418	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla consortium	(21)	-	-	-	-	-
Other group companies						
Hitachi Rail Europe Ltd	31	-	(10)	-	-	-
Hitachi Rail Italy S.p.A.	7,221	-	16,522	-	-	-
Hitachi Rail Inc.	386	-	-	-	-	-
Hitachi India Pvt Rail System Company	275	-	-	-	-	-
Total	**50,809**	**973**	**56,068**	**-**	**-**	**4**
% of the total corresponding financial statements caption	**6%**	**6%**	**10%**			**0.01%**

First nine months of 2015 (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Ultimate parent						
Finmeccanica S.p.A. (*)	-	-	4,061	17	35	18
Subsidiaries						
Alifana Due S.c.r.l.	155	-	126	-	-	-
Associates						
Metro 5 S.p.A.	20,154	3,729	53	-	-	-
International Metro Service S.r.l.	(38)	6	-	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	95	-	-	-
Metro Service S.A.	-	-	26,234	-	-	-
Metro Brescia S.r.l.	265	45	60	11	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(610)	-	-	-	-	-
Consortia						
Saturno consortium	12,871	-	1,452	-	-	-
Consorzio SanGiorgio Volla 2	204	-	70	-	-	-
Ferroviario Vesuviano consortium	(994)	-	49	-	-	-
SP M4 S.C.p.A.	-	-	503	191	-	-
MM4 consortium	12,293	-	694	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla consortium	(80)	-	(4)	-	-	-
Other group companies						
AnsaldoBreda S.p.A. (**)	14,364	-	12,117	-	-	-
Fata Logistic System S.p.A. (*)	-	-	1,199	-	-	-
Fata S.p.A. (*)	-	-	195	-	-	-
Finmeccanica Global Services S.p.A. (*)	-	-	215	-	-	1
Finmeccanica U.K. Ltd (*)	-	-	103	-	-	-
Selex ES S.p.A. (*)	98	-	10,218	-	-	-
Telespazio S.p.A. (*)	-	-	1	-	-	-
E-Geos S.p.A. (*)	-	-	65	-	-	-
Other - MEF (*)						
Ferrovie dello Stato group	86,530	-	1,319	-	-	-
Eni group	6,571	-	10	-	-	-
Enel group	-	-	59	-	-	-
Total	**151,783**	**3,780**	**58,895**	**219**	**35**	**19**
% of the total corresponding financial statements caption	**16%**	**19%**	**10%**	**0.8%**	**0.1%**	**0.1%**

(*) These companies are owned by Finmeccanica and the Ministry of Economy and Finance (MEF) and are no longer considered as related parties as Hitachi Ltd acquired Finmeccanica S.p.A.'s entire investment in Ansaldo STS S.p.A. (around 40% of its share capital) on 2 November 2015.

(**) Hitachi Ltd acquired Finmeccanica S.p.A.'s entire investment in AnsaldoBreda S.p.A., except for certain revamping activities and specific residual contracts. The new name of the company is Hitachi Rail Italy S.p.A..

Revenue

Revenue came to €900,555 thousand, down by €52,076 thousand on the €952.631 thousand for the first nine months of 2016. The decrease is mainly due to the near completion of some contracts in the Asia/Pacific area which was not offset by the progress in other projects.

Other operating income

Specifically:

(€'000)	First nine months of 2016	2015
R&D grants	1,556	1,941
Gains on sales of property, plant and equipment and intangible assets	-	98
Reversals of provisions for risks and charges	1,628	515
Royalties	163	212
Financial income and exchange rate gains on operating items	7,513	10,408
Tax asset for R&D	1,964	1,595
Other operating income	1,841	1,241
Other third party operating income	**14,665**	**16,010**
Other related party operating income	**973**	**3,780**
Total other operating income	**15,638**	**19,790**

Other operating income amounted to €15,638 thousand, down €4,152 thousand compared to €19,790 thousand in the corresponding period of the previous year. The decrease is mainly related to the reduction in financial income and exchange rate gains on operating items.
The decrease in other related party operating income is due to the closing of specific transactions with the consortia/ companies of which Ansaldo STS S.p.A. is part in 2015.

