Ansaldo STS A Hitachi Group Company

INTERIM FINANCIAL REPORT
OF ANSALDO STS GROUP
AS OF 30 JUNE 2017

ANSALDO STS S.p.A.
Registered office in Genoa, Via P. Mantovani 3-5
Share capital paid up Euro 100,000,000
Genoa Business and Trade Registry - Tax ID 01371160662

CONTENTS

1 COMPANY BODIES AND COMMITTEES

BOARD OF DIRECTORS
(Elected by the Shareholders' Meeting on 13 May 2016 for the 2016/2018 three-year period)

ALISTAIR DORMER (1)
President

ALBERTO DE BENEDICTIS (2) (3) (4)
Vice President*

ANDREW THOMAS BARR (1)
Managing Director
and Chief Executive Officer

ROSA CIPRIOTTI (4)

MICHELE ALBERTO FABIANO CRISOSTOMO ** (4)

MARIO GARRAFFO (2)(3)(4)

FABIO LABRUNA (4)

KATHERINE JANE MINGAY (1)

KATHARINE ROSALIND PAINTER (2) (3) (4)

FRANCESCO GIANNI***
Board Secretary

BOARD OF STATUTORY AUDITORS
(Elected by the Shareholders' Meeting on 11 May for the 2017/2019 three-year period)

ANTONIO ZECCA
President

GIOVANNI NACCARATO

ALESSANDRA STABILINI

SUBSTITUTE AUDITORS
(for the 2017/2019 three-year period)

VALERIA GALARDI

CRISTIANO PROSERPIO

ALESSANDRO SPERANZA

INDIPENDENT AUDITORS
(for the 2016/2024 three-year period)

EY S.p.A. ****

(1) Member of the Executive Committee (i.e. *Bid Committee*)
(2) Member of the Control and Risk Committee
(3) Member of the Nomination and Remuneration Committee
(4) Member in possession of the requirements of independence

*Position assumed by Katherine Jane Mingay from 13 May 2016 to 21 October 2016. Alberto de Benedictis was appointed Vice President of the Company's Board of Directors at the meeting held on 28 October 2016.
**Michele Alberto Fabiano Crisostomo was appointed as Director of Ansaldo STS S.p.A. by the Shareholders' Meeting of 19 January 2017, replacing eng. Giuseppe Bivona whose appointment, pursuant to art. 2393 of the Italian Civil Code, as the Director of the company was revoked.
*** Appointed on 16 May 2016 to replace att. Filippo Corsi, *General Counsel* of the Company.
**** Following the decision to resign of KPMG S.p.A. on 14 November 2016, the Shareholders' Meeting of 19 January 2017 appointed as external auditor the firm EY S.p.A. to audit the company's accounts for the 2016-2024 years.

2 DIRECTORS' REPORT AT 30 JUNE 2017

Introduction

In general, the first half of 2017 has revealed positive data, as reported below:

Key performance Indicators of the Ansaldo STS Group

(K€)	**30.06.2017**	30.06.2016	Change	31.12.2016
New Orders	**652,670**	713,952	(61,282)	1,475,836
Order Backlog	**6,453,841**	6,510,708	(56,867)	6,488,378
Revenues	**635,819**	602,726	33,093	1,327,386
Operating earnings (EBIT)	**56,482**	48,067	8,415	126,801
Adjusted EBIT	**56,482**	48,067	8,415	126,801
Net profit/loss	**42,827**	27,262	15,565	77,903
Net working capital	**199,568**	111,396	88,172	120,532
Net invested capital	**450,720**	361,615	89,105	369,807
Net Financial Position (receivables)	**(280,146)**	(282,814)	2,668	(338,039)
Free Operating Cash Flow	**(54,667)**	(17,334)	(37,333)	37,944
R.O.S	**8.9%**	8.0%	+0.9 p.p.	9.6%
R.O.E.	**13.6%**	13.0%	+0.6 p.p.	11.4%
V.A.E.	**20,919**	18,312	2,607	57,861
Research and development	**18,325**	18,488	(163)	36,688
Organic (no.)	**4,127**	3,841	286	3,951

Ansaldo STS Group recorded a net profit of € 42.8 M (27.3 M € in the first half of 2016), a production volume of € 635.8 M (€ 602.7 M during the same period the previous year) and an operating profitability (ROS) of 8.9% (8.0% as of June 2016).

In detail:

New Orders amounted to € 652.7 M compared to € 714.0 M in the first half of 2016; especially in relation to the framework agreement with RFI for the supply of technical and maintenance assistance, and the agreement stipulated with Hitachi Rail Italy regarding the supply of on-board equipment for the Caravaggio trains.

The value of the order portfolio backlog amounted to € 6,453.8 M (€ 6,488.4 M at 31 December 2016 and € 6,510.7 M at 30 June 2016).

Revenues, amounting to € 635.8 M, increased compared to the same period of the previous year, i.e. € 602.7 M; in particular, the development of production in America and the rest of Europe has more than offset the decline due to the final phase of a number of significant contracts in the Asia Pacific region.

The operating profit (EBIT) amounts to € 56.5 M, with a ROS of 8.9% compared with € 48.1 M recorded in June 2016 with an ROS of 8.0%. The reasons for this increase are expounded upon below in the Notes to the Income Statement.

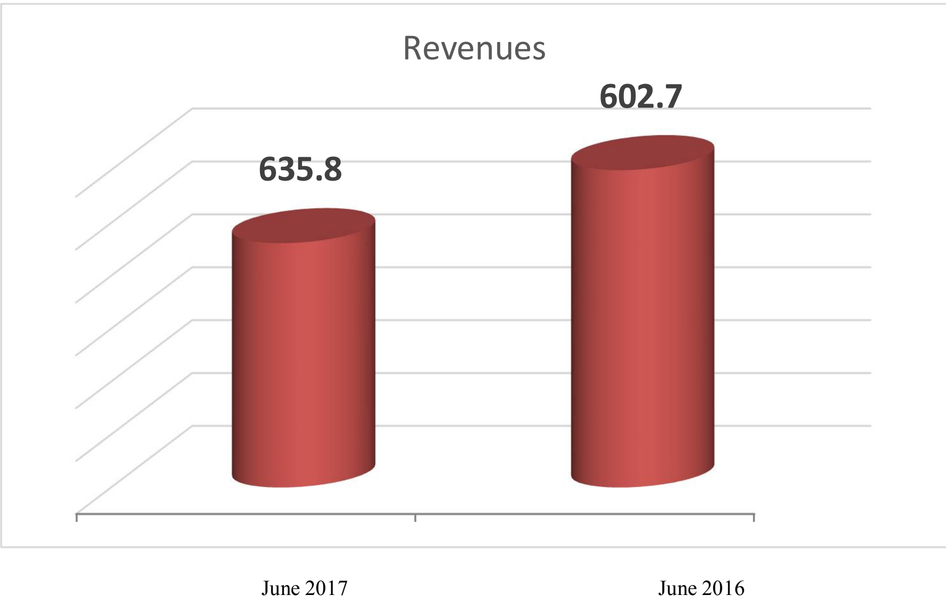
The net profit amounts to € 42.8 M (€ 27.3 M as of 30 June 2016).

The net financial position (assets) is € - 280.1 M compared to the receivables value of € - 338.0 M recorded in December 2016 and € - 282.8 M at 30 June 2016.

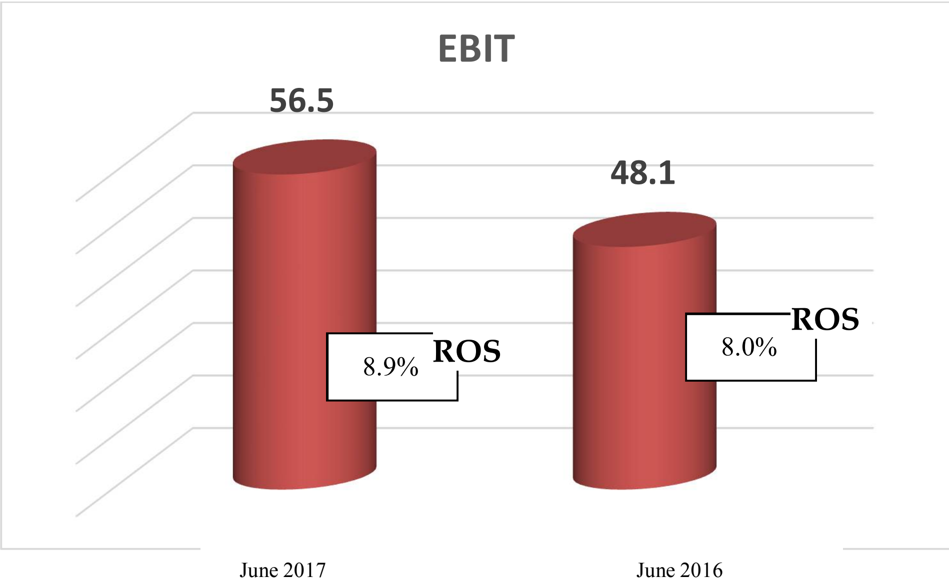
R&D expenses directly attributable to the income statement amount to € 18.3 M in line with the amount of € 18.5 M recognized at 30 June 2016.

Group staff at 30 June 2017 amounted to 4,127 units increased by 286 units compared with 3,841 units at 30 June 2016 (3,951 units at 31 December 2016).
The average staff amounted to 4,037 units compared to the value of 3,766 units in the first half of 2016 (3,828 units for 2016).

Revenues for the six months ended 30 June 2017 and 2016 (M €)



EBIT and ROS for the six months ended 30 June 2017 and 2016 (M€)



In order to provide further information on the Group's economic and financial position, the reclassified "Consolidated Income Statement", "Consolidated Statement of Financial Position", "Consolidated net financial position", and "consolidated cash flow statement" are outlined below.

Consolidated income statement *(K€)*	For six months as of 30 June **2017**	**2016**
Revenues	**635,819**	**602,726**
Purchase and personnel cost*(*)*	(571,932)	(547,194)
Amortisation, depreciation and impairment	(8,627)	(9,744)
Other net operating income (costs) *(**)*	299	680
Change in work in progress, semi-finished, and finished work	923	1,599
Operating earnings (EBIT)	**56,482**	**48,067**
Net financial income (expense)	3,857	(5,966)
Income tax	(17,512)	(14,839)
Profit (Loss) before non-current assets held for sale	**42,827**	**27,262**
Non-current assets held for sale	-	-
Residual profit (loss)	**42,827**	**27,262**
attributable to the owners of The Parent	42,832	27,280
attribuable to non-controlling interests:	(5)	(18)
Earnings per share		
Basic and Diluted	0.21	0.14

Linked entries between reclassified consolidated income statement and Consolidated Income Statement:

(*) Includes the item "Purchase Costs", "Purchases of services, "Staff Costs" (net of restructuring costs) and "Accruals for loss on orders", net of "Capitalized costs for internal production".

(**) Includes the net amount of "Other operating income" and "Other operating costs" (net of restructuring, write-downs and write-offs) for loss on orders.

In general, Net income increased by € 15.6 M over the same period of the previous year as a result of the increase in operating profit (+ € 8.4 M) and of the improvement in financial charges and income (+ € 9.8 M), partly offset by the increase in the absolute value of taxes (+€ 2.7 M) against the higher tax burden.

In particular, it is recalled that in the first half of the previous year provisions were made against the prospective negative results of the arbitration in Libya (on the margin of € 7.5 M and financial charges of € 7.0 M) and costs related to transactions with key persons of the outgoing company (€ 2.4 M).

Consolidated statement of financial position *(K€)*	**30.06.2017**	**31.12.2016**
Non-current assets	313,115	310,406
Non-current liabilities	(61,963)	(61,131)
	251,152	**249,275**
Inventories	123,297	125,067
Contract Works in progress	389,578	358,865
Trade receivables	714,236	728,852
Trade payables	(420,496)	(458,119)
Progress payment and advances from customers	(594,665)	(598,012)
Working capital	**211,950**	**156,653**
Provisions for risks and charges	(16,513)	(14,040)
Other net assets/(liabilities)*(*)*	4,131	(22,081)
Net working capital	**199,568**	**120,532**
Net invested capital	**450,720**	**369,807**
Group Equity	730,662	707,626
Minority interests	204	220
Net Equity	**730,866**	**707,846**
Non-current assets held for sale	-	-
Net Financial Position	**(280,146)**	**(338,039)**

Linked entries between the reclassified consolidated statement of assets and the consolidated financial position prospectus:
(*) Includes the items "Income tax receivables" and "Other current assets", net of "Income tax payables" and "Other current liabilities".

The consolidated net invested capital amounts to € 450.7 M up compared to € 369.8 M recognized at 31 December 2016 (€ 361.6 M as of 30 June 2016). The change of EUR 80.9 M is due to the increase in net working capital (€ 79.0 M) as a result of the higher value of the work in progress, the decrease in trade payables, and the increase in other net assets (liabilities).

The net financial indebtedness (cash) at 30 June 2017 compared with the figures as of 31 December 2016 is shown in the following table:

Consolidated financial standing

Consolidated financial standing *(K€)*	**30.06.2017**	**31.12.2016**
Short-term debts	278	1.780
Cash and cash equivalents	(239,997)	(305,586)
BANK LOAN	**(239,719)**	**(303,806)**
Financial receivables from related parties	(267)	(267)
Other financial receivables	(40,160)	(33,966)
FINANCIAL RECEIVABLES	**(40,427)**	**(34,233)**
Financial liabilities toward related parties	-	-
Other short-term financial debts	-	-
OTHER DEBTS	**-**	**-**
NET FINANCIAL FINANCIAL	**(280,146)**	**(338,039)**

The Group's net financial position is positive because of the prevalence of financial receivables and cash and cash equivalents on financial payables, for € 280.1 M. The value recorded at 31 December 2016 was € 338.0 M and € 282.8 M at 30 June 2016.

It is noted that the financial receivables record the value of the Libyan dinar, which was received in advance by the local party on the first of the two contracts acquired in Libya by the Parent Company and deposited at a local bank and tied up pending the resumption of the activities (€ 28.4 M).

The consolidated cash flow statement at 30 June 2017 follows:

(K€)	**30.06.2017**		**30.06.2016**	
Opening cash and cash equivalents	**305,586**		**304,306**	
Profit	42,827		27,262	
Effect of valuation of equity investments using the equity method	(5,864)		(4,244)	
Income tax	17,512		14,839	
Severance costs and other benefits	447		400	
Stock Grant Costs	1,066		2,864	
(Gains) / capital losses from transfer of assets	103		3	
Net financial income/ charges	2,007		10,210	
Amortisation, depreciation and impairment	8,627		9,744	
Other operating revenue/ costs	1,429		831	
Risk provision/ release	2,365		2,989	
Accumulation / repossession of stock and ongoing work	6,355		7,278	
Gross cash flow from operating activities	**76,874**		**72,176**	
Changes other operating assets and liabilities	(46,065)		10,761	
Funds From Operations		**30,809**		**82,937**
Changes current assets	(77,944)		(94,761)	
Cash flow from (used for) operating activities	**(47,135)**		**(11,824)**	
Cash flow from regular investing activities	(7,532)		(5,510)	
Free operating cash-flow		**(54,667)**		**(17,334)**
Other changes investing activities	402		560	
Cash flow from (used in) investing activities	**(7,130)**		**(4,950)**	
Dividends paid out	-		(36,000)	
Cash flow from financing activities	(8,097)		2,850	
Cash flow from (used in) financing activities	**(8,097)**		**(33,150)**	
Net exchange rate gain (losses)	**(3,227)**		**(2,526)**	
Closing cash and cash equivalents	**239,997**		**251,856**	

Cash and cash equivalents at 30 June 2017 amounted to € 240.0 M, down € 11.9 M compared to the same period in the 2016 financial year.

During the first half of the year, the Group absorbed liquidity for a total of € 65.6 M (€ 52.4 M at 30 June 2016), mainly due to the cash absorbed by operating activities, amounting to € 47.1 M (€ 11.8 M at 30 June 2016).

The *Free Operating Cash Flow (FOCF)* before strategic investments indicates a cash flow of € 54.7 M, up from € 17.3 M at 30 June 2016.

Reconciliation between the profit for the period and the net equity of the Parent Company and the Group at June 30, 2016

(K€)	Equity	of which: Profit for the period
Net equity and results of the Parent Company as of 30.06.2017	**524,499**	**51,328**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	136,894	29,413
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in equity-accounted investees	5,787	(304)
Goodwill	34,569	-
Consolidated Adjustments for:		
- Dividends from consolidated companies	-	(36,522)
- Translation reserve	21,331	-
- Impairment losses on consolidated companies and loan assets of subsidiaries	7,582	(1,083)
- Other adjustments	-	-
Total attributable to the owners of the parent	**730,662**	**42,832**
- Non-controlling interests	204	(5)
Total equity at 30 June 2017 and profit for the period then ended	**730,866**	**42,827**

Composition of "non-GAAP" alternative performance indicators and other indicators

Alternative "non-GAAP" performance indicators

The *management* of Ansaldo STS assesses the economic *performance* and financial position of the Group also on the basis of a number of indicators not provided by the IFRS - EU.

Below are described, as required by the CESR/05-178 b Communication, and taking into account the guidelines outlined in the ESMA Communication of 30 June 2015 *Guidelines on Alternative Performance Measures*, the components of each of these indicators:

- **EBIT:** represents an indicator for the valuation of the operating performance and it is equal to the pre-tax result and before-tax income and financial charges, without any adjustment. EBIT also excludes income and expenses deriving from the management of equity not included in the consolidation and securities, as well as the results of any sale of consolidated equity investments classified under the accounts within "financial income and charges" or, for the results of only equity investments valued according to the net equity method, within the item "resulting from the valuation of equity investments using the equity method".
- **EBIT *Adjusted (Adj)***: obtained by dismissing from EBIT, as previously defined, the following elements, if applicable:
  - any *impairment* of goodwill;
  - amortization of the purchase price portion allocated to intangible assets as part of operations of *business combination*, as provided for in IFRS 3;
  - restructuring costs, within the context of defined and relevant plans;
  - Other charges or income of a non-ordinary nature, referable to events of particular significance not ascribable to ordinary *business*.

