Ansaldo STS A Hitachi Group Company

INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2017

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

CONTENTS

DIRECTORS' REPORT AT 30 SEPTEMBER 2017

Introduction

The group's financial performance was generally satisfactory for the first nine months of 2017. It is summarised in the table below:

Key performance indicators

(€'000)	**30.09.2017**	30.09.2016	Change	31.12.2016
New orders	**915,488**	996,059	(80,571)	1,475,836
Order backlog	**6,384,461**	6,443,519	(59,058)	6,488,378
Revenue	**945,035**	900,555	44,480	1,327,386
Operating profit (EBIT)	**84,542**	76,971	7,571	126,801
Adjusted EBIT	**84,542**	76,971	7,571	126,801
Profit for the period	**61,574**	45,766	15,808	77,903
Net working capital	**182,914**	132,074	50,840	120,532
Net invested capital	**438,520**	378,644	59,876	369,807
Net financial position	**(295,703)**	(287,887)	(7,816)	(338,039)
Free operating cash flow	**(35,213)**	(11,738)	(23,475)	37,944
ROS	**8.9%**	8.5%	+0.4 p.p.	9.6%
ROE	**13.4%**	12.4%	+ 1.0 p.p.	11.4%
EVA	**32,901**	29,661	3,240	57,861
Research and development	**28,584**	26,858	1,726	36,688
Headcount (no.)	**4,161**	3,933	228	3,951

Ansaldo STS group recognised a profit of €61.6 million for the period under examination, compared to €45.8 million for the same period of the previous year. Revenue came to €945.0 million, up compared to September 2016 (€900.6 million), and ROS was 8.9%, compared to 8.5% in the same period of 2016.

More specifically:

New orders totalled €915.5 million compared to €996.1 million at 30 September 2016; the order backlog amounted to €6,384.5 million (€6,443.5 million at 30 September 2016 and €6,488.4 million at 31 December 2016).

Revenue totalled €945.0 million compared to €900.6 million in the same period of 2016 (+4.9%); in particular, the greater progress on projects in the Americas and the Middle East more than offset the decline resulting from reaching the final phase of several significant contracts in the Asia/Pacific area.

Operating profit (EBIT) stood at €84.5 million compared to €77.0 million in the same period of 2016. ROS was 8.9% compared to 8.5% in the previous year.

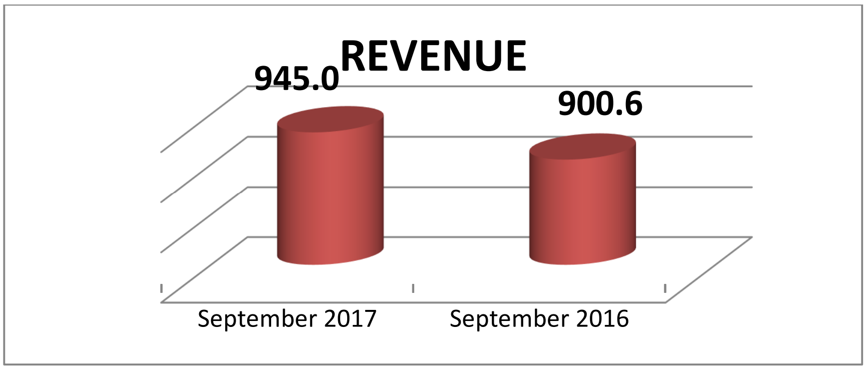
Net profit stood at €61.6 million (€45.8 million in the same period of 2016).

The group's net financial position decreased from -€338.0 million at 31 December 2016 (-€287.9 million at 30 September 2016) to -€295.7 million.

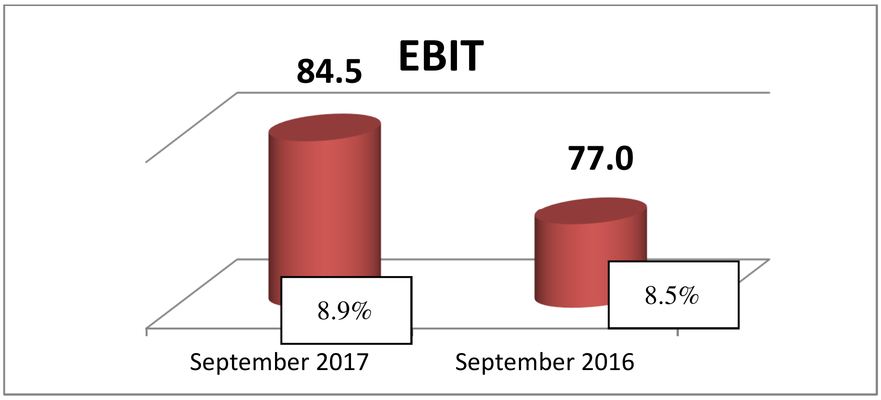
Research and Development expense amounted to €28.6 million, up by €1.7 million compared to €26.9 million in the same period of 2016.

The group's headcount increased by a net 228 employees to 4,161 from 3,933 at 30 September 2016 (3,951 at 31 December 2016). The average headcount of 4,061 employees rose by a net 262 employees compared to 3,799 in the same period of the previous year (3,828 in 2016).