Purchases and services

(€'000)	First nine months of 2016	2015
Materials	203,275	184,688
Change in inventories	(8,615)	(4,186)
Services	306,051	363,619
Rentals and operating leases	14,732	14,774
Total third party purchases and services	**515,443**	**558,895**
Total related party purchases and services	**56,068**	**58,895**
Total purchases and services	**571,511**	**617,790**

Total purchases and services for the nine months ended 30 September 2016 decreased €46,279 thousand over the corresponding period of the previous year, mainly due to the smaller production output.

Personnel expense

(€'000)	First nine months of 2016	2015
Wages and salaries	187,034	188,368
Stock grant plans	4,160	1,547
Social security and pension contributions	43,842	42,086
Italian post-employment benefits	366	237
Other defined benefit plans	528	502
Other defined contribution plans	2,906	2,907
Recovery of personnel expense	(598)	(1,053)
Other costs	7,302	6,595
Total personnel expense	**245,540**	**241,189**

Personnel expense increased to €245,540 thousand from €241,189 thousand in the corresponding period of the previous year, mainly due to the recognition of transaction costs related to the resignation of key managers of the Group.

The Italian post-employment benefits and other defined benefit plan expense solely represents the service costs. The interest costs were recognised under financial expense.

Amortisation, depreciation and impairment losses

Specifically:

	First nine months of	
(€'000)	2016	2015
Amortisation and depreciation:		
- intangible assets	5,419	4,888
- property, plant and equipment	7,245	6,773
	12,664	**11,661**
Impairment losses:		
non-current assets	7	-
current loans and receivables	1,309	1,994
	1,316	**1,994**
Total amortisation, depreciation and impairment losses	**13,980**	**13,655**

Amortisation, depreciation and impairment losses amount to €13,980 thousand and are up €325 thousand on the corresponding period of the previous year.

Other operating expense

	First nine months of	
(€'000)	2016	2015
Accruals to the provisions for risks and charges	3,523	590
Membership fees	582	713
Losses on sales of property, plant and equipment and intangible assets	5	55
Exchange rate losses on operating items	5,626	8,562
Losses to complete contracts	(525)	513
Interest and other operating expense	1,288	1,664
Indirect taxes	2,349	2,849
Other operating expense	995	1,938
Total other third party operating expense	**13,843**	**16,884**
Other related party operating expense	**4**	**19**
Total other operating expense	**13,847**	**16,903**

Other operating expense decreased by €3,056 thousand on the corresponding period of the previous year mainly due to the recognition of smaller exchange rate losses on operating items.

Internal work capitalised

	First nine months of	
(€'000)	2016	2015
Internal work capitalised	3,553	4,141

Internal work capitalised mainly relates to the parent, Ansaldo STS S.p.A., with respect to the Satellite and Rail Telecom project (€3,320 thousand) and the French subsidiary Ansaldo STS France S.A.S. (intangible assets of €233 thousand).

Net financial income/(expense)

	First nine months of					
	2016			2015		
(€'000)	**Income**	**Expense**	**Net**	Income	Expense	Net
Interest and fees	957	409	548	637	1,542	(905)
Exchange rate gains and losses	8,444	8,945	(501)	26,692	27,241	(549)
Fair value gains and losses	574	3,780	(3,206)	437	3,981	(3,544)
Interest on Italian post-employment benefits	-	231	(231)	-	208	(208)
Interest on other defined benefit plans	-	215	(215)	-	199	(199)
Other financial income and expense	-	7,530	(7,530)	-	294	(294)
Total net financial expense	**9,975**	**21,110**	**(11,135)**	**27,766**	**33,465**	**(5,699)**
Net related party financial income (expense)	**-**	**-**	**-**	**219**	**35**	**184**
Total	**9,975**	**21,110**	**(11,135)**	**27,985**	**33,500**	**(5,515)**

The decrease in net financial expense is mainly due to the accrual to the provision for risks related to the interest to be paid to the Russian customer following the conclusion of the arbitration procedure on the Libya contract. Reference should be made to the Performance section for further details.