The reconciliation between the result before taxes and financial items and *adjusted* EBIT for comparison years is presented below:

	For six months as of 30 June	
(K€)	**2017**	**2016**
EBIT	56,482	48,067
***Adjusted* EBIT**	**56,482**	**48,067**

- ***Free Operating Cash Flow (FOCF):*** obtained as the sum of the cash flow generated (used) by the operations and cash flow generated (used) by investing activities and divestments in tangible and intangible assets and in equity, net of cash flows attributable to purchase or sale of shares that, by their nature or significance, constitute themselves as "strategic investments". The FOCF construction method for the financial years compared is presented in the reclassified consolidated cash flow statement in the paragraph relating to the consolidated financial standing.

- ***Funds From Operations (FFO):*** given by the cash flow generated (used) by operations, net of the component represented by changes in the working capital. The FFO construction method for the financial periods compared is presented in the reclassified consolidated cash flow statement in the paragraph relating to the consolidated financial standing.
- ***Economic Value Added (EVA):*** calculated as the difference between EBIT net of taxes and the cost of the average value of the invested capital in the two comparative periods measured on the basis of the weighted average cost of capital (WACC).
- ***Net Working Capital:*** includes trade receivables and payables, inventories, work in progress, advance payments from customers, and provisions for liabilities and charges, net of other current assets and liabilities.
- ***Net Invested Capital:*** defined as the algebraic sum of non-current assets, non-current liabilities, and Net Working Capital.
- ***Net Debt (cash) or Net Financial Position***: the calculation scheme complies with that set forth in paragraph 127 of the CESR/05-054b recommendations implementing Regulation EC 809/2004.
- ***Return on Sales (ROS):*** calculated as the ratio between EBIT and revenues.
- ***Return on Equity (ROE):*** calculated as the ratio between the twelve-month net result and the average value of the net assets in the two periods compared.
- ***Research and Development Costs:*** the sum of costs incurred for research and development, expensed and sold. Normally, research costs means costs referring to the so-called "basic technology", i.e., aimed at achieving new scientific and/or technical knowledge applicable to different new products and/or services. The research costs sold are those commissioned by the customer in respect of which there is a specific sales order and which are treated from an accounting and management perspective identical to an ordinary supply (sales order, profitability, billing, advances, etc.).

Other indicators

- ***Orders Intake:*** the sum of the contracts signed with the buyer during the period considered, that feature the contractual characteristics to be included in the order book.

- ***Orders portfolio:*** the difference between the orders intake and the revenues for the reference period including changes in contract work in progress. This difference will be added to the portfolio of the previous period.
- ***Workforce:*** the number of employees recorded in the company's register on the last day of the period reviewed.

Operations with related parties

Transactions with related parties are attributable to ordinary day-to-day operations and are governed by normal market conditions, unless regulated under specific contractual terms, as in the case of interest-bearing debt and receivables.
These relate mainly to the exchange of goods, the supply of services and the provision and use of financial means to and from the parent company, associated companies, held jointly (*joint venture*), consortia, as well as unconsolidated subsidiaries.
The relevant section of the "Abbreviated interim financial report at 30 June 2017" provides a summary of the income statement and balance sheet items with related parties, as well as the percentage of such reports on their overall balances.
No atypical and/or unusual transactions occurred during the period[1].

[1] as defined in the CONSOB Communication no. DEM/6064293 of 28.07.2006

Report on operations

Market and Business scenario

The orders intake at 30 June 2017 amounted to approximately € 653 M (€ 714 M at 30 June 2016).

Below are the main information by geographic area:

ITALY

The orders intake received during the period amount to approximately € 268 M and relate mainly to the framework agreement with RFI for the supply of technical and maintenance services to the Ansaldo STS systems operating on the RFI network (€ 100 M) and to the framework contract signed with Hitachi Rail Italy for the supply of on-board equipment on the Caravaggio trains (€ 63 M).

As far regards the *Mass Transit* sector, modifications to Line 6 of the Naples subway system (€ 24 M) and those related to specific transactions with the final customer on the Alifana project (€ 16 M) have been reported.

REST OF EUROPE

Orders amount to approximately € 144 M, mainly in France (€ 37 M) and in Denmark (€ 73 M).

In France, we note in particular the contract with Vossloh for the supply of TVM 430 on-board equipment for a total value of approximately € 14 M.

In Denmark there is an agreement for the southern extension of Cityringen in Copenhagen (€ 60 M), and in Sweden the contract with Stadler for the supply of on-board equipment is worth € 7 M.

Lastly, the amount of € 14 M in Turkey has been reported for the Ankara Metro depot.

MIDDLE EAST

Orders of approximately € 11 M are related to maintenance contract changes for the PNU (Princes Nura University) line and for Line 3 of the Riyadh subway.

The AMERICAS

Orders received during the period amounted to approximately € 107 M of which approximately € 28 M relates to the sale of components, maintenance and modernization of freight lines.

In particular, it is noted the contract signed with MNRR (Metro North Railroad) for the re-signalling of the Stanford - New Haven line for approximately € 23 M, the contracts for the supply of on - board equipment and *wayside* stipulated with LIRR (Long Island Rail Road) for about € 10 M and MBTA (Massachusetts Bay Authority) for roughly € 9 M, and finally the changes to the subway of Honolulu for about € 10 M.

In June, Hitachi Ansaldo Baltimore Rail Partners LLC, whose partners are Ansaldo STS USA and Hitachi Rail Italy S.p.A., received a pre-award from the Maryland Transit Authority for the Baltimore Project and the formalization of the agreements is expected during the second half of the year.

ASIA-PACIFIC

Orders during the period amounted to approximately € 123 M, of which approximately € 84 M in Australia and related mainly to the contract signed with Hyundai Rotem for the supply of on-board equipment using L.2 ETCS technology (approximately € 20 M) and changes relating to mining and freight lines (Rio Tinto) for approximately € 48 M.

As regards the Far East, approximately € 9 M was recorded in South Korea for the Rotem contract for the supply of on-board equipment, and about € 9 M in Malaysia (MNDT *Claim for proprietary technologies*).

Finally, in India, the contract signed with Hitachi Ltd for the DFCC (*Dedicated Freight Corridor Corporation*) is worth € 6 M.

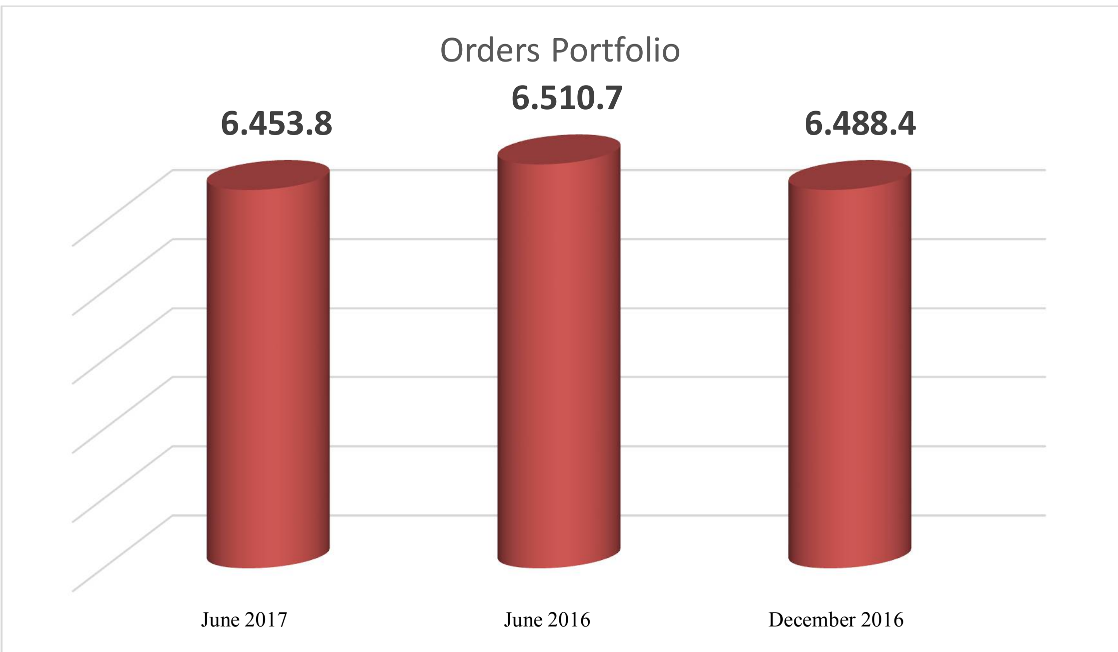
Below is a detailed description of the main orders intake during the first six months of 2017:

Country	Project	Client	Value (M€)
Italy	Framework agreement with RFI	RFI	100
Italy	On Board Equipment for Caravaggio trains	Hitachi Rail Italy	63
Denmark	Copenhagen Cityringen change to Sydhavnen	Metroselskabet	60
Australia	Rio Tinto change orders	Rio Tinto	48
Italy	Naples Line 6 change orders	Municipality of Naples	24
U.S.A.	Change orders On Board and Land	LIRR	22
Korea	On Board Equipment	Rotem	20
Various EU / Asia	Components	Other	52
Various EU / Asia	Service & Maintenance	Other	29
U.S.A.	Components	Other	28

Orders for the first half-year of 2017-2016 (€ M)

Orders portfolio as of 30 June 2017 - 2016 (€M)

The value of the orders portfolio at June 2017 amounted to € 6,453.8 M compared to € 6,488.4 M at 31 December 2016 (€ 6,510.7 M at 30 June 2016).



The orders portfolio in June 2017 includes the residual value of currently-suspended contracts for Libya for € 428,3 M.

2.6.1 Business Performance

The total value of production in the first half of 2017 amounts to € 636 M (€ 603 M as of 30 June 2016).

Below are the main information by geographic area:

ITALY

RAILWAYS - ACC:

The activities concerned mainly the technological upgrading project of the Turin-Padua Route; in particular, the *milestone* 3.2.1 was completed in April and phase 1.4 in May, per the schedule.
In January, the new SCCM (Multi-station Command and Control System) Central Point of Teglia was inaugurated as part of the SCCM Genoa project.

MAINTENANCE & SERVICE AND SPARE PARTS:

As regards the manufacturing of components, the activities carried out pertained mainly to the supply of spare parts for RFI (Boe, High Speed), the production of electronic cards for Hitachi Rail Italy S.p.A., and the supply of components.
The activities related to the assistance segment concerned contracts with the RFI customer and Technical Assistance for Systems under the *Outsourcing* contract for FS services.

NAPLES METRO LINE 6:

According to the time schedule, the civil and plant works of the Mergellina-Municipio line continued. The City of Naples approved the modification projects for the completion of the intermediate stations of Arco Mirelli and Chiaia, thus allowing the resumption of civil works.

ROME METRO LINE C:

Civil works to the Rome line C subway are ongoing for the construction of the T3 route (from San Giovanni to Fori Imperiali), as well as the start-up activities for the San Giovanni station.

Economic and financial disputes with the customer pertinent to Metro C are still ongoing and no significant updates have occurred.

MILAN METRO LINE 5:

The Milan Metro Line 5 project has been completed, and the entire line is currently operating; the management at the moment pertains to the warranty phase. Delays in obtaining work-completion certificates have been reported, due to alleged system performance issues currently being resolved with the customer.

MILAN METRO LINE 4:

During the period, engineering and procurement activities continued. The first access to the line was granted and assembly activities will begin shortly. A new works program of the consortium is in the process of being approved.

GENOA METRO

At the end of February, as planned, the Dinegro depot was completed and handed over to the customer.

ALIFANA:

The ongoing disputes between the Consortia Licensees of the work, to which the Company belongs and the client Metro Campania Nord Est were settled through suitable transactions in February 2017. With regard to this transaction, Metro Campania Nord Est made the first payments and planned the subsequent. In addition, the shipyards at the Scampia station have been opened.

REST OF EUROPE

TURKEY:

With regard to the Mersin-Toprakkale project, the Multistation 11 and the relevant CTC were launched, and ERTMS liv.1 from Multistation 1 to Multistation 5 has been activated.
In connection with the Ankara subway, line 3 (M3 in March) was put into operation, and line 4 (M4, in April) was delivered but not yet operational using the CBTC system, and works continue to achieve an analogous objective on other lines.

Concerning the Gebze Kosekoy project, a pre-agreement was stipulated with the client for the *settlement* of changes and *claims* occurred on the project; the final agreement will be formalized in the coming months.

GREECE:

With reference to the project for the construction of the Thessaloniki subway, technical design and procurement activities continue, while the completion date of project has been extended to 2020. The arbitration process seems to be nearing completion.

DENMARK:

In Denmark, design activities relating to the Cityringen Copenhagen metropolitan line continue.
In parallel, the installation work along the line for the construction of the tramway in the city of Aarhus has been delayed with respect to contractual planning.

SWEDEN:

In regard to the *Red Line* project regarding the Stockholm subway, the first functional route (*Trial Line*) with the CBTC system has been completed, even in the presence of technical and contractual critical issues.

FRANCE:

In early July, two major high-speed projects BPL (Bretagne Pays de Loire) and SEA (South Europe Atlantique) entered into operation.
In March, the SEI-NG *Interlocking* system at Gare de Lyon became operational. The new generation of the SEI-NG system enables increased tracking performance, operational optimization through an increased capacity to generate and modulate itineraries and improve network security and reliability through continuous checks on all systems of the line.
In addition, the pre-inauguration of the high-speed line Tours-Bordeaux took place in February. The new line has opened to the public and will permit a travel time between Bordeaux and Paris of just 2 hours (currently 3.5 hours).

AMERICAS

USA:

In the state of Hawaii, activities related to the Honolulu metro construction continue in terms of design, production and mobilization of the construction team. Delays connected to civil works have been reported.
In March, the first MBTA PTC vehicles (*Positive Train Control System*) were installed in Boston.

PERU:

The second phase of the project for the construction of lines 2 and 4 of the Lima subway is under way, while civil works continue to suffer from delays caused by the difficulty in acquiring the areas to be expropriated. In this regard, it is noted that the work at the depot and at 2 stations started, with about 5 km of completed tunnels. In addition, 8 trains and various materials and machinery related to railway works have already been manufactured and shipped locally.
An arbitration procedure was initiated by the Licensee against the assignor with regards the recognition of the costs associated with the aforementioned delays.

NORTH AFRICA AND MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, the activities for the Riyadh Metro Line 3 project have commenced: installation activities began in the "*functional section*". In Canada the *test* for integration with the ASTS board installed on the Bombardier vehicle was concluded with satisfactory results.
Also noted is the delay in awarding the *O&M* contract related to the PNU of Riyadh; in the intervening period, the current maintenance contract has been extended until 30 September 2017.

LIBYA:

The project with the local railways has been suspended and it is difficult to hypothesize a possible recovery currently.

ASIA-PACIFIC

TAIWAN:

Design and production activities related to the construction of the *Circular Line* subway line of Taipei continue. Delays by civil works heavily impacted the schedule of works, and this lapse is currently being discussed with the client. The installation activities have continued, including the completion of the power supply for Substation 1.

Engineering and procurement activities are under way in Taipei, related to the new contract for the construction of the new Sanying metro line, acquired in the first half of 2016.

CHINA:

The updating of the CBTC lines continue by installing the new *software* version improved in terms of *performance* compared to the currently installed one.

INDIA:

The Metro Calcutta project continues to record delays caused by civil works and the lack of available project *input*.

On the other hand, the detail design activities for the Noida metro project have reached the completion stage.

Lastly, the *design* activities, procurement and delivery of project materials for Navi Mumbai subway line 1 continue.

AUSTRALIA:

As regards the AutoHaul project, the *software upgrade* and installation on locomotives and *testing* of the system on the line have been carried out. The project is scheduled to be completed in the second half of 2018.

With respect to the Roy Hill project, the activities for completing the latest functionality ("*CBS Moving Block*") continue, though late in relation to the original plans.

Negotiations with the client on *claims* related to the major costs incurred continue, and a maintenance contract has been signed in the meantime.

MALAYSIA:

In Malaysia, the BBAS JV consortium, in which ASTS participates, settled positively the dispute with the client MGJV. Within the context of this agreement, ASTS has successfully completed the negotiations related to *claims* for extra time and higher costs incurred for the MNDT contract.
Finally, the preliminary design activities of the Klang Valley Double Track (KVDT) project continue.

3 SIGNIFICANT TRANSACTIONS DURING THE PERIOD AND EVENTS AFTER 30 JUNE 2017

On 19 June 2017, the Shareholders' Meeting of Ansaldo STS S.p.A., considering the decision to resign of KPMG S.p.A. submitted on 14 November 2016, appointed EY S.p.A. to audit the accounts of the Company for the 2016-2014 financial years.
On the basis of a request for integration of the agenda dated 29 December 2016 and pursuant to art. 126-bis of the Consolidated Law on Finance by the partner Hitachi Rail Italy Investments s.r.l., the Shareholders' Meeting resolved to endorse the corporate action liability referred to in art. 2393 Civil Code, against Director eng. Giuseppe Bivona, who, in this regard, was revoked from office. As a consequence, the Shareholders' Meeting appointed, as provided for by the current law and the by-Laws, Michele Alberto Fabiano Crisostomo as Director of the Company, the first non-elected candidate from the Minority List submitted jointly on 21 April 2016 by minority shareholders Elliott Associates L.P., Elliott International L.P. e The Liverpool Limited Partnership ("Elliott Funds"); when the list was submitted, the candidate had declared to be in possession of the independence requirements under the current legislation and the Code of Conduct for Listed Companies set forth by Borsa Italiana S.p.A. The Elliott members declared in the Shareholders' Meeting that the assignment has been accepted and that the requirements of independence are met.

On 27 February the Board appointed ad interim, effective from 1 March 2017, Renato Gallo as Chief Financial Officer of the Company as well as, with the approval of the Board of Statutory Auditors, the Manager responsible for the preparation of the Company's financial reports pursuant to art. 154-bis of Legislative Decree no. 58/1998, replacing Roberto Carassai.
On 28 March, the Company confirmed Renato Gallo as Chief Financial Officer of Ansaldo STS.
Renato Gallo held important positions within the Company and in recent years acted as Deputy CFO e Senior Vice President Management & Statutory Reporting.

On February 24, the Company presented ERSAT and ERSAT EAV: the satellite technology applied for the first time in Europe to rail traffic management. The first European test was carried out on a test trip from Cagliari to Decimomannu.

ERSAT is the ultimate generation signalling project that interfaces and integrates - for the first time in Europe - the European Traffic Management System (ERMST) with the Galileo satellite navigation and localization technology.

The ERSAT EAV Project, presented today by Italian Railways Network and Trenitalia in Sardinia, is part of the Horizon 2020 European Research Program and falls within the context of the ERSAT project.

The project, initiated under the coordination of Ansaldo STS, has as its main purpose the definition and experimentation of the development of the ERTMS signalling system through the localization of railway trains based on satellite technology.

Satellite technologies are designed to control and manage safely railway traffic across conventional, local and regional lines.

Andy Barr, Managing Director of Ansaldo STS, stated, “The railway signalling market, core business of Ansaldo STS, requires increasingly innovative, reliable and competitive solutions in terms of cost, time and energy savings, as well as safety and environmental impact. We are particularly proud to test today this innovative technology of high interest to infrastructure managers and railway operators in Italy and Europe due to the many advantages of this system.”

The technology uses the results of the previous 3InSat Project, funded by the European Space Agency (ESA) with the support of the Italian Space Agency (ASI).

ERSAT EAV locates the trains via satellite and interfaces with the rail traffic control system (ERTMS). This exchange of data and information is made possible through devices installed on the train and base radios located on the ground along the railway line. The information points of the current signalling systems - the booms along the line - will be replaced by virtual balises managed by the satellite receiver, integrated in the ERTMS signalling system.

The advantages of ERSAT EAV are:

- to increase traffic capacity available to rail companies in favour of travellers, and contribution to reducing CO_2 emissions;
- to ensure high safety standards and punctuality of rail traffic;
- to reduce management costs as new technology equipment will require less investment for installation and maintenance.

Ansaldo STS has helped define the requirements to support the integration of satellites and public radio communication networks.

Furthermore, it set up the testing site in Sardinia where it ascertained the full functioning of the new technology.
The same solution of Ansaldo STS, based on the GPS constellation, is already in use in Australia: implemented in the world for the first time.
The experience at the site in Sardinia has been used to complete the Roy Hill Iron Ore project in Australia, the world's first railway signalling system of this type (in this case used for freight transport).
Roy Hill has recently developed its own iron ore mining project and transported 55 M tonnes a year, by rail, from the mine to the port, for a total of 350 km of rail.
The turnkey solution for signalling and commodity communications dedicated to rail freight developed by Ansaldo STS for Roy Hill includes advance technology integrated signalling and communications solutions encompassing, inter alia, an automated train protection system with satellite positioning that allows to increase the density of the number of trains on lines through the *Moving Block* functionality.
The Ansaldo STS solution optimizes operational efficiency and allows automatic organisation and trail control to be managed by the Perth control centre, which is located more than 1,300 kilometres away. This solution features also significant safety improvements for all activities along the line.
Ansaldo STS delivered phase 1 of the project - the integrated electronic system termed Integrated *Electronic Train Order (IETO)* - that became functional in September 2016. The radio signalling system, *Communications Based Signaling (CBS)*, was completed in January 2017, and the final stage of the project - the Moving Block functionality - is in the process of being delivered.

In June, Ansaldo STS signed a Memorandum of Understanding with the company Metroselskabet to develop a so-called *Proof of Concept* (Prototype) for the *New Dynamic Headway Solution* developed by Hitachi technology for the Copenhagen M1/M2 metro line.
The Dynamic Headway Solution will be developed using both the Ansaldo STS rail control systems and Hitachi IoT technological digitization (*Internet of things*), which is characterized by the presence of passenger flow on the docks, through sensors, thus analysing the needs of travellers.
Based on this request for mobility, the number of train cars available can be automatically streamlined, thus addressing in an active manner the unexpected change in the number of users present.
This technology is particularly useful when the demand for transport means during the city business periods increases. A dynamic solution which helps address possible traffic jams before the passengers are affected, thus increasing the level of satisfaction among the passengers. For the operator, this solution - highly responsive and able to adjust in real time the number of trains based on a tangible demand - epitomizes a decrease in energy-related and operating costs, hence improving service performance.
No significant events that have been recorded in this mid-year report occurred after 30 June 2017.

4 RESEARCH AND DEVELOPMENT

As at 30 June 2017 costs for research and development in the profit and loss account net of contributions are equal to 18.3 M Euros (18.5 M Euros in the same period of 2016).
The comprehensive costs for research and development were attributed to the profit and loss account, equal to 19.2 M Euros (19.5 M Euros during the same period of 2016), against which income for contributions equal to approximately 0.9 M Euros were recorded (1.0 M Euros in the same period of 2016).

Highlighted as regards projects funded by the Ministry of Research are:

- Tesys Rail, having the objective of defining appropriate strategies for railway traffic energy optimisation;
- PON3 projects by means of the Campania District DATTILO (Distretto Alta Tecnologia per i Trasporti e la Logistica [High Technology District for Transport and Logistics) and the Campania TOP IN Laboratory (Tecnologie OPtoelettroniche per l'Industria [Optoelectronic Technologies for Industry]):
  - ✓ the MODISTA project concerning innovative solutions for preventive monitoring and diagnostics of infrastructures and vehicle fleets in order to heighten the levels of availability, efficiency and safety thereof; the project ended on 30/06/2017;
  - ✓ the OPTOFER project concerning the application of innovative optoelectronic technologies for monitoring and diagnostics in the railway infrastructure; the project ended on 31/03/2017;
  - ✓ the FERSAT project concerning the study of a railway signalling system suited to urban environments, based on the innovative use of satellite technologies and their integration with existing technologies; the project ended on 30/06/2017;
  - ✓ the NEMBO project concerning the study and experimentation of innovative embedded systems characterised by high efficiency within the railway environment; the project is expected to end by 30/09/2017.

Highlighted among the projects funded by the European Commission are:
- NGTC, aimed at developing future railway and urban traffic control systems, in which Ansaldo STS has assumed the role of leader in the work package related to satellite positioning and actively participated in the definition of "IP Communications"; the project ended on 28/02/2017;
- MANTIS, funded by the Joint Undertaking ECSEL (public-private subject issuing loans from the European Commission for the innovation of embedded systems) and by the Ministry of Research,

having the objective of increasing knowledge with regard to the decision taking process for maintaining railway systems;
- IN2RAIL, in association with the Shift2Rail initiative, entailing the optimisation of the railway infrastructure, lowered realisation and maintenance costs and increased capacity.

The following projects are underway in relation to the SHIFT2RAIL programme:
- CONNECTA, CONtributing *to Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes*, with the aim of contributing to the next generation of TCMS architecture with components equipped with wireless functions, as well as next generation braking systems;
- X2RAIL1*, Start-up activities for Advanced Signalling and Automation System*, has the objective of meeting the long term requirements of a future flexible and intelligent traffic management system;
- IN2SMART, *Intelligent maintenance systems and strategies*, with the aim of providing an innovative holistic solution for maintaining railway assets;
- ATTRACTIVE, *Advanced Travel Companion & Tracking Services*, having the purpose of improving the travel experience of passengers using rail transport systems by means of developing an integrated solution;
- FR8RAIL, *Development of functional requirements for sustainable and attractive European rail freight*, the purpose of which is to tackle the main challenges for development freight railway traffic which is sustainable and attractive in Europe;
- PLASA, *Smart Planning and Safety for a safer and more robust European railway sector*, intends to enhance customer experience and the robustness of the system in the European railway system. The objectives are on the one hand to improve planning activities of the various operators of the railway system by means of railway simulation and on the other to provide a methodology for safety management in the railway system based on risk assessment;
- IMPACT1, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains – Phase 1*, for the creation of an integrated subsystem allowing the representation of all Shift2Rail innovations;
- ARCC, *Start-up activities for freight automation*, essentially related to freight traffic matters.

Also funded by the European Commission are projects concerning satellite technologies. In particular ERSAT EAV, of which Ansaldo STS is the Project Coordinator, its objective is to adopt and characterise satellite technologies in the railway signalling field, with particular reference to verifying the suitability of EGNSS/EGNOS technology and new Galileo services, for use in ERTMS signalling. Furthermore verifications were carried out regarding the correctness of the Open and Modular Architecture of the Augmentation System as defined by Ansaldo.

Demonstrations followed on the correct operation of the trial site in Sardinia, in the context of national workshops. ERSAT EAV concluded in 30/04/2017.

Remaining on the theme of satellite systems, activities are in progress as regards the STARS and RHINOS, which are part of the Research Programme of the European Agency, GSA Horizon H2020.

In particular, important research activities were conducted in the STARS project, related to defining the methodologies and tools required for calculating Ground Truth (space-time reference), to then be able to carry out performance related measurements. Furthermore, at the trial site in Sardinia and Pontremolese, measurements activities continued having the objective of acquiring Signals In Space (RF signal) and Observational data related to GPS, EGNOS and Galileo under various railway environmental conditions. The definition of the development of EGNSS services was also carried out in order to meet performance and safety requirements in the railway environment and identify any impact on ERTMS / ETCS systems.

With reference to the RHINOS Project, definition was completed of an ERTMS system functional architecture based on future satellite technology. Such technology is suited to satisfying highly stringent requirements, such as rail discrimination, high availability and integrity. The results of the activity were shared in the international workshop which took place at Standford University.

Further development activities not backed by external funding involved:

- Ansaldo STS S.p.A.
  - *MacroLok* Interlocking platform
    - RBC
    - "FAST" suite of tools
    - Third generation Entity controllers (FDU-3G)
  - "Automazione v2.0"
  - OnBoard (ALA)
- Ansaldo STS France S.A.S.
  - *CBTC (Communication-Based Train Control)*
  - OnBoard (DIVA)
- Ansaldo STS USA Inc.
  - *Automatic Train Supervision (ATS) – Metro applications*
  - "Automazione V2.0"
  - *MicroLok* Interlocking

In particular:

- CBTC development activities continues in order to integrate the functions required by recent acquisitions and inspection and testing activities regarding safety for projects already at the realisation stage;
- Evolutionary developments in the ATS Metro continue at an equal pace with the CBTC roadmap;
- The activities of the new multiyear "Automazione v2.0" programme continue, this employs resources both in Italy and the USA. This new development is aimed at standardising Hardware/Middleware in order to increase the efficiency of the platform, develop a new infrastructure able to host "value added services" in the future and realise a new Interfaccia Utente. Automazione v2.0 user interface having the objective of meeting the demands of our clients in the best way, as well as responding to new "Digitalisation" trends;
- Activities continue on the *Interlocking MacroLok* platform, in particular the developments required by the Florence-Rome project;
- RBC developments (on the *MacroLok* platform), aimed at adapting the Generic Application to ERTMS standards of development as well as regarding the Generic Product, in order to meet the performance requirements required by the latest acquired contracts;
- Development of the new "*FAST"* tools suite, dedicated to the design and configuration of the plant;
- As regards the *Interlocking MicroLok* platform, realisation continues of the new CPU (ViPro) able to manage PTC traffic, without the necessity for additional HW;
- As regards *Onboard*, activities for solving obsolescence problems with the Italian platform (ALA) continue, with the design of a new microprocessor board that changes the architecture and components of other developments realised beforehand by Ansaldo STS with a view to standardising HW solutions. On the SW front, development activities on *Baseline* 3 continue, aimed at its first application in the contract existing with SNCF and in recently acquired contracts. New developments began in 2017 on the DIVA onboard platform, in order to improve its performance.

Research and development costs net of contributions are formed for the Group Companies as follows:

- Ansaldo STS S.p.A.: 8.4 M Euros
- Ansaldo STS France S.A.S.: 5.0 M Euros
- Ansaldo STS USA Inc.: 4.9 M Euros

5 HUMAN RESOURCES AND ORGANISATION

Ansaldo STS

The top management positions of the Company underwent changes during the first half year of 2017.

In particular:

On 30 January 2017 the Board of Directors approved the new organisational structure. The subject matter of such amendment was to simplify and optimise the organisational structure related to initial indications from the Managing Director, reducing the number from 14 to 11.

On 28 March 2017 Mr. Renato Gallo was appointed as the new Company CFO.

On 28 April 2017, Mr. Corsi and Mr. Gallo joined the Executives having Strategic Responsibilities in addition to Mr. Andi, Mr. Gaudiello and Mr. Fracchiolla.

Following the discontinued working relationship of Mr. Francesco Romano, effective as at 30 June 2017, on 15 June 2017 the Board acknowledged the appointment of Ms. Andrea Luzinat as the new Human Resources & Organization department manager.

In office to date, therefore, are:

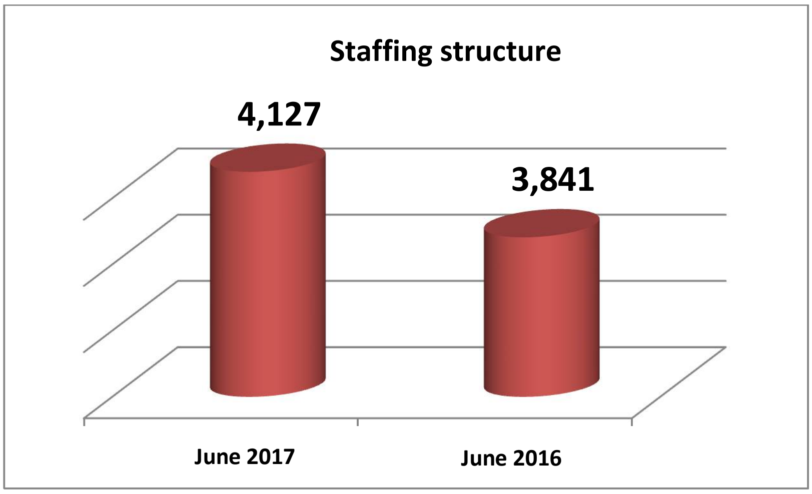
- Chairman of the Board of Directors: Mr. Alistair Dormer;
- Vice-Chairman of the Board of Directors: Mr. Alberto de Benedictis;
- Managing Director and General Manager: Mr. Andrew Thomas Barr.

We point out that on 15 June 2017, following the discontinued working relationship of Mr. Romano, by proposal of the Managing Director, the Board of Directors resolved to delegate Mr. Giovanni De Liso with exercising the powers of representation in order to fulfil normative requirements charged to the Company in its capacity as “Data controller of personal data”, pursuant to art. 28 of Legislative Decree no. 196/2003 “Code on the matter of the protection of personal data”.

Headcount structure as at 30 June 2017

The staffing structure as registered on 30 June 2017 is equal to 4,127 resources with a net increase of 286 units compared to 3,841 resources registered at the end of the first half-year of the previous year and 176 units compared to 3,951 resources as at 31 December 2016.

Headcount structure as at 30 June 2017– 2016 (number)



The average remunerated workforce structure in the first half-year of 2017 is equal to 4,037 resources against the 3,766 units in the first half-year of 2016.

6 FINANCIAL DISCLOSURE

During the period 31 December 2016 - 30 June 2017 the share price changed from 11.84 Euros to 11.16 Euros, recording a decrease of 5.7%.

The share price reached the maximum value of closure for the period, equal to 12.50 Euros, on 5 April 2017 and its minimum value, equal to 11.00 Euros, on 29 June 2017.

The average daily volumes for the period were equal to 102,123 exchanged shares compared to 348,403 for the same period of 2016. The reduction in volume is a direct consequence of the reduction in floating stock, following the conclusion, in the first quarter of 2016 of the OPA [public offer] launched by Hitachi Rail Italy Investments on Ansaldo STS and subsequent purchases carried out by HRII on the market, which led to an increase in the shareholding up to the current 50.772%.

During the period under consideration, the FTSE Italia All Share index rose by 8.6% and the FTSE Italia STAR by 24.3%.

Performance of the share in relation to the main indexes (base 100)

Key Shareholders at 30 June 2017

Considering the communications sent to CONSOB and received by the Company pursuant to art. 120 of legislative decree 24 February 1998, no. 58 as well as other information available, a list of subjects having a relevant shareholding of more than 3% of the share capital of Ansaldo STS S.p.A. as at 30 June 2017 is shown below:

Shareholder	Position no. shares	Position %
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50.772
PAUL E. SINGER (*) (as a direct or indirect limited partner of limited partnership Elliott International LP and The Liverpool Limited Partnership)	40,086,943	22.543
UBS (**)	10,068,228	5.034

(*) Long term positions held by Paul E. Singer 62,736,231 shares for a percentage equal to 31.368%.
(**) Long term position held by UBS 10,085,623 shares for a percentage equal to 5.043%

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE PURSUANT TO ARTICLE 123-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS (THE CONSOLIDATED FINANCE ACT)

As from 29 March 2006, Ansaldo STS shares are listed under the Star segment of the markets organised and managed by Borsa Italiana S.p.A.