Share of profits of equity-accounted investees

	First nine months of					
	2016			2015		
(€'000)	**Income**	**Expense**	**Net**	Income	Expense	Net
Share of profits of equity-accounted investees	4,304	-	4,304	5,233	-	5,233
Total	**4,304**	**-**	**4,304**	**5,233**	**-**	**5,233**

The share of profits of equity-accounted investees of €4,304 thousand (€5,233 thousand for the first nine months of 2015) comprises the profits of the investees International Metro Service S.r.l. (€1,460 thousand), Metro 5 S.p.A. (€2,502 thousand), Metro Brescia S.r.l. (€195 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€147 thousand).

Income taxes

Income taxes came to €24,374 thousand and are made up as follows:

	First nine months of	
(€'000)	**2016**	2015
IRES	10,054	5,881
IRAP	1,407	873
Other foreign taxes	16,426	23,489
Income from domestic tax consolidation scheme	-	-
Provisions for tax disputes	-	550
Net deferred tax (income) expense	(3,513)	255
Total	**24,374**	**31,048**

Income taxes for the reporting period decreased by €6,674 thousand over the corresponding period of the previous year, due to smaller income taxes and the different geographical mix of the profit of the individual legal entities.

The tax rate at 30 September 2016 is 34.7% and is in line with that of the corresponding period of the previous year (34.3%).

5. Earnings per share

Earnings per share ("EPS") are calculated by:
- dividing the profit for the period attributable to holders of ordinary shares by the average number of ordinary shares outstanding in the period, net of treasury shares (basic EPS);
- dividing the profit for the period 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	**First nine months of 2016**	First nine months of 2015
Average shares outstanding during the period	199,995,119	199,993,572
Profit for the period	45,766	59,527
Basic and diluted EPS	**0.23**	**0.30**

6. Financial risk management

The group's operations expose it to the following financial risks:
- market risks, related to operations in areas that use currencies other than the group's functional currency (currency risk) and the risk of interest rate fluctuations;
- 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.

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 '000	**Sell 09 16**	**Buy 09 16**	**30.09.2016**	Sell 12 15	Buy 12 15	31.12.2015
Euro	28,612	39,793	**68,405**	21,482	40	21,522
US dollar	263,397	76,227	**339,624**	330,936	66,620	397,556
Pound sterling	56,739	-	**56,739**	10,014	-	10,014
Swedish krona	-	4,367	**4,367**	-	29,849	29,849
Australian dollar	-	6,490	**6,490**	-	34,436	34,436
Hong Kong dollar	652	225	**877**	1,291	-	1,291
Indian rupee	4,956	-	**4,956**	5,133	-	5,133
United Arab Emirates dirham	12,134	-	**12,134**	12,511	-	12,511

The net fair value of the derivatives in place (both fair value and cash flow hedges) at 30 September 2016 is a positive €2,915 thousand.

7. Significant non-recurring events and transactions

No significant non-recurring events or transactions took place during the reporting period

8. Atypical and/or unusual transactions

During the reporting period, no atypical and/or unusual transactions took place.

9. Outlook

The non-recurring events related to the dispute over the Libya contract with the Russian customer and the economic effects of the transactions with key personnel who left the company were absorbed in the first nine months of the year, while the effect of the above dispute on the net financial position is expected to be felt by year end.
Excluding the above, the company's performance for the year, in terms of profitability (ROS), is expected to be substantially in line with the previous year.

10. Disclosure on the opt-out regime

Pursuant to article 70.8 of the Issuer regulation, we note that, in their meeting of 28 January 2013 and as permitted by articles 70.8 and 71.1-bis of the Issuer regulation, the parent's 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.

Milan, 28 October 2016

On behalf of the board of directors
The Chairman
Alistair Dormer

Annex A: Statement pursuant to article 154-bis.2 of Legislative Decree no. 58/1998

In accordance with the provisions of article 154-bis.2 of the Consolidated Finance Act, the undersigned, Roberto Carassai, manager in charge of financial reporting of Ansaldo STS S.p.A., states that the interim financial report at 30 September 2016 is consistent with the accounting entries, ledgers and records.

Milan, 28 October 2016

The Manager in charge of financial reporting
Roberto Carassai

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Ansaldo STS A Hitachi Group Company

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