During the period from 23 March 2009 to 23 March 2014, the Company's shares were entered in the FTSE MIB index; from 24 March 2014 and 6 April 2015 the Ansaldo STS shares were entered in the FTSE Italia Mid Cap index and then again entered in the FTSE MIB index starting from 7 April 2015 until 20 December 2015. From 21 December 2015 the Company shares were again entered into the FTSE Italia Mid Cap index.

By resolution of the Board of Directors meeting of 19 December 2006, Ansaldo STS adhered to the Self-Regulation Code adopted by Borsa Italiana S.p.A. in March 2006 and completed the requirement during 2007.

On 18 December 2012, following the adoption of a new Self-Regulation Code by the Corporate Governance Committee of Borsa Italiana S.p.A. in December 2011, the Board of Directors of Ansaldo STS resolved to comply with the principles contained in such new Code, thus initiating the process of adaptation of its own Governance system to the new recommendations contained therein. We point out, lastly, that in the months of July 2014 and July 2015, the Corporate Governance Committee of Ansaldo STS proves to already be substantially aligned.
We point out, lastly, that given the new regulation on the matter of “Market abuse” introduced by Directive 2014/57/EU (so-called MAD 2) and Regulation (EU) 569/2014 (so-called MAR) which abrogated Directive 2003/6/EC and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, Ansaldo STS is completing a review of its documents and operational protocols in order to align the Company’s Corporate Governance system to said new regulation. Detailed information about the structure of the Company’s Governance System is contained in the Board of Director’s Report on the Corporate Governance system and compliance with the Self-Regulation Code on listed Companies related to financial year 2016, approved by the Board of Directors on 27 February 2017 and published contextually to the annual Financial Report related to the financial year closed as at 31 December 2016.
The Company Shareholder’s Meeting held on 13 May 2016, having established that there would be nine Directors, appointed the new Board of Directors of the Company for financial years 2016–2018. In particular, the Shareholder’s Meeting appointed Mr. Alistair Dormer (Chairman), Ms. Katherine Jane Mingay, Mr. Andrew Thomas Barr, Mr. Giuseppe Bivona, Ms. Rosa Cipriotti, Mr. Mario Garraffo, Mr. Alberto de Benedictis, Mr. Fabio Labruna and Ms. Katharine Rosalind Painter as new Directors of Ansaldo STS S.p.A..
Thereafter in the meeting held on 16 May 2016, the Board of Directors appointed Ms. Katherine Jane Mingay as Vice Chairman of the Board of Directors and appointed Mr. Francesco Gianni as Secretary of said Board.
During the meeting held on 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Managing Director and General Manager of Ansaldo STS S.p.A. Furthermore, after the resignation on 21 October 2016 of Katherine Jane Mingay from the office of Vice Chairman of Ansaldo STS S.p.A. with immediate effect, the Board of Directors appointed Alberto de Benedictis as Vice Chairman of the Board of Directors on 28 October 2016.
We point out that the Shareholder’s Meeting of 19 January 2017 resolved to bring corporate liability action as per art. 2393 civil code against Giuseppe Bivona who, by effect thereof, was revoked from office with immediate effect. The same Shareholder’s Meeting proceeded with appointing Mr. Michele Alberto Fabiano Crisostomo as a new Company director replacing Giuseppe Bivona. Mr. Crisostomo shall remain in office until expiry of the current Board mandate.

During the meeting held on 28 October 2016, the Board of Directors resolved, by majority, to establish an Executive Committee (i.e. Bid Committee). Such committee was conferred powers, amongst others, to appraise and approve bids aimed at acquiring tender contracts for clients in the public and private sector exceeding 150 M Euros and within the limit of 350 M Euros per single transaction. The Executive Committee is formed of the Chairman, Alistair Dormer, Managing Director, Andrew Thomas Barr and the Director, Katherine Jane Mingay.

The Board of Directors meeting of 16 May 2016 proceeded with appointing the members of the Control and Risks Committee (Alberto de Benedictis – Chairman, Mario Garraffo and Katharine Rosalind Painter) and the Appointment and Remuneration Committee (Katharine Rosalind Painter– Chairman, Alberto de Benedictis and Mario Garraffo).
On 24 May 2016 the Board of Directors also confirmed Mr. Roberto Carassai, Chief Financial Officer of the Company, as Director Assigned to drawing up the corporate accounting documents pursuant to art. 154-*bis* of Legislative Decree no. 58/1998.
On 19 October 2016, Mr Roberto Carassai signed a consensual agreement of termination of the working relationship with the Company, as a result of which as from 28 February 2017 he ended his role as CFO and Director assigned to drawing up the corporate accounting documents. The Board therefore appointed *ad interim* on 27 February 2017, effective as from 1st March 2017, Mr. Renato Gallo as Chief Financial Officer of the Company, as well as, with the favourable opinion of the Board of Auditors, Director assigned to drawing up the corporate accounting documents pursuant to art. 154-bis of Legislative Decree no. 58/1998, as the replacement of Roberto Carassai. Such appointment was then confirmed by the Company on 28 March 2017.

Upon their appointment, the Directors, Giuseppe Bivona, Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis and Mario Garraffo, certified their possession of the requirements of independence as required under the normative in force and the Self-Regulation Code; said requirements were assessed by the Board of Directors on 16 May 2106 and, as regards Mario Garraffo, on 24 May 2016. With reference to the Director, Alberto de Benedictis, we specify that also by request of the Board of Auditors, the Board of Directors implemented appraisals regarding the existence of the requirements of independence concerning the latter on 11 July and 19 December 2016. We point out that, with reference to the Director, Michele Alberto Fabiano Crisostomo, appointed by the Shareholder's Meeting of 19 January 2017 in replacement of Giuseppe Bivona, the Board assessed the possession of the requirements of independence required under the normative in force on 30 January 2017.
Lastly, during the first six months of 2017, we underline that on 15 June 2017, based on the declarations and information provided by the interested parties, the Board assessed the existence of

the requirements of independence of the Directors, Katharine Rosalind Painter, Alberto de Benedictis, Rosa Cipriotti, Michele Alberto Fabiano Crisostomo, Mario Garraffo and Fabio Labruna.

We also point out that on 24 May 2016 the Board of Directors of the Company, in compliance with the provisions of Principle 7.P.3 of the Self-Regulation Code, also appointed the Managing Director, Andrew Thomas Barr, as Director in charge of the internal control and risk management system. During said meeting, the Board of Directors also confirmed the assignment of the role of Internal Audit function to the external company Protiviti S.r.l. and Mr. Giacomo Galli, Managing Director and Country Leader of said company, as the Internal Audit manager. Such position was then extended by the Board of Directors to the period 1st April 2017 - 30 September 2017 on 24 March 2017.

On 24 May 2016, the Board of Directors confirmed Ms. Nicoletta Garaventa and Mr. Alberto Quagli as Chairman and external member of the Company's Supervisory Body respectively as well as Mr. Filippo Corsi, General Counsel of Ansaldo STS, as internal member of the Company's Supervisory Body.

The Company's Board of Auditors, appointed by the Shareholder's Meeting of 11 May 2017 for financial years 2017-2019, is formed of Antonio Zecca (Chairman) and Statutory Auditors Giovanni Naccarato and Alessandra Stabilini, as well as Substitute Auditors, Valeria Galardi, Cristiano Proserpio and Alessandro Speranza.
Pursuant to the provisions of the Self-Regulation Code, the members of the Board of Auditors, Antonio Zecca, Giovanni Naccarato and Alessandra Stabilini also confirmed their possession of the requirements of independence required under the normative in force and declared by the latter upon their appointment, during the first meeting of such Board, held on 5 July 2017.

With reference to the Company assigned with statutory audit of Ansaldo STS S.p.A. financial statements, the Company Shareholder's Meeting of 7 May 2012 appointed the audit company KPMG S.p.A. for the assignment of auditing as regards financial years 2012-2020.
Following the resignation received on 14 November 2016 from the audit company KPMG S.p.A., during the meeting held on 24 November 2016 the Board of Directors proceeded with calling a Shareholder's Meeting in order to confer the new statutory auditing assignment.
The Company Shareholder's Meeting of 19 January 2017 appointed the audit company EY S.p.A. for the assignment of auditing as regards financial years 2016-2024.

We point out, lastly, that the Board of Directors meeting of 24 March 2017 approved the Company Remuneration Policy for financial year 2017 in conformity with the recommendations of art. 6 of the Self-Regulation Code, based on the proposal formulated by the Appointment and Remuneration Committee of 23 March 2017.
On 24 March 2017 the Board of Directors, having consulted with the Appointment and Remuneration Committee, also approved the Remuneration Report drawn up by the Company pursuant to article 123-*ter* of the TUF and 84-*quater* of the Issuer's Regulation.
Lastly, in compliance with the provisions under paragraph 6 of art. 123-*ter* TUF, the Shareholder's Meeting of 11 May 2017 favourably resolved on the first section of said report as provided under paragraph 3 of art. 123-*ter* TUF which explains the Company policy on the matter of remunerating members of management boards, general managers and executives having strategic responsibilities, as well as the procedures used for adopting and explaining such policy.

In compliance with the provisions under articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer's Regulation, we report, lastly, that the Board of Directors of the Parent Company, which met on 28 January 2013, had resolved to adhere to the "opt-out" regime pursuant to articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer's Regulation, thereby availing of the faculty of derogation from the obligations to publish informatory documents prescribed on occasions of significant operations entailing merger, demerger, increase in capital by means of contribution of assets in kind, acquisitions and transfers.
The main instruments of Governance with which the Company is equipped are shown below, also in observance of the most recent normative and regulatory provisions, regulations of the Self-Regulation Code and national and international best practice:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01;
- Regulation for the Shareholder's Meeting;
- Regulation for the Board of Directors Meeting;
- Regulation for the Executive Committee (i.e. *Bid Committee*);
- Regulation for the Control and Risks Committee;
- Regulation for the Appointment and Remuneration Committee;
- Operations with related parties - Procedure adopted pursuant to art. 4 of CONSOB Regulation 17221 of 12 March 2010 as amended;
- Procedure for the establishment and updating of the list of persons having access to privileged information;

- Procedure for the management and communication of privileged and confidential information;
- Internal Dealing Code.

Reference is made to the "Report on Corporate Governance" for more information on Corporate Governance, which also contains the information required under art. 123-*bis* of TUF, located in the Company website www.ansaldo-sts.com.

Milan, 28 July 2017

For the Board of Directors
The Chairman

Alistair Dormer

Condensed interim consolidated financial statements as at and for the six months ended 30 June 2017

7 FINANCIAL STATEMENTS

1.1 Consolidated income statement

		For the first half of			
(K€)	*Notes*	**2017**	**of which, related parties**	**2016**	**of which, related parties**
Revenues	5.2	635,819	38,080	602,726	35,175
Other operating income	5.3	10,855	652	12,189	618
Costs for purchases	5.4	(154,458)	(8,379)	(146,069)	(11,143)
Services	5.4	(243,778)	(30,697)	(236,234)	(25,814)
Personnel costs	5.5	(175,077)	-	(168,999)	-
Amortisation, depreciation and write-downs	5.6	(8,627)	-	(9,744)	-
Other operating expenses	5.7	(11,345)	-	(10,224)	(4)
Change in work in progress, semi-finished and finished products		923	-	1,599	-
(-) Internal work capitalised	5.8	2,170	-	2,823	-
Operating profit (EBIT)		**56,482**		**48,067**	
Financial income	5.9	12,066	-	8,556	-
Financial charges	5.9	(14,073)	-	(18,766)	-
Share of profits of equity-accounted investees	5.10	5,864	-	4,244	-
Pre-tax profit		**60,339**		**42,101**	
Income taxes	5.11	(17,512)	-	(14,839)	-
Profit (loss) from discontinued operations		-	-	-	-
Profit for the period		**42,827**		**27,262**	
attributable to the owners of the parent		*42,832*	-	*27,280*	-
attributable to non-controlling interests		*(5)*	-	*(18)*	-
Earnings per share					
Basic and diluted		0.21		0.14	

1.2 Consolidated statement of other comprehensive income

Consolidated statement of other comprehensive income (K€)	For the first half of **2017**	**2016**
Net profit for the period	42,827	27,262
Items that will not be reclassified to profit or loss:		
- Net actuarial gains (losses) on defined benefit plans	(299)	(1,236)
- Tax effect	85	393
	(214)	**(842)**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	11,069	8,166
fair value adjustment	*21,789*	*7,584*
transfer to profit or loss	*(10,720)*	*582*
- Translation adjustment	(23,606)	(7,988)
- Tax effect	(2,682)	(2,388)
	(15,219)	**(2,210)**
Other comprehensive income (expense), net of taxes	**(15,433)**	**(3,052)**
Total comprehensive income for the period	**27,394**	**24,210**
Attributable to:		
- Owners of the parent	27,410	24,249
- Non-controlling interests	(16)	(39)

1.3 Consolidated statement of financial position

(K€)	Notes	30.06.2017	of which, related parties	31.12.2016	of which, related parties
ASSETS					
Non-current assets					
Intangible assets	4.2	48,545	-	49,262	-
Property, plant and equipment	4.3	84,393	-	85,198	-
Equity investments	4.4	75,623	-	73,047	-
Receivables	4.5	49,848	29,503	45,485	25,522
Deferred tax assets	5.11	39,683	-	41,324	-
Other non-current assets	4.5	15,023	-	16,090	-
		313,115		**310,406**	
Current assets					
Inventories	4.6	123,297	-	125,067	-
Contract work in progress	4.7	389,578	-	358,865	-
Trade receivables	4.8	714,236	47,240	728,852	62,376
Tax receivables	4.9	29,253	-	22,649	-
Financial receivables	4.8	40,427	267	34,233	267
Other current assets	4.10	93,771	4	84,604	4
Cash and cash equivalents	4.11	239,997	-	305,586	-
		1,630,559		**1,659,856**	
Non-current assets held for sale		-	-	-	-
Total assets		**1,943,674**		**1,970,262**	
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	4.12	100,000	-	100,000	-
Reserves	4.13-4.14	630,662	-	607,626	-
Equity attributable to the owners of the parent		**730,662**		**707,626**	
Equity attributable to non-controlling interests	4.15	204	-	220	-
Total shareholders' equity		**730,866**		**707,846**	
Non-current liabilities					
Employee benefits	4.18	36,839	-	36,048	-
Deferred tax liabilities	5.11	11,452	-	12,175	-
Other non-current liabilities	4.19	13,672	-	12,908	-
		61,963		**61,131**	
Current liabilities					
Progress payments and advances from customers	4.7	594,665	-	598,012	-
Trade payables	4.20	420,496	23,061	458,119	19,671
Financial payables	4.16	278	-	1,780	-
Income taxes payable	4.9	9,063	-	8,978	-
Provisions for risks and charges	4.17	16,513	-	14,040	-
Other current liabilities	4.19	109,830	410	120,356	410
		1,150,845		**1,201,285**	
Total liabilities		**1,212,808**		**1,262,416**	
Total liabilities and equity		**1,943,674**		**1,970,262**	

1.4 Consolidated statement of cash flows

(K€)	*Notes*	2017	of which, related parties	2016	of which, related parties
		For the first half of			
Cash flows from operating activities:					
Profit for the period		42,827	-	27,262	-
Share of profits of equity-accounted investees		(5,864)	-	(4,244)	-
Income taxes		17,512	-	14,839	-
Italian post-employment and other employee benefits		447	-	400	-
Stock grant plans		1,066	-	2,864	-
Gains (losses) on the sale of assets		103	-	3	-
Net financial income		2,007	-	10,210	-
Amortisation, depreciation and write-downs		8,627	-	9,744	-
Other net operating income/expense		1,429	-	831	-
Changes in provisions for risks and charges		2,365	-	2,989	-
Write-downs/write-backs of inventories and work in progress		6,355	-	7,278	-
Gross cash flows from operating activities	7	**76,874**		**72,176**	
Inventories		(214)	-	1,397	-
Contract work in progress and advances		(23,614)	-	(141,226)	-
Trade receivables and payables		(54,116)	(11,746)	45,068	(12,078)
Changes from (used in) operating capital	7	**(77,944)**		**(94,761)**	
Net change in other operating assets and liabilities		(23,444)	-	24,663	-
Net interest paid		(5,586)	-	(2,422)	-
Income taxes paid		(17,035)	-	(11,480)	-
Total other operating assets and liabilities	7	**(46,065)**		**10,761**	
Cash flows from (used in) operating activities		**(47,135)**		**(11,824)**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets and others		(7,532)	-	(5,510)	-
Sales of investments in property, plant and equipment and intangible assets and others		449	-	597	-
Other investing activities		(47)	-	(37)	-
Cash flows from (used in) investing activities		**(8,953)**		**(4,950)**	
Cash flows from financing activities:					
Net change in financial assets and liabilities		(8,097)	-	2,850	(2,499)
Dividends paid		-	-	(36,000)	-
Net change in other financing activities		-	-	-	-
Cash flows used in financing activities		**(8,097)**		**(33,150)**	
Net decrease in cash and cash equivalents		(62,362)	-	(49,924)	-
Net exchange rate gains (losses)		(3,227)	-	(2,526)	-
Opening cash and cash equivalents		305,586	-	304,306	-
Closing cash and cash equivalents		**239,997**		**251,856**	

1.5 Consolidated statement of changes in equity

The changes in equity are detailed in the following table:

(K€)	Share capital	Retained earnings and consolidation reserves	Hedging reserve	Stock grant reserve	Translation adjustments	Other reserves	Total shareholders' equity for the Group	Equity attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity as at 1 January 2016	**100,000**	**504,504**	**(1,469)**	**4,611**	**28,723**	**18,418**	**654,787**	**306**	**655,093**
Change in scope of consolidation and equity-accounted investees	-	(271)	-	-	271	-	**-**	-	**-**
Net change in stock grant reserve	-	-	-	1,718	-	-	**1,718**	-	**1,718**
Other items of comprehensive income, net of taxes	-	-	8,166	-	(7,966)	(3,231)	**(3,031)**	(21)	**(3,052)**
Other changes	-	(592)	-	-	-	-	**(592)**	-	**(592)**
Dividends	-	(36,000)	-	-	-	-	**(36,000)**	-	**(36,000)**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit for the period ended 30 June 2016	-	27,280	-	-	-	-	**27,280**	(18)	**27,262**
Shareholders' equity as at 30 June 2016	**100,000**	**494,920**	**6,697**	**6,329**	**21,028**	**15,187**	**644,162**	**267**	**644,429**
Shareholders' equity as at 1 January 2017	**100,000**	**544,451**	**3,042**	**8,115**	**36,755**	**15,263**	**707,626**	**220**	**707,846**
Change in scope of consolidation and equity-accounted investees	-	(4,092)	-	-	675	-	**(3,417)**	-	**(3,417)**
Net change in stock grant reserve	-	-	-	(957)	-	-	**(957)**	-	**(957)**
Other items of comprehensive income, net of taxes	-	-	11,069	-	(23,595)	(2,896)	**(15,422)**	(11)	**(15,433)**
Profit for the period ended 30 June 2017	-	42,832	-	-	-	-	**42,832**	(5)	**42,827**
Shareholders' equity as at 30 June 2017	**100,000**	**583,191**	**14,111**	**7,158**	**13,835**	**12,367**	**730,662**	**204**	**730,866**

2 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

2.1 General information

The registered offices of Ansaldo STS S.p.A., the parent company, are at Via Paolo Mantovani 3-5, Genoa, while its secondary and administrative offices are at Via Argine 425, Naples. The company has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006. Its shares were included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and then in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They were moved back to the FTSE MIB index between 7 April 2015 and 20 December 2015. Since 21 December 2015, the Company's shares have again been included in the FTSE Italia Mid Cap index.

The issued and fully-paid share capital amounts to €100,000,000.00 and is represented by 200,000,000 ordinary shares, nominal value €0.50 each.

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

The Ansaldo STS Group operates internationally in the design, construction and operation of signalling and transport systems for above-ground and underground railways, serving both freight and passengers. The Group operates worldwide as a main contractor and supplier of turnkey systems. As the parent company, Ansaldo STS S.p.A. also provides industrial and strategic direction and control, coordinating the activities of its operating subsidiaries (together, the "Ansaldo STS Group" or the "Group").

Seasonality

Although the activities of the Group are not greatly influenced by the effects of seasonality, revenues and operating profits are usually higher in the second half of the year compared with the first. This is principally due to the technical and economic structure of the most significant projects carried out by the Group. This information is provided for a better understanding of the results, although management has concluded that this effect does not mean the "business is highly seasonal", for the purposes specified in IAS 34.

2.2 Basis of consolidation

This interim financial report of the Ansaldo STS Group as at and for the six months ended 30 June 2017 has been prepared in accordance with art. 154-ter, para. 2, of Decree 58/98 (TUF - Consolidated Finance Law) and subsequent amendments and additions. The condensed interim consolidated financial statements as at 30 June 2017 included in this interim financial report have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to Regulation (EC) 1606/2002 in force at the reporting date, as supplemented by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) applicable at that date. Taken together, all the above standards and interpretations are referred to below as the "EU-IFRS". Specifically, these financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the IASB and comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes.
As allowed by IAS 34, the explanatory notes are presented in condensed form. They do not include all the disclosures required for annual financial statements, as they refer only to those items that are essential for an understanding of the economic and financial position of the Group, given their amount, composition or changes. Accordingly, these condensed interim consolidated financial statements must be read together with the consolidated financial statements as at 31 December 2016.

The consolidated statement of financial position and the consolidated income statement are likewise presented in a format that is condensed with respect to the annual consolidated financial statements. The notes include a reconciliation with annual consolidated financial statements for the items that have been combined in the condensed interim consolidated financial statements.

The accounting policies, measurement and recognition criteria and consolidation basis and criteria used to prepare the condensed interim consolidated financial statements are unchanged from those adopted to prepare the 2016 annual consolidated financial statements, to which reference is made.
In particular, the EU has not endorsed any new accounting standards or amendments that should be applied in these condensed interim consolidated financial statements as at and for the six months ended 30 June 2017.

The following changes made are not applicable as they have not yet been adopted by the EU:

IAS 7 Disclosure Initiative – Amendments to IAS

The amendments require entities to disclose additional information about changes in the liabilities arising from financing activities, including both the changes arising from cash flows and non-monetary changes (such as exchange gains and losses). Entities need not provide prior-period comparative information when they first apply these amendments.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary differences. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities must apply these amendments on a retrospective basis. However, on the first-time application of these amendments, the change in the opening equity of the first comparative period may be classified among the opening retained earnings (or another component of equity, depending on the circumstances), without allocating the change among the opening retained earnings and the other components of equity. Entities that do not make the above allocation must disclose that fact.

Annual improvements - 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12.

The amendments clarify that the disclosure requirements in IFRS 12, except for those in paragraphs B10-B16, apply to an entity's interests in a subsidiary, joint venture or associate (or to the percentage interest held in a joint venture or an associate) that is classified (or included in a disposal group classified) as held for sale.

Adoption of IFRS 15 "Revenue from contracts with customers"

As already described when preparing the consolidated financial statements as at 31 December 2016, the IASB has issued IFRS 15 "Revenue from contracts with customers" containing a new regulatory framework that, from the financial statements for reporting periods beginning on or after 1 January 2018, will replace all pre-existing standards and interpretations on the recognition of revenue from the sale of goods and services to customers. In the case of Ansaldo STS, the following documents will be superseded:

- IAS 11 "Construction contracts";
- IAS 18 "Revenue".

The objective of the new standard is to ensure that the user of financial statements obtain a complete understanding of the nature, amount, timing and uncertainty of the revenue and cash flows arising from contracts with customers.

IFRS 15 introduces many new concepts. These are organised in a detailed series of accounting instructions that, together, provide a single, principles-based model for the recognition of revenue from contracts with customers.

In particular, as already described when preparing the consolidated financial statements as at 31 December 2016, IFRS 15 requires entities to apply a five-stage process for the recognition of revenue:

- Step 1 – Identification of the contract;
- Step 2 – Identification of the performance obligations;
- Step 3 – Determination of the transaction price;
- Step 4 – Allocation of the transaction price to the various performance obligations;
- Step 5 – Recognition of the revenue.

As mentioned in the 2016 consolidated financial statements, in view of the changes introduced by IFRS 15 the management of Ansaldo STS deemed it appropriate to launch a project during the first half of 2017 to identify the potential impact of adopting the new standard.

In this context, the management of Ansaldo STS established a specific working party to carry out a gap analysis that has almost been completed at the time of preparing these condensed interim consolidated financial statements. This activity focused on the following aspects:

- comparison of the accounting policies for revenue recognition adopted by the Group with the requirements of the new international accounting standard;
- recognition of the principal differences in approach that might have a significant accounting, organisation or systems-related impact;
- identification of the principal contracts with customers entered into by Group companies and analysis of the related contractual structure, in order to identify the potential effects of applying the new accounting standard;
- analysis of the process of recognising contract costs (both pre-operating and operating) adopted by the Group in order to identify the principal categories of cost allocated to contracts;
- verification of how each category of cost identified by the above activity corresponds to the guidelines included in the new accounting standard;
- analysis of the transition guidance provided by the new international accounting standard.

Based on the analysis carried out to date, certain differences have emerged between the instructions contained in IAS 11 "Construction contracts" and the requirements of IFRS 15 for the recognition of revenue from contracts in the railway signalling sector. The principal differences encountered are discussed below.

Combination and subdivision of construction contracts

The new standard introduces greater restrictions on combining a group of contracts for treatment as a single construction contract, establishing that this can only be done if the contracts are signed at the same time, or almost, with the same customer and one or more of the following conditions are met:

a) the contracts are negotiated together for a single commercial purpose;

b) the consideration for one contract depends on another contract;

c) the goods and services promised in the contract are considered to represent a single performance obligation.

With regard to identifying the separate performance obligations contained in an individual contract, compared with the requirements of IAS 11 it will be necessary to apply greater judgement regarding the close interrelation and integration of the different elements of the construction contract, in order to consider them together as a single performance obligation.

Variable consideration

The new standard requires variable consideration to be estimated at its expected value or most likely amount. IFRS also establishes that these amounts must only be recognised to the extent that they are "highly probable" so that, when the uncertainty about their measurement is resolved, the amount of revenue recognised will not be adjusted downward to any significant extent.
"Highly probable" is a new concept not envisaged in IAS 11. It is explained by the provision of specific practical guidance in the context of the new framework.

Change orders

IAS 11, para. 13, establishes that a change must only be recognised as contract revenue if *(i)* it is likely to be approved and *(ii)* the amount of revenue associated with it can be determined reliably. In para. 14, this standard also states that consideration arising from price revisions (claims) must only be recognised when *(i)* negotiations with the customer are sufficiently well advanced that acceptance of the claims is likely; and *(ii)* the probable amount to be accepted by the customer can be determined reliably.

In general, on the other hand, the IFRS 15 approach to changes and claims is based on the fact that change orders must only be recognised when the rights and related obligations of the contracting parties are “enforceable”. In order to determine if the rights and obligations arising from or altered by the change are enforceable, the entity must consider all the facts and all the relevant circumstances, including the contract terms and other evidence.

Pre-operating costs

With respect to the provisions of IAS 11, para. 21, concerning the inclusion of charges incurred to obtain the contract among the contract costs, IFRS 15 introduces stricter rules allowing, in general, only the following to be recognised as assets: *(i)* external incremental costs incurred solely as a result of obtaining the contract (commissions and success fees) and *(ii)* costs incurred to “satisfy” the contract (such as design costs incurred at the tendering stage).

Significant financial components embedded in contracts

Based on the existing body of IAS/IFRS, if a contract with a customer allows payment deferrals that go beyond normal market terms, the agreed consideration must be discounted to its present value. The current IAS/IFRS do not, on the other hand, specify how to account for payments received in advance. Under the new standard, it is necessary to check each contract for significant financial components and, consequently, to determine the interest rate implied by the transaction, which reflects the credit rating assigned to the portion of the contract that, in effect, has obtained a loan. The implicit interest rate is determined at the start of the contract and need not be updated subsequently to reflect any changes in the circumstances.

The Company is still evaluating, basing on the available interpretations at the moment and on the sector position, if the payments collected as project advances, should be considered as significant financial components of the contract.

As stated, the new standard will be applicable from the start of 2018. Given the complexity of the matter, the management of Ansaldo STS is currently evaluating which transitional approach to follow and expects to complete the second phase of project implementation by the end of 2017, in time to assess the quantitative aspects of adopting the new standard.

The condensed interim consolidated financial statements of the Ansaldo STS Group as at 30 June 2017 were approved by the Board of Directors on 28 July 2017, which authorised them for publication on the basis and with the timing envisaged in current legislation.

All amounts are presented in thousands of euro unless stated otherwise.

The condensed interim consolidated financial statements have been subjected to a limited examination by EY S.p.A.

2.3 Consolidation Scope

Basis and scope of consolidation

These condensed interim consolidated financial statements of the Ansaldo STS Group as at 30 June 2017 comprise the interim financial statements as at 30 June 2017 of the companies/entities included within the scope of consolidation (the "consolidated entities"), prepared under the EU-IFRS adopted by the Ansaldo STS Group. The list of consolidated entities presented below, showing the direct or indirect ownership interests held by the Group, has not changed since 31 December 2016:

List of companies consolidated on a line-by-line basis

List of companies consolidated on a line-by-line basis

NAME	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL ('000)	CURRENCY	% HELD
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
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	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL ('000)	CURRENCY	% HELD
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

Companies measured using the cost method

NAME	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL ('000)	CURRENCY	% HELD
Metro C S.c.p.A.	Direct	Rome (Italy)	150,000	EUR	14
I.M. Intermetro S.p.A. (in liquidation)	Direct	Rome (Italy)	2,461	EUR	16.67
Società Tram di Firenze S.p.A.	Direct	Florence (Italy)	7,000	EUR	3.8
Iricav Uno consortium	Direct	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Direct	Rome (Italy)	510	EUR	17.05
Ferroviario Vesuviano consortium	Direct	Naples (Italy)	153	EUR	33.34
San Giorgio Volla consortium	Direct	Naples (Italy)	71	EUR	25.00
San Giorgio Volla2 consortium	Direct	Naples (Italy)	71	EUR	25.00
Cris consortium	Direct	Naples (Italy)	2,377	EUR	1
Ascosa Quattro consortium	Direct	Rome (Italy)	57	EUR	25.00
Siit S.C.p.A.	Direct	Genoa (Italy)	600	EUR	2.30
Saturno consortium	Direct	Rome (Italy)	31	EUR	33.34
Train consortium	Direct	Rome (Italy)	120	EUR	4.68
Sesamo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	2
ISICT consortium	Direct	Genoa (Italy)	43	EUR	14.29
Cosila consortium (in liq.)	Direct	Naples (Italy)	100	EUR	1.03
MM4 consortium	Direct	Milan (Italy)	200	EUR	17.68
Radiolabs consortium	Direct	Rome (Italy)	258	EUR	25.00
SPV M4 S.p.A.	Direct	Milan (Italy)	26,700	EUR	5.54
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Direct	Fortaleza (Brazil)	1,000	BRL	99.99
Hitachi Ansaldo Baltimore Rail Partners LLC	Indirect	Wilmington (Delaware USA)	0.5	USD	50.00
Metro de Lima Linea 2 S.A.	Direct	Lima (Peru)	368,808	PEN	16.90
TOP IN S.ca.r.l.	Direct	Naples (Italy)	80	EUR	4.84
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Direct	Rome (Italy)	40	EUR	12
Dattilo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	14
S.p. M4 S.c.p.A.	Direct	Milan (Italy)	360	EUR	16.9
MetroB S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47

2.4 Exchange rates adopted

The following exchange rates were applied to translate the foreign currency financial statements and balances reported in the financial statements as at 30 June 2017 and 2016:

	Closing rate at 30 June 2017	**Average rate for the period ended 30 June 2017**	**Closing rate at 30 June 2016**	**Average rate for the period ended 30 June 2016**
USD	1.13750	1.08220	1.10730	1.11535
CAD	1.48880	1.44374	1.44380	1.48583
GBP	0.88525	0.85995	0.82720	0.77850
HKD	8.87590	8.41328	8.59250	8.66402
SEK	9.77800	9.59390	9.44250	9.30091
AUD	1.49860	1.43525	1.49840	1.52256
INR	73.43450	71.10042	75.20700	74.97886
MYR	4.89220	4.74896	4.50770	4.57717
BRL	3.76320	3.43882	3.71830	4.13563
CNY	7.73480	7.44041	7.36060	7.29314
VEB	11,360.80000	10,808.43500	11,059.20000	9,523.24000
BWP	11.63740	11.26618	12.25390	12.41064
ZAR	14.80800	14.30103	16.88310	17.21433
KZT	367.34400	344.81533	375.52600	385.65109
JPY	127.53000	121.61759	113.40000	124.48817
AED	4.17576	3.97274	4.06490	1.09439
KRW	1,300.61000	1,235.26973	1,294.19000	1,318.90377

3 SEGMENT REPORTING

Following an internal reorganisation and business restructuring, the business segments identified previously (Signalling and Transportation Solutions) were merged in 2014, due to the similarities of their products and services, production processes and types of customer; as a result, the Group has just one operating segment pursuant to IFRS 8 Operating Segments.

The information required by IFRS 8 therefore corresponds to that presented in the consolidated income statement.

The consolidated accounting information provided below is analysed on a geographical basis, which represents the main way in which business performance is monitored by management.

Group revenues are analysed by geographical area below:

(K€)	**30.06.2017**	**30.06.2016**
Italy	117,225	133,001
Rest of Europe	201,653	185,304
North Africa and the Middle East	56,864	49,889
Americas	160,132	108,628
Asia/Pacific	99,945	125,904
Total	**635,819**	**602,726**

Property, plant and equipment and intangible assets are analysed by geographical segment below:

(K€)	**30.06.2017**	**31.12.2016**
Italy	105,221	105,961
Rest of Europe	13,634	13,745
North Africa and Middle East	1,636	778
Americas	10,473	12,010
Asia/Pacific	1,974	1,966
Total	**132,938**	**134,460**

4 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 Related-party transactions

Commercial related-party transactions generally take place on an arm's-length basis. The resulting balances reported in the statement of financial position are shown below. The statement of cash flows identifies the impact of related-party transactions on cash flows.

FINANCIAL ASSETS AS AT 30.06.2017 *(K€)*	**Non-current financial receivables**	**Non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current assets**	**Total**
Parent company						
Hitachi Rail Europe Ltd	-	-	-	-	-	**-**
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	1	-	**1**
Alifana Due S.c.a.r.l.	-	-	-	111	-	**111**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	23,186	-	1,622	-	**24,808**
Metro Service A.S.	-	-	-	2,032	-	**2,032**
SP M4 S.C.p.A. (in liq.)		-	267	-	-	**267**
SPV Linea M4 S.p.A.	-	5,864	-	-	-	**5,864**
Metro Brescia S.r.l.	-	-	-	388	-	**388**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	1,025	-	**1,025**
Consortia						
Saturno consortium	-	-	-	17,026	-	**17,026**
Ascosa Quattro consortium	-	-	-	10,717	-	**10,717**
Ferroviario Vesuviano consortium	-	-	-	1,783	-	**1,783**
MM4 consortium	-	182	-	4,591	-	**4,773**
San Giorgio Volla Due consortium	-	-	-	1,457	4	**1,461**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
EPC Lima consortium	-	271	-	-	-	**271**
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	-	-	-	3,702	-	**3,702**
Hitachi High-Technologies Europe GMBH	-	-	-	15	-	**15**
Hitachi Rail Inc.	-	-	-	962	-	**962**
Total	**-**	**29,503**	**267**	**47,240**	**4**	**77,014**
Related parties as percentage of total		**61%**	**1%**	**7%**	**0.004%**	

FINANCIAL ASSETS AS AT 31.12.2016 *(K€)*	**Non-current financial receivables**	**Non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current assets**	**Total**
Parent company						
Hitachi Ltd (rail)	-	-	-	155	-	**155**
Hitachi Rail Europe Ltd	-	-	-	313	-	**313**
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	93	-	**93**
Alifana Due S.c.a.r.l.	-	-	-	238	-	**238**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	22,534	-	1,391	-	**23,925**
Metro Service A.S.	-	-	-	1,668	-	**1,668**
SPV Linea M4 S.p.A.		2,534	-	-	-	**2,534**
SP M4 S.C.p.A. (in liq.)	-	-	267	-	-	**267**
Metro Brescia S.r.l.	-	-	-	629	-	**629**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,246	-	**2,246**
Consortia						
Saturno consortium	-	-	-	29,529	-	**29,529**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	1,462	-	**1,462**
MM4 consortium	-	182	-	11,858	-	**12,040**
San Giorgio Volla Due consortium	-	-	-	3,489	4	**3,493**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
EPC Lima consortium	-	272	-	-	-	**272**
Fellow subsidiaries						
Hitachi High Technologies Europe GMBH	-	-	-	68	-	**68**
Hitachi Rail Italy S.p.A.	-	-	-	6,272	-	**6,272**
Total	**-**	**25,522**	**267**	**62,376**	**4**	**88,169**
Related parties as percentage of total	**-**	**56%**	**1%**	**9%**	**0.005%**	

FINANCIAL LIABILITIES AS AT 30.06.2017 *(K€)*	Non-current financial payables	Other non-current liabilities	Current financial payables	Trade payables	Other current liabilities	Total
Parent company						
Hitachi Ltd (Rail)	-	-	-	493	-	**493**
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	167	3	**170**
Alifana Due S.c.a.r.l.	-	-	-	76	-	**76**
Associates						
Metro Service A.S.	-	-	-	9,518	-	**9,518**
Metro 5 S.p.A.	-	-	-	5	-	**5**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	57	-	**57**
Consortia						
Saturno consortium	-	-	-	1,689	-	**1,689**
Ascosa Quattro consortium	-	-	-	771	8	**779**
San Giorgio Volla consortium	-	-	-	5	8	**13**
Ferroviario Vesuviano consortium	-	-	-	85	21	**106**
Cris consortium	-	-	-	4	-	**4**
MM4 consortium	-	-	-	239	-	**239**
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	-	-	-	9,184	-	**9,184**
Hitachi India Pvt Ltd Rail System Company	-	-	-	768	-	**768**
Total	**-**	**-**	**-**	**23,061**	**410**	**23,471**
Related parties as percentage of total	**-**	**-**	**-**	**5%**	**0.4%**	

FINANCIAL LIABILITIES AS AT 31.12.2016 *(K€)*	**Non-current financial payables**	**Other non-current liabilities**	**Current financial payables**	**Trade payables**	**Other current liabilities**	**Total**
<u>Parent company</u>						
Hitachi Rail Europe Ltd	-	-	-	-	-	**-**
<u>Subsidiaries</u>						
Alifana S.c.a.r.l.	-	-	-	125	3	**128**
Alifana Due S.c.a.r.l.	-	-	-	109	-	**109**
<u>Associates</u>						
Metro Service A.S.	-	-	-	2,704	-	**2,704**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	61	-	**61**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	-	-	**-**
<u>Consortia</u>						
Saturno consortium	-	-	-	2,066	-	**2,066**
Ascosa Quattro consortium	-	-	-	150	8	**158**
San Giorgio Volla consortium	-	-	-	5	8	**13**
San Giorgio Volla Due consortium	-	-	-	206	-	**206**
Ferroviario Vesuviano consortium	-	-	-	85	21	**106**
MM4 consortium	-	-	-	591	-	**591**
<u>Fellow subsidiaries</u>						
Hitachi Rail Italy S.p.A.	-	-	-	13,569	-	**13,569**
Total	**-**	**-**	**-**	**19,671**	**410**	**20,081**
Related parties as percentage of total				**4%**	**0.3%**	

4.2 Intangible assets

Intangible assets amount to €48,545 thousand as at 30 June 2017, as analysed below:

(K€)	**Goodwill**	**Other development costs**	**Patents and similar rights**	**Concessions, licences and trademarks**	**Assets under development**	**Other**	**Total**
Balance as at 31 December 2016	**34,569**	**5,378**	**6,370**	**545**	**408**	**1,992**	**49,262**
Additions	-	-	388	361	58	78	**885**
Capitalisation	-	1,451	-	-	44	-	**1,495**
Amortisation and impairment losses	-	(1,085)	(951)	(179)	-	(395)	**(2,610)**
Difference between opening/closing exchange rates	-	-	-	(15)	(3)	(22)	**(40)**
Difference between closing/average exchange rates	-	-	-	-	(1)	3	**2**
Reclassification from assets under development	-	-	-	-	(112)	112	**-**
Grants	-	(449)	-	-	-	-	**(449)**
Balance as at 30 June 2017	**34,569**	**5,295**	**5,807**	**712**	**394**	**1,768**	**48,545**

Additions during the period of €885 thousand were mainly attributable to Ansaldo STS S.p.A. (€735 thousand), reflecting in particular the purchase of software, licences and trademarks. The internal work capitalised during the period, €1,495 thousand, mainly related to the "Satellite and Rail Telecom" project to develop satellite technologies for new railway signalling systems. This project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

The amortisation charge for the period amounted to €2,610 thousand (30 June 2016: €3,584 thousand).

The goodwill arose from non-recurring transactions carried out in prior years. Further information is presented in the consolidated financial statements as at 31 December 2016.

In line with Group procedures, impairment tests are carried out when preparing the annual financial statements, unless trigger events provide evidence of possible impairment losses. No events indicative of possible impairment took place during the first half of 2017.

4.3 Property, plant and equipment

Property, plant and equipment amount to €86,216 thousand as at 30 June 2017, as analysed below:

(K€)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other	Leased assets	Total
Balance as at 31 December 2016	**58,731**	**6,508**	**6,633**	**2,374**	**10,952**	**-**	**85,198**
Additions	70	498	895	869	2,193	-	**4,525**
Capitalisation	-	-	581	94	-	-	**675**
Disposals	(92)	(44)	-	-	(17)	-	**(153)**
Depreciation and impairment losses	(1,158)	(1,108)	(1,061)	-	(1,724)	-	**(5,051)**
Difference between opening/closing exchange rates	(285)	(248)	(16)	(118)	(211)	-	**(878)**
Difference between closing/average exchange rates	(3)	19	1	17	43	-	**77**
Reclassification from assets under construction	352	312	330	(1,528)	534	-	**-**
Balance as at 30 June 2017	**57,615**	**5,937**	**7,363**	**1,708**	**11,770**	-	**84,393**

Additions during the period amounted to € 4,525 thousand and mainly related to the purchase of assets by Ansaldo STS S.p.A., Ansaldo STS USA Inc. and Ansaldo STS France for the maintenance of their production facilities.

The depreciation charge for the period totalled €5,051 thousand (30 June 2016: €4,844 thousand).

4.4 Equity investments

Equity investments amount to €75,623 thousand as at 30 June 2017, as analysed below:

Equity investments recognised at cost:

(K€)	
Balance as at 31 December 2016	**47,511**
Acquisitions/subscriptions and capital increases	-
Disposals/redemptions	-
Balance as at 30 June 2017	**47,511**
Equity-accounted investments	**28,112**
Total equity investments	**75,623**

List of equity investments held by Ansaldo STS (amounts in thousands of euro):

Name	Location	Type of activity	Reporting date	Accounting standards	Shareholders' equity	Total assets	Total liabilities	Currency	% held	% of voting rights	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	€'000
Metro 5 S.p.A.	Milan (Italy)	Transport	31.12.2016	IFRS	66,333	797,625	731,292	Euro	24.60%	24.60%	N/A	N/A	N/A	N/A	16,318
International Metro Service S.r.l.	Milan (Italy)	Transport	31.12.2016	IT GAAP	4,943	5,056	113	Euro	49.00%	49.00%	N/A	N/A	N/A	N/A	2,422
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2016	IT GAAP	260	3,959	3,699	Euro	46.87%	46.87%	N/A	N/A	N/A	N/A	122
Alifana S.c.a.r.l.	Naples (Italy)	Transport	31.12.2016	IT GAAP	26	814	788	Euro	65.85%	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.a.r.l.	Naples (Italy)	Transport	31.12.2016	IT GAAP	26	1,466	1,440	Euro	53.34%	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transport	31.12.2016	IT GAAP	6,554	79,197	72,643	Euro	19.80%	19.80%	N/A	N/A	N/A	✔	1,297
Balfour Beatty Ansaldo Systems JV SDN BHD	Kuala Lumpur (Malaysia)	Transport	31.12.2016	IFRS	12,604	37,020	24,416	MYR	40.00%	40.00%	N/A	N/A	N/A	N/A	7,922
Total equity-accounted investments															**28,112**
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2016	IT GAAP	149,518	347,412	197,894	Euro	14.00%	14.00%	N/A	N/A	N/A	✔	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transport	31.12.2016	IT GAAP	1,765	5,278	3,513	Euro	21.26%	16.67%	N/A	N/A	N/A	✔	523
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31/12/2015	IT GAAP	12,484	228,596	216,112	Euro	3.80%	3.80%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	520	7,278	6,758	Euro	17.44%	17.44%	N/A	N/A	N/A	✔	91
Iricav Due consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	516	91,370	90,854	Euro	17.05%	17.05%	N/A	N/A	N/A	✔	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transport	31/12/2015	IT GAAP	155	217,788	217,633	Euro	33.34%	33.34%	N/A	N/A	N/A	N/A	51
S. Giorgio Volla consortium	Naples (Italy)	Transport	31.12.2016	IT GAAP	72	6,155	6,083	Euro	25.46%	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transport	31.12.2016	IT GAAP	72	73,038	72,966	Euro	25.46%	25.00%	N/A	N/A	✔	N/A	18
Cris consortium	Naples (Italy)	Research	31/12/2016	IT GAAP	2,445	3,712	1,267	Euro	1.00%	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transport	31/12/2015	IT GAAP	57	65,207	65,150	Euro	24.92%	25.00%	N/A	N/A	✔	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31/12/2015	IT GAAP	614	1,991	1,377	Euro	2.33%	2.30%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	31	1,758,577	1,758,546	Euro	33.34%	33.34%	N/A	✔	N/A	N/A	10
Train consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	1,180	25,832	24,652	Euro	4.55%	4.55%	N/A	N/A	N/A	✔	5
Sesamo S.c.a.r.l.	Naples (Italy)	Transport	31/12/2015	IT GAAP	91	854	763	Euro	2.00%	2.00%	N/A	N/A	N/A	N/A	2
Isict Consortium	Genoa (Italy)	Research	31.12.2016	IT GAAP	53	172	119	Euro	14.29%	14.29%	N/A	N/A	N/A	✔	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31/12/2016	IT GAAP	93	115	22	Euro	1.00%	0.92%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transport	31.12.2016	IT GAAP	200	18.773	18.573	Euro	17.68%	18.20%	N/A	N/A	N/A	✔	36
Radiolabs consortium	Rome (Italy)	Research	31/12/2015	IT GAAP	233	1,608	1,375	Euro	25.00%	25.00%	N/A	N/A	✔	N/A	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transport	31.12.2016	IT GAAP	127,228	295,604	168,376	Euro	5.55%	5.55%	N/A	N/A	N/A	N/A	7,740
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transport	31/12/2015	IFRS	118,064	198,713	80,649	USD	12.24%	16.90%	N/A	N/A	N/A	✔	16,639
TOP IN S.ca.r.l.	Naples (Italy)	Transport	31/12/2015	IT GAAP	79	118	39	Euro	5.29%	5.29%	N/A	N/A	N/A	N/A	4
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Fortaleza (Brazil)	Transport	31.12.2016	BRAZIL GAAP	245	246	1	BRL	99.99%	99.99%	N/A	N/A	N/A	N/A	334
Hitachi Ansaldo Baltimore Rail Partners LLC	Wilmington (Delaware USA)	Transport	A	US GAAP	1	1	0	USD	50.00%	50.00%	N/A	N/A	N/A	N/A	1
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2013	IT GAAP	69	112	43	Euro	12.00%	12.00%	N/A	N/A	N/A	✔	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transport	31/12/2015	IT GAAP	99	360	261	Euro	14.00%	14.00%	N/A	N/A	N/A	✔	14
S.P. M4 S.c.p.A. (in liq.)	Milan (Italy)	Transport	31.12.2016	IT GAAP	360	2,371	2,011	Euro	16.90%	16.90%	N/A	N/A	N/A	✔	61
MetroB S.r.l.	Rome (Italy)	Transport	31/12/2015	IT GAAP	17,693	17,772	79	Euro	2.47%	2.47%	N/A	N/A	N/A	✔	494
Total equity investments measured at cost															**47,511**
Total equity investments															**75,623**

A: Dormant company

Equity investments amount to €75,623 thousand as at 30 June 2017, of which €28,112 thousand measured using the equity method and €47,511 thousand at cost. The change of €2,576 thousand relates entirely to the equity-accounted investments. In particular, the equity value of Balfour Beatty System JV SDN BHD rose by €2,880 thousand, that of Metro Brescia S.r.l. rose by €233 thousand

and that of International Metro Service S.r.l. rose by €48 thousand, while the equity value of Metro 5 S.p.A. fell by €585 thousand.

4.5 Non-current receivables and other assets

Non-current receivables and other assets as at 30 June 2017 are analysed below:

(K€)	**30.06.2017**	**31.12.2016**
Guarantee deposits	3,095	3,163
Other	17,250	16,800
Non-current receivables due from related parties	29,503	25,522
Non-current receivables	**49,848**	**45,485**
Prepaid expenses	15,023	16,090
Other non-current assets	**15,023**	**16,090**

Non-current receivables amount to €49,848 thousand as at 30 June 2017, up €4,363 thousand since 31 December 2016, while prepaid expenses have decreased to €15,023 thousand from €16,090 thousand.

Specifically:

- guarantee deposits include advances to lessors;
- other non-current receivables include the Pittsburgh facility lease of €12,050 thousand;
- non-current receivables due from related parties include an advance of €23,186 thousand to Metro 5 S.p.A. and another of €5,864 thousand to SPV M4 SpA.
- Prepaid expenses include the residual non-current portion, €12,070 thousand, of the licence fee paid to Finmeccanica S.p.A. (now Leonardo S.p.A.) for the right to use the "Ansaldo" trademark for a period of 20 years.

4.6 Inventories

Inventories amount to €123,297 thousand as at 30 June 2017, as analysed below:

(K€)	***30.06.2017***	***31.12.2016***
Raw and consumable materials	25,076	24,782
Work in progress and semi-finished products	12,746	12,668
Finished products and goods	10,294	9,790
Advances to suppliers	75,181	77,827
Total	**123,297**	**125,067**

The decrease during the period of €1,770 thousand was mainly due to the reduction in advances to suppliers (€2,646 thousand).

Inventories are stated net of an allowance totalling €3,544 thousand (31 December 2016: €3,269 thousand), which increased slightly during the period.

4.7 Contract work in progress and advances

Contract work in progress, net of progress payments and advances from customers, is negative as at 30 June 2017, amounting to €205,087 thousand. This balance is analysed below:

(K€)	30.06.2017	31.12.2016
Advances from customers	(41,824)	(41,789)
Progress payments	(1,810,420)	(1,886,966)
Work in progress	2,287,092	2,328,511
Provision for loss contracts	(12,585)	(12,803)
Allowance for work in progress	(32,685)	(28,088)
Work in progress (net)	**389,578**	**358,865**
Advances from customers	(320,694)	(310,480)
Progress payments	(2,128,593)	(2,009,246)
Work in progress	1,865,346	1,735,070
Provision for loss contracts	(8,474)	(12,006)
Allowance for work in progress	(2,250)	(1,350)
Advances from customers (net)	**(594,665)**	**(598,012)**
Work in progress, net of advances	**(205,087)**	**(239,147)**

The overall net amount has increased by €34,060 thousand, mainly because the value of production was greater than the amount invoiced. Work in progress is stated net of the related allowance.
Work in progress net of advances includes €112,154 thousand collected in relation to the contract in Libya, which is still suspended given the well-known events affecting that country in recent years, as described in the directors' report. This advance amply covers the work carried out to date but not yet invoiced. As a consequence, no probable risks are known at the reporting date that would require provisions to be recorded.

4.8 Trade and financial receivables

Trade and financial receivables as at 30 June 2017 are analysed below:

(K€)	30.06.2017		31.12.2016	
	Trade	Financial	Trade	Financial
Third parties	666,996	40,160	666,476	33,966
Total due from third parties	**666,996**	**40,160**	**666,476**	**33,966**
Due from related parties	47,240	267	62,376	267
Total	**714,236**	**40,427**	**728,852**	**34,233**

Trade receivables due from third parties amount to €666,996 thousand as at 30 June 2017, essentially unchanged since the end of 2016. Trade receivables due from related parties amount to €47,240 thousand. The reduction of €15,136 thousand mainly reflects the lower amounts due from the Saturno consortium and the MM4 consortium.

Financial receivables due from third parties amount to €40,160 thousand as at 30 June 2017. They mainly reflect the euro equivalent of the Libyan dinar advance received by the parent company against the first of two contracts in Libya and deposited with a local bank. They also include short-term deposits with leading banks made by Ansaldo STS India (€2,723 thousand) and Ansaldo STS Malaysia Sdn Bhd (€8,994 thousand).

Financial receivables due from related parties amount to €267 thousand, reflecting the residual loan granted to S.P. M4 S.c.p.a. (€267 thousand as at 31 December 2016).

Pursuant to Consob Communication DAC/RM/97003369 dated 9 April 1997, it is confirmed that, as at 30 June 2017, the Group has not factored any receivables without recourse.

4.9 Tax receivables and payables

Direct tax receivables and payables are analysed below:

(K€)	30.06.2017		31.12.2016	
	Receivables	Payables	Receivables	Payables
Direct taxes	29,253	9,063	22,649	8,978
Total	**29,253**	**9,063**	**22,649**	**8,978**

Direct tax receivables amount to €29,253 thousand, up by €6,604 thousand since 31 December 2016. This increase, attributable to Ansaldo STS S.p.A., follows an increase in the taxes paid by branches including, in particular, those in Saudi Arabia and India. The total includes the residual balance of €2,315 thousand on a credit recorded in December 2012 by the parent company (€3,716 thousand) on applying for reimbursement, pursuant to art. 2, para. 1-quater of Decree 201/2011, of the excess IRES paid in the 2007-2011 tax years when the IRAP charged on personnel costs was disallowed. Credits relating to the 2010 and 2011 tax years totalling €1,401 thousand, plus interest, were reimbursement to the parent company during the period.

Direct tax receivables include €21,276 thousand due to Ansaldo STS S.p.A., €3,404 thousand to Ansaldo STS France S.A.S., €2,317 thousand to the Ansaldo STS Australia group, €2,017 to Ansaldo STS Sweden and €239 thousand to the Ansaldo STS USA group.

Direct tax payables amount to €9,063 thousand as at 30 June 2017, essentially unchanged since 31 December 2016 (€8,978 thousand).

4.10 Other current assets

Other current assets as at 30 June 2017 are analysed below:

(K€)	30.06.2017	31.12.2016
Prepaid expenses - current portion	13,682	12,314
Research grants	17,974	18,944
Employees	2,674	2,006
Social security and pension institutions	5	30
Indirect taxes and other tax credits	34,796	31,146
Derivatives	16,533	10,515
Other	8,103	9,645
Total other assets	**93,767**	**84,600**
Related parties	4	4
Total	**93,771**	**84,604**

Other current assets amount to €93,771 thousand as at 30 June 2017, up by €9,167 thousand since 31 December 2016 (€84,604 thousand). This increase was mainly due to the rise in prepaid expenses and the fair value of derivatives.

Derivative assets and liabilities are analysed in the following table:

	30.06.2017		31.12.2016	
(K€)	Assets	Liabilities	Assets	Liabilities
Fair value hedges	2,373	913	4,043	247
Cash flow hedges	14,160	3,750	6,472	16,761
Currency hedges	**16,533**	**4,663**	**10,515**	**17,008**

Derivative assets have increased by €6,018 thousand, mainly reflecting the positions of Ansaldo STS S.p.A..

The reduction in derivative liabilities by €12,345 thousand was mainly a result of the cash flow hedges arranged by the parent company.

See section 8 "Financial risk management" for information on the notional amounts of the derivatives outstanding as at 30 June 2017.

Fair value measurement

The Ansaldo STS Group does not hold any listed derivatives as at 30 June 2017. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies. The fair value of swaps is calculated by discounting the future cash flows at market rates.

4.11 Cash and cash equivalents

Cash and cash equivalents as at 30 June 2017 are analysed below:

(K€)	30.06.2017	31.12.2016
Cash	136	109
Bank deposits	239,861	305,477
Total	**239,997**	**305,586**

Cash and cash equivalents amount to €239,997 thousand as at 30 June 2017. The reduction of €65,589 thousand since 31 December 2016 mainly reflects the lower balances held by Ansaldo STS S.p.A., as well as by Ansaldo STS France, Ansaldo STS USA and Ansaldo STS Sweden.
See the note on the consolidated financial position for a discussion of the changes.

4.12 Share capital

		In euro		
	Number of shares	**Nominal value**	**Treasury shares**	**Total**
Outstanding shares	200,000,000	100,000,000	-	100,000,000
31/12/2016	**200,000,000**	**100,000,000**	**-**	**100.000000**
Use of treasury shares for SGP	**-**	**-**	-	-
30/06/2017	**200,000,000**	**100,000,000**	**-**	**100,000,000**

Fully-paid share capital totals €100,000,000.00, represented by 200,000,000 ordinary shares with a nominal amount of €0.50 each.

4.13 Retained earnings

Retained earnings:
(K€)

Balance as at 31 December 2016	**544,451**
Profit for the period	42,832
Changes in scope of consolidation and equity-accounted investees	(4,092)
Balance as at 30 June 2017	**583,191**

Retained earnings, including profit for the period and consolidation reserves, amount to €583,191 thousand. The increase of €38,740 thousand reflects the profit for the period of €42,832 thousand, net of the change in the carrying amount of equity-accounted investees.

4.14 Other reserves

The changes in other reserves during the period ended 30 June 2017 are analysed below:

(K€)	Legal reserve	Hedging reserve	Stock grant reserve	Deferred tax reserve	Translation adjustments	Other	Total
31 December 2016	**20,000**	**3,042**	**8,115**	**699**	**36,755**	**(5,436)**	**63,175**
Reclassification of actuarial reserve on defined benefit plans	-	-	-	-	-	-	-
Allocation of profit for the period	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	675	-	675
Transfers to the income statement	-	(10,720)	-	-	-	-	(10,720)
Translation differences	-	-	-	-	(23,595)	-	(23,595)
Increase/decrease	-	-	(957)	-	-	(300)	(1,257)
Fair value gains (losses)	-	21,789	-	(2,596)	-	-	19,193
Reclassifications	-	-	-	-	-	-	-
Other changes	-	-	-	-	-		-
30 June 2017	**20,000**	**14,111**	**7,158**	**(1,897)**	**13,835**	**(5,736)**	**47,471**

Legal reserve

The legal reserve amounts to €20,000 thousand and did not change during the period.

Hedging reserve

This reserve, €14,111 thousand reflects the fair value adjustment of the derivatives used by the Group to hedge its foreign currency exposure, net of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this event takes place, the reserve is released to the income statement to offset the economic effects of the hedged transaction.

Stock grant reserve

The stock grant reserve amounts to €7,158 thousand. The decrease of €957 thousand since 31 December 2016 reflects the vesting of shares granted in 2014, as offset by the allocation for the period.

Deferred tax reserve

The negative deferred tax reserve amounts to €1,897 thousand. The change reflects the recognition of deferred taxes on actuarial gains/losses, following adoption of the equity method for the recognition of defined benefit plans, as well as on changes in the fair value of cash flow hedges.

Translation adjustments

This reserve recognises the exchange differences arising on translation of the financial statements of consolidated companies. The largest amounts are generated on consolidation of the American and Asia Pacific subsidiaries.

Other

The other reserves comprise the revaluation reserves, the reserve for defined benefit plans and the reserves established following the award of research grants to Ansaldo STS S.p.A. The reduction of €300 thousand during the first half of 2017 was mainly due to actuarial losses on the defined benefit plans.

4.15 Equity attributable to non-controlling interests

The changes in the equity attributable to non-controlling interests during the period ended 30 June 2017 are analysed below:

(K€)	
Balance as at 31 December 2016	**220**
Profit for the period attributable to non-controlling interests	(5)
Translation reserve attributable to non-controlling interests	(11)
Balance as at 30 June 2017	**204**

The equity attributable to non-controlling interests relates to 20% of Ansaldo STS Beijing LTD.

4.16 Financial payables

Financial payables as at 30 June 2017 are analysed below:

(K€)	30.06.2017			31.12.2016		
	Current	Non-current	Total	Current	Non-current	Total
Banks	7	-	7	10	-	10
Other financial payables	271	-	271	1,770	-	1,770
Total	**278**	**-**	**278**	**1,780**	**-**	**1,780**

The changes during the period are analysed below:

(K€)	31.12.2016	Increases	Repayments	Reclassifications	Other changes	30.06.2017
Banks	10	-	(3)	-	-	7
Other financial payables	1,770	-	(1,499)	-	-	271
Total	**1,780**	**-**	**(1,502)**	**-**	**-**	**278**

Financial payables amount to €278 thousand. The decrease of €1,502 thousand mainly reflects payments made by the parent company following the collection of amounts attributable to other partners in the temporary business associations for which Ansaldo STS is the lead contractor.

Financial liabilities

The repayment schedules for the financial liabilities of the Group and the exposures to interest-rate fluctuations are analysed below:

(K€)	Banks		Others		Total	
31 December 2016	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	10	-	1,770	-	1,780	-
2-5 years	-	-	-	-	-	-
Beyond 5 years	-	-	-	-	-	-
Total	**10**	**-**	**1,770**	**-**	**1,780**	**-**

(K€)	Banks		Others		Total	
30 June 2017	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	7	-	271	-	278	-
2-5 years	-	-	-	-	-	-
Beyond 5 years	-	-	-	-	-	-
Total	**7**	**-**	**271**	**-**	**278**	**-**

The following financial disclosures are presented in the format required by Consob Communication DEM/6064293 dated 28 July 2006:

	(K€)	**30.06.2017**	**31.12.2016**
A	Cash	136	109
B	Other cash and cash equivalents (bank current accounts)	239,861	305,477
C	Securities held for trading	-	-
D	**LIQUIDITY (A+B+C)**	**239,997**	**305,586**
E	**CURRENT FINANCIAL RECEIVABLES**	**40,427**	**34,233**
F	Current bank loans and borrowings	7	10
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	271	1,770
I	**CURRENT DEBT (LIQUIDITY) (F+G+H)**	**278**	**1,780**
J	**NET CURRENT DEBT (LIQUIDITY) (I-E-D)**	**(280,146)**	**(338,039)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	-	-
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**-**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(280,146)**	**(338,039)**

4.17 Provisions for risks, charges and contingent liabilities

The provisions for risks, charges and contingent liabilities as at 30 June 2017 are analysed below:

(K€)		Product warranties	Disputes with employees	Other	Total
Balance as at 31 December 2016		**11,848**	**1,038**	**1,154**	**14,040**
Accruals		2,198	1,605	340	4,143
Released		(174)	(240)	-	(414)
Utilisations		(1,046)	(47)	(69)	(1,162)
Other changes		189	-	(283)	(94)
Balance as at 30 June 2017		**13,015**	**2,356**	**1,142**	**16,513**
	Current	11,848	1,038	1,154	14,040
	Non-current	-	-	-	-
Balance as at 31 December 2016		**11,848**	**1,038**	**1,154**	**14,040**
	Current	13,015	2,356	1,142	16,513
	Non-current	-	-	-	-
Balance as at 30 June 2017		**13,015**	**2,356**	**1,142**	**16,513**

In relation to the provisions for risks, Ansaldo STS Group companies are active in segments and markets where many disputes are only settled after significant time has elapsed, especially when the counterparty is a public body.

Based on current information, specific provisions have not been recorded for various disputes in which the Group is defendant, as they are expected to be resolved satisfactorily and without significant impact on its financial position and results of operations.

Provisions have been recorded for risks that are deemed probable and quantifiable.

The provisions for risks amounts to €16,513 thousand as at 30 June 2017. The increase of €2,473 thousand since 31 December 2016 (€14,040 thousand) reflects the provisions for product warranties, recorded primarily by Ansaldo STS France, and the provisions for disputes with employees recorded by the parent company.

Except as stated above, there have not been any particular changes in the other disputes described in the 2016 annual financial statements, to which reference should be made for more complete information.

4.18 Employee benefits

Post-employment benefits and defined benefit plans are analysed below:

(K€)	30.06.2017	31.12.2016
Italian post-employment benefits	18,802	18,294
Defined benefit pension plans	18,037	17,754
Total	**36,839**	**36,048**

(K€)	Italian post-employment benefits		Defined benefit plans	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Present value of obligations	18,802	18,294	18,037	17,754
Total	**18,802**	**18,294**	**18,037**	**17,754**

(K€)	Italian post-employment benefits	Defined benefit plans
Balance as at 31 December 2016	**18,294**	**17,754**
Period costs	447	549
Contributions paid	(238)	(253)
Other changes	-	(13)
Actuarial losses taken to equity	299	-
Actuarial losses taken to equity following changes in demographic assumptions	-	-
Actuarial losses taken to equity following changes in financial assumptions	*107*	-
Actuarial losses taken to equity following experience-based adjustments	*192*	-
Actuarial losses taken to equity - other	-	-
Balance as at 30 June 2017	**18,802**	**18,037**

The amount recognised in the income statement was determined as follows:

(K€)	Italian post-employment benefits		Defined benefit plans	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Current service costs	303	226	424	352
Interest expense	144	173	125	143
Total	**447**	**399**	**549**	**495**

The main actuarial assumptions are indicated below:

	Italian post-employment benefits		Defined benefit plans	
	30.06.2017	**30.06.2016**	**30.06.2017**	**30.06.2016**
Discount rate (p.a.)	1.50%	1.90%	1.40%	1.90%
Salary increase rate	N.A.	N.A.	2.50%	2.50%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.26%	0.91% - 3.26%

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	***0.25***	***-0.25%***	***0.25%***
Discount rate (p.a.)	19,179	18,445	18,495	16,811
Salary increase rate	18,525	19,085	17,341	17,914
Inflation rate	18,804	18,800	16,817	18,485

4.19 Other current and non-current liabilities

Other current and non-current liabilities are analysed below:

(K€)	30.06.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Employees	43,401	5,929	39,316	8,178
Indirect taxes and other tax payables	12,954	-	14,471	-
Social security and pension institutions	17,050	-	17,401	-
Derivatives	4,663	-	17,008	-
Other amounts due to third parties	31,352	7,743	31,750	4,730
Total other liabilities to third parties	**109,420**	**13,672**	**119,946**	**12,908**
Other liabilities to related parties	410	-	410	-
Total	**109,830**	**13,672**	**120,356**	**12,908**

Other current and non-current liabilities to third parties amount to €123,092 thousand, down by €9,762 thousand since 31 December 2016 (€132,854 thousand). This was mainly due to the decrease in the value of derivatives (€12,345 thousand) and the reduction in indirect taxes and amounts due to social security and pension institutions (€1,517 thousand), as partly offset by the increase in the amounts due to employees.

Non-current liabilities to third parties are essentially unchanged.

4.20 Trade payables

Trade payables are analysed below:

(K€)	30.06.2017	31.12.2016
Suppliers	397,435	438,448
Total due to suppliers	**397,435**	**438,448**
Related-party suppliers	23,061	19,671
Total	**420,496**	**458,119**

Total trade payables have decreased by €37,623 thousand since 31 December 2016. This reduction mostly relates to the parent company and Ansaldo STS France.

4.21 Guarantees and other commitments

Leases

The Group is party to certain operating leases, mainly for the use of property, plant and equipment. The minimum future payments are analysed below:

(K€)	Operating leases	Finance leases
Within 1 year	3,073	-
Between 2 and 5 years	8,563	-
Beyond 5 years	-	-
	11,636	**-**

Guarantees

The Group is party to the following guarantees as at 30 June 2017:

Direct guarantees and hold-harmless agreements for guarantees issued by third parties in the interests of the Group to customers and other third parties (€'000)	**ASTS Group**
Unsecured guarantees issued by Hitachi (parent company guarantees) to customers for commercial transactions	**947,447.5**
Unsecured guarantees issued by Ansaldo STS (parent company guarantees) to customers for commercial transactions	**780,858.4**
Sureties and bonds (bid bonds, performance bonds, retention bonds, advance payment bonds, counter guarantees and other minor guarantees) issued by banks or insurance companies to customers for commercial transactions	**1,763,484.0**
of which, counter-guaranteed by Hitachi	*177,207.0*
of which, counter-guaranteed by Ansaldo STS	*333,807.7*
Direct and other guarantees issued by Ansaldo STS, banks or insurance companies to other third parties for non-contractual/commercial guarantees (financial and tax transactions)	**41,331.4**
Total	**3,533,121.3**

5 NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Impact of related-party transactions on profit or loss

Commercial transactions with related parties generally take place on arm's-length terms and conditions. The relevant balances included in the consolidated income statement are shown below.

30.06.2017 (K€)	**Revenues**	**Other operating income**	**Costs**	**Financial income**	**Financial charges**	**Other operating expenses**
Parent company						
Hitachi Ltd (Rail)	379	-	493	-	-	-
Hitachi Rail Europe Ltd	4	-	-	-	-	-
Subsidiaries						
Alifana S.c.a.r.l.	637	-	21	-	-	-
Alifana Due S.c.a.r.l.	140	-	476	-	-	-
Associates						
Metro 5 S.p.A.	951	652	40	-	-	-
IM Intermetro S.p.A. (in liq.)	8	-	-	-	-	-
Metro Brescia S.r.l.	98	-	-	-	-	-
Pegaso S.c.a.r.l. (in liq.)	-	-	148	-	-	-
Metro Service A.S.	3,276	-	25,210	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	10,042	-	9	-	-	-
Consortia						
Saturno consortium	5,743	-	496	-	-	-
Ascosa Quattro consortium	1,513	-	424	-	-	-
Ferroviario Vesuviano consortium	28	-	(1)	-	-	-
MM4 consortium	7,623	-	236	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla 2 consortium	1,104	-	67	-	-	-
SanGiorgio Volla consortium	(28)	-	-	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	4,679	-	10,680	-	-	-
Hitachi Rail Inc.	1,250	-	-	-	-	-
Hitachi Australia PTY Ltd	-	-	7	-	-	-
Hitachi Systems CBT S.p.A.	-	-	767	-	-	-
Hitachi High-Technologies GMBH	337	-	-	-	-	-
Hitachi India Pvt Ltd Rail Systems Company	296	-	-	-	-	-
Total	**38,080**	**652**	**39,076**	**-**	**-**	**-**
Related parties as percentage of total	**6%**	**6%**	**10%**	**-**	**-**	**-**

30.06.2016 *(K€)*	**Revenues**	**Other operating income**	**Costs**	**Financial income**	**Financial charges**	**Other operating expenses**
Parent company						
Hitachi Rail Ltd	141	-	18	-	-	-
Hitachi Rail Europe Ltd	28	-	(10)	-	-	-
Subsidiaries						
Alifana S.c.a.r.l.	-	-	(1)	-	-	-
Alifana Due S.c.a.r.l.	72	-	103	-	-	-
Associates						
Metro 5 S.p.A.	1,816	618	55	-	-	-
IM Intermetro S.p.A. (in liq.)	1	-	-	-	-	-
Metro Brescia S.r.l.	153	(6)	9	-	-	-
International Metro Service S.r.l.	(76)	6	-	-	-	4
Pegaso S.c.a.r.l. (in liq.)	-	-	148	-	-	-
Metro Service A.S.	3,375	-	25,340	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	103	-	40	-	-	-
Consortia						
Saturno consortium	16,440	-	496	-	-	-
Ascosa Quattro consortium	(26)	-	-	-	-	-
Ferroviario Vesuviano consortium	28	-	-	-	-	-
M4 S.c.p.A.	-	-	33	-	-	-
MM4 consortium	7,225	-	274	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla consortium	(32)	-	-	-	-	-
SanGiorgio Volla 2 consortium	1,629	-	(1)	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	4,466	-	10,452	-	-	-
Hitachi Rail Inc.	(350)	-	-	-	-	-
Hitachi India Pvt Ltd Rail System Company	182	-	-	-	-	-
Total	**35,175**	**618**	**36,957**	**-**	**-**	**4**
Related parties as percentage of total	**6%**	**5%**	**10%**	**-**	**-**	**0.04%**

5.2 Revenues

(K€)	For the first half of 2017	2016
Sales	430,313	358,771
Services	65,011	56,422
	495,324	**415,193**
Change in work in progress	102,415	152,358
Third-party revenues	**597,739**	**567,551**
Related-party revenues	**38,080**	**35,175**
Total revenues	**635,819**	**602,726**

Period revenues amounted to €635,819 thousand, representing an increase of €33,093 thousand from €602,726 thousand in the comparative period of last year. Higher production in America and the Rest of Europe more than offset the decrease on reaching the final phases of certain significant contracts in the Asia Pacific area.

5.3 Other operating income

(K€)	For the first half of 2017	2016
R&D grants	901	1,047
Disposal gains on PPE and intangible assets	5	-
Release of provisions for loss contracts	4,188	1,023
Release of allowances for doubtful accounts	65	3
Release of provisions for risks and charges	174	239
Royalties	65	129
Financial income and exchange gains on operating items	3,747	6,164
R&D tax credits	934	1,387
Other operating income	124	1,579
Other operating income from third parties	**10,203**	**11,571**
Other operating income from related parties	**652**	**618**
Total other operating income	**10,855**	**12,189**

Other operating income from third parties amounted to €10,203 thousand, down by €1,368 thousand with respect to the comparative period in the prior year (€11,571 thousand). This decrease was mainly due to the decline in financial income and exchange gains on operating items.

5.4 Purchases and services

(K€)	For the first half of 2017	2016
Materials	147,153	137,733
Change in inventories	(1,073)	(2,807)
Services	202,498	200,597
Rentals and operating leases	10,582	9,823
Total purchases and services from third parties	**359,160**	**345,346**
Total purchases and services from related parties	**39,076**	**36,957**
Total purchases and services	**398,236**	**382,303**

Total purchases and services during the period ended 30 June 2017 were €15,933 thousand higher than in the comparative period of the prior year due, in the main, to an increase in production.

5.5 Personnel costs

(K€)	For the first half of 2017	2016
Wages and salaries	135,123	127,697
Stock grant plans	1,066	2,864
Social security and pension contributions	33,094	29,801
Italian post-employment benefits	303	226
Other defined benefit plans	424	352
Other defined contribution plans	1,504	2,024
Recovery of personnel costs	(271)	(399)
Disputes with employees	1,605	87
Release of provisions for disputes with employees	(240)	-
Other costs	2,469	6,347
Total personnel costs	**175,077**	**168,999**

The average headcount during the first half of 2017 was 4,037, compared with 3,766 in the first half of 2016.

Personnel costs totalled €175,077 thousand, up by €6,078 thousand with respect to the comparative period in the prior year (€168,999 thousand). This rise was mainly attributable to the larger average headcount.

The total for the first half of 2016 included settlements with executives with strategic responsibilities who resigned from the parent company (€2.4 million).

The cost of Italian post-employment benefits and other defined benefit plans comprises solely service costs. The related interest costs are classified among the financial charges.

5.6 Amortisation, depreciation and impairment losses

(K€)	For the first half of 2017	2016
Depreciation and amortisation:		
- intangible assets	2,610	3,584
- property, plant and equipment	5,050	4,844
	7,660	**8,428**
Impairment losses:		
- current receivables	967	1,309
- other tangible/intangible assets	-	7
	967	**1,316**
Total amortisation, depreciation and impairment losses	**8,627**	**9,744**

Amortisation, depreciation and impairment losses amounted to €8,627 thousand, being €1,117 thousand lower than in the comparative period of the prior year.

5.7 Other operating expenses

(K€)	For the first half of 2017	2016
Provisions for risks and charges	2,539	3,228
Membership fees	545	500
Disposal losses on PPE and intangible assets	108	3
Exchange losses on operating items	4,188	4,597
Adjustment of provisions for loss contracts	789	(1,285)
Interest and other operating charges	368	874
Indirect taxes	1,565	1,579
Other operating expenses	1,243	724
Total other operating expenses - third parties	**11,345**	**10,220**
Other operating expenses - related parties	**-**	**4**
Total other operating expenses	**11,345**	**10,224**

Other operating expenses amounted to €11,345 thousand, up by €1,121 thousand with respect to the period ended 30 June 2016. The comparison is affected by the greater provision recorded to cover loss contracts.

5.8 Internal work capitalised

(K€)	For the first half of 2017	2016
Internal work capitalised	(2,170)	(2,823)

Internal work was mainly capitalised by Ansaldo STS S.p.A., in relation to the Satellite and Rail Telecom project to develop satellite technologies for new railway signalling systems. This project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

5.9 Net financial income (charges)

	For the first half of					
	2017			2016		
(K€)	Income	Charges	Net	Income	Charges	Net
Interest and fees	549	401	148	503	266	237
Net Exchange rate differences	8,773	9,509	(736)	7,214	7,795	(581)
Fair value adjustments	2,744	3,681	(937)	661	3,150	(2,489)
Interest on Italian post-employment benefits	-	144	(144)	-	173	(173)
Interest on other defined benefit plans	-	125	(125)	-	143	(143)
Other financial income and charges	-	213	(213)	178	7,239	(7,061)
Total net financial charges	**12,066**	**14,073**	**(2,007)**	**8,556**	**18,766**	**(10,210)**
Total net financial charges - related parties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12,066**	**14,073**	**(2,007)**	**8,556**	**18,766**	**(10,210)**

Net financial charges during the period ended 30 June 2017 amounted to €2,007 thousand (30 June 2016: €10,210 thousand). The improvement of €8,203 thousand with respect to the comparative period was mainly because, in 2016, a provision for risks was recorded to cover interest payable to the Russian customer following the arbitration ruling on the Libya contract.

See the section on business performance in the report on operations for further details.

5.10 Share of profits of equity-accounted investees

	For the first half of					
	2017			2016		
(K€)	Income	Charges	Net	Income	Charges	Net
Share of profits of equity-accounted investees	5,864	-	5,864	4,244	-	4,244
Total	**5,864**	**-**	**5,864**	**4,244**	**-**	**4,244**

The share of profits of equity-accounted investees, €5,864 thousand (30 June 2016: €4,244 thousand), reflects the positive results generated by International Metro Service S.r.l. (€48 thousand), Metro 5 S.p.A. (€2,437 thousand), Metro Brescia S.r.l. (€233 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€3,146 thousand). See note 4.4 for additional information.

5.11 Income taxes

Income taxes are analysed below:

	For the first half of	
(K€)	**2017**	**2016**
IRES	5,309	6,599
IRAP	667	908
Income from consolidation	-	-
Other foreign taxes	9,381	10,212
Prior-year taxation	1,859	833
Net deferred taxation	296	(3,713)
Total	**17,512**	**14,839**

Income taxes have increased by €2,673 thousand with respect to the comparative period in the prior year, mostly due to the rise in pre-tax profit.

The theoretical and effective tax rates are reconciled below:

	For the first half of					
	2017			***2016***		
(K€)	**amount**		**%**	**amount**		**%**
Pre-tax profit	60,339			42,101	-	
Taxes calculated using current tax rates		14,481	24.00%		11,578	27.50%
Permanent differences	(5,454)	(1,309)	-2.17%	(2,225)	(612)	-1.45%
	54,885	**13,172**	21.83%	39,876	10,966	26.05%
Temporary differences taxed/deducted at 33% with deferred taxation at 27.5%	-	-		-	-	
Prior-year IRES aligned using the 27.5% rate	-	-		-	-	
Different rates on foreign taxes and/or losses for the year	-	2,312	3.83%	-	2,593	6.16%
IRAP and other taxes not calculated with reference to pre-tax profit	-	169	0.28%	-	447	1.06%
Prior year taxation	-	1,859	3.08%	-	833	1.98%
Provisions for tax risks	-	-	0.00%	-	-	0.00%
Total effective taxes reported in the income statement		**17,512**	**29.02%**		**14,839**	**35.25%**

The effective tax rate for the first half of 2017 is 29.02%, compared with 35.25% in the same period of the prior year. The decrease was mainly due to the reduction of the nominal IRES rate from 27.5% to 24.0% in 2017, as well as to the different mix of pre-tax results contributed by each company.

Deferred taxes and the related assets and liabilities as at 30 June 2017 are analysed below:

	Income statement		Statement of financial position	
(K€)	Assets	Liabilities	Assets	Liabilities
Italian post-employment benefits and pension funds	100	-	5,227	-
Remuneration	-	-	-	-
Goodwill	-	-	-	-
Property, plant and equipment and intangible assets	5	(61)	743	478
Provisions for risks and charges	2,457	-	18,186	-
Research grants	-	(112)	562	2,002
Allowances for WIP and inventories	-	-	1,863	-
CFH - Defined benefit plans	-	-	1,680	1,720
Tax losses	9	-	1,395	-
Stock grant plan	-	-	-	-
Other	(3,655)	(615)	10,027	7,252
Total	**(1,084)**	**(788)**	**39,683**	**11,452**

The deferred tax assets attributable to Italian post-employment benefits and pension plans mainly relate to Ansaldo STS France S.A.S. (€4,618 thousand).

The deferred tax assets generated by disallowed provisions for risks and charge mainly relate to Ansaldo STS S.p.A. (€12,514 thousand) and the US subsidiaries (€5,547 thousand).

The deferred tax assets attributable to the allowance for WIP and inventories mainly relate to Ansaldo STS S.p.A. (€215 thousand) and Ansaldo STS France S.A.S. (€1,339 thousand).

Finally, the deferred tax assets attributable to tax losses relate to the subsidiaries of the Ansaldo STS USA group (€1,395 thousand).

Other deferred tax assets mainly relates to Ansaldo STS S.p.A. (€4,086 thousand), the companies in the Ansaldo STS Australia group (€1,855 thousand) and the US subsidiaries of Ansaldo STS USA Inc. (€3,386 thousand).

Deferred tax assets and liabilities include those recognised with a matching entry directly in equity on the derivatives recognised as cash flow hedges and on the actuarial gains/losses recognised following adoption of the equity method for defined benefit plans. The changes in this equity item during the period are analysed below:

	31.12.2016	Transfers to the income statement	Changes in fair value	Other changes	30.06.2017
Deferred taxes recognised directly in equity	**699**	**-**	**(2,596)**	**-**	**(1,897)**

Deferred tax assets and liabilities are not offset, not least because they are generated in different countries.

6 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 during 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	***30.06.2017***	***30.06.2016***
Average shares outstanding during the period	199,992,057	199,992,651
Profit for the period	42,827	27,262
Basic and diluted EPS	**0.21**	**0.14**

7 CASH FLOWS FROM OPERATING ACTIVITIES

The cash flows from operating activities are analysed below:

(K€)	**30.06.2017**	**30.06.2016**
Profit for the period	42,827	27,262
Share of profits of equity-accounted investees	(5,864)	(4,244)
Income taxes	17,512	14,839
Italian post-employment and other employee benefits	447	400
Stock grant plans	1,066	2,864
Gains (losses) on the sale of assets	103	3
Net financial income (charges)	2,007	10,210
Amortisation, depreciation and write-downs	8,627	9,744
Other net operating income/expense	1,429	831
Changes in provisions for risks and charges	2,365	2,989
Write-downs/write-backs of inventories and work in progress	6,355	7,278
Total	**76,874**	**72,176**

The changes in operating capital, stated net of the effects deriving from acquisitions and disposals of consolidated companies and translation differences, are analysed below:

(K€)	**30.06.2017**	**30.06.2016**
Inventories	(214)	1,397
Contract work in progress and advances	(23,614)	(141,226)
Trade receivables and payables	(54,116)	45,068
Total	**(77,944)**	**(94,761)**

The change in other operating assets and liabilities, stated net of the effects deriving from acquisitions and disposals of consolidated companies and translation differences, are analysed below:

(K€)	**30.06.2017**	**30.06.2016**
Payment of Italian and other post-employment benefits	(1,697)	(451)
Payment of taxes	(17,035)	(11,480)
Changes in other operating items	(27,333)	22,692
Total	**(46,065)**	**10,761**

See the section of the report on operations on the financial position of the Group for a discussion of the consolidated statement of cash flows.

8 FINANCIAL RISK MANAGEMENT

The operations of the Group expose it to the following financial risks:

- market risks, related to operations in areas that use currencies other than the 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, for example via the use of hedging derivatives. The approach adopted by the Ansaldo STS Group, in line with internal policies, for the management of these risks is described below.

Hedges are mostly arranged with the banking system. As at 30 June 2017, the Group has contracts in place for the following notional foreign currency amounts:

(K€)	Sell 06 17	Buy 06 17	**30.06.2017**	Sell 12 16	Buy 12 16	**31.12.2016**
Euro	26,158	47,136	**73,294**	25,169	31,685	**56,854**
US dollar	229,003	62,331	**291,334**	263,912	81,386	**345,298**
UK pound	50,254	-	**50,254**	55,729	-	**55,729**
Swedish krone	805	5,509	**6,314**	824	824	**1,648**
Australian dollar	15,014	30,028	**45,042**	-	6,783	**6,783**
Hong Kong dollar	419	-	**419**	455	-	**455**
Indian rupee	5,034	-	**5,034**	5,164	-	**5,164**
UAE dirham	11,974	-	**11,974**	12,921	-	**12,921**

The positive net fair value of the derivatives in place (both fair value and cash flow hedges) as at 30 June 2017 is €11,870 thousand.

Derivatives comprises the most significant element of the financial instruments measured at fair value in this interim report presented by the Group. They fall within Level 2 of the hierarchy envisaged in IFRS 13, as their fair value is determined by recalculating their present value with reference to the official fixings for exchange and interest rates at the reporting date.
This interim report does not include any non-recurring fair value measurements or transfers between different levels of the fair value hierarchy.

9 OUTLOOK FOR OPERATIONS

At this time, the volume of business and profitability (ROS) are expected to grow during 2017 in line with the performance achieved in the prior year.

Milan, 28 July 2017

For the Board of Directors

The Chairman
Alistair Dormer

(SIGNED ON THE ORIGINAL) STATEMENT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Andrew Thomas Barr, as the CEO and General Manager, and Renato Gallo, as the Chief Reporting Officer of Ansaldo STS S.p.A., having regard for the provisions of art. 154-bis, paras. 3 and 4, of Decree 58 dated 24 February 1998, certify:
   • the adequacy in relation to the characteristics of the business and
   • the effective application of the administrative and accounting procedures adopted for the preparation of the condensed interim consolidated financial statements, during the period from 1 January 2017 to 30 June 2017.

2. There is nothing significant to report in this regard.

3. Moreover:

3.1 the condensed interim consolidated financial statements:

a) have been prepared in compliance with the IFRS endorsed by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) agree with the underlying accounting records and entries;

c) provide a true and fair view of the financial position and results of operations of the issuer and the companies included within the scope of consolidation.

3.2 The interim report on operations provides a reliable analysis of the important events that took place during the first six months of the year and their impact on the condensed interim consolidated financial statements, as well as a description of the key risks and uncertainties for the remaining six months of the year.

The interim report on operations also includes a reliable analysis of significant transactions with related parties.

Milan, 28 July 2017

Signature of the CEO and General Manager	Signature of the Chief Reporting Officer
Andrew Thomas Barr	**Renato Gallo**