Revenue for the nine months ended 30 September 2017 and 2016 (€m)



EBIT and ROS for the nine months ended 30 September 2017 and 2016 (€m)



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

The following table shows the consolidated income statements at September 2017 and 2016 :

Consolidated income statement *(€'000)*	First nine months of *2017*	*2016*
Revenue	**945,035**	**900,555**
Purchases and personnel expense *(*)*	(852,674)	(812,973)
Amortisation, depreciation and impairment losses	(12,630)	(13,980)
Other net operating income *(**)*	1,762	1,266
Change in work-in-progress, semi-finished products and finished goods	3,049	2,103
Adjusted EBIT	**84,542**	**76,971**
Restructuring costs	-	-
Operating profit (EBIT)	**84,542**	**76,971**
Net financial income (expense)	1,998	(6,831)
Income taxes	(24,966)	(24,374)
Profit (loss) from discontinued operations	**61,574**	**45,766**
Profit (loss) for the period from non-current assets held for sale	-	-
Profit for the period	**61,574**	**45,766**
attributable to the owners of the parent	61,582	45,782
attributable to non-controlling interests	(8)	(16)
Earnings per share		
Basic and diluted	0.31	0.23

Reconciliation between the items of the Reclassified consolidated income statement and the Income statement included in the consolidated financial statements:
(*) Includes the captions "Purchases", "Services", "Personnel expense" (net of restructuring costs) and "Accrual to (use of) the provision for expected losses to complete contracts" net of "Internal work capitalised".
(**) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs, impairment losses and accruals to (use of) the provision for expected losses to complete contracts).

In general, the net profit rose by €15.8 million compared to September 2016 due primarily to the increase in operating profit (+€7.6 million) and the improvement in financial income and expense (+€8.8 million).

In particular, please recall that in the same period of the previous year, provisions were recognised for negative results in the arbitration in Libya (on the margin for €7.5 million and in the item financial expense for €7.0 million) and there were also costs correlated with settlements with strategic company personnel who resigned (€2.4 million).

The group's reclassified consolidated statement of financial position at 30 September 2017 is set out in the table below:

Consolidated statement of financial position *(€'000)*	***30.09.2017***	***31.12.2016***
Non-current assets	313,647	310,406
Non-current liabilities	(58,041)	(61,131)
	255,606	**249,275**
Inventories	119,508	125,067
Contract work in progress	396,422	358,865
Trade receivables	714,855	728,852
Trade payables	(406,371)	(458,119)
Progress payments and advances from customers	(628,670)	(598,012)
Working capital	**195,744**	**156,653**
Provisions for risks and charges	(16,708)	(14,040)
Other assets (liabilities), net *(*)*	3,878	(22,081)
Net working capital	**182,914**	**120,532**
Net invested capital	**438,520**	**369,807**
Equity attributable to the owners of the parent	734,024	707,626
Equity attributable to non-controlling interests	199	220
Equity	**734,223**	**707,846**
Non-current assets held for sale	-	-
Net financial position	**(295,703)**	**(338,039)**

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

Net invested capital totalled €438.5 million compared to €369.8 million at 31 December 2016 (€378.6 million at 30 September 2016). The change of €68.7 million was due to the increase in net working capital (€62.4 million) primarily as a result of the decline in trade payables and the increase in other assets (liabilities), net.

The net financial position at 30 September 2017 compared to data at 31 December 2016 is set out in the statement below:

(€'000)	***30.09.2017***	***31.12.2016***
Current loans and borrowings	4,217	1,780
Non-current loans and borrowings	-	-
Cash and cash equivalents	(265,266)	(305,586)
NET CASH AND CASH EQUIVALENTS	**(261,049)**	**(303,806)**
Related party loan assets	(232)	(267)
Other loan assets	(34,422)	(33,966)
Current financial assets at fair value through profit or loss	-	-
LOAN ASSETS	**(34,654)**	**(34,233)**
Related party loans and borrowings	-	-
Other current loans and borrowings	-	-
Other non-current loans and borrowings	-	-
OTHER LOANS AND BORROWINGS	**-**	**-**
NET FINANCIAL POSITION	**(295,703)**	**(338,039)**

At 30 September 2017, the Group's net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was -€295.7 million, compared to -€338.0 million at 31 December 2016 and -€287.9 million at 30 September 2016.

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

Furthermore, it is anticipated that the net financial position was impacted at the end of October 2017 by the repayment of advances to the Swedish customer AB Storstockholms Lokaltrafik as detailed in the paragraph "Key events of and after the reporting period".

The consolidated statement of cash flows for the period ended 30 September 2017 follows:

(€'000)	***30.09.2017***		***30.09.2016***	
Opening cash and cash equivalents	**305,586**		**304,306**	
Profit for the period	61,574		45,766	
Share of profits (losses) of equity-accounted investees	(5,808)		(4,304)	
Income taxes	24,966		24,374	
Italian post-employment and other employee benefits	705		597	
Stock grant plans	1,612		4,160	
Net gains (losses) on the sale of assets	(6)		-	
Net financial income/expense	3,810		11,135	
Amortisation, depreciation and impairment losses	12,630		13,980	
Accruals to/reversals of provisions for risks	(3,218)		1,895	
Other operating income/expense	(9,881)		4,618	
Write-downs/reversals of write-downs of inventories and work in progress	11,600		4,817	
Gross cash flows from operating activities	97,984		107,038	
Changes in other operating assets and liabilities	(47,400)		(9,023)	
Funds from operations		**50,584**		**98,015**
Change in working capital	(71,915)		(101,532)	
Cash flows from (used in) operating activities	**(21,331)**		**(3,517)**	
Cash flows used in ordinary investing activities	(13,882)		(8,221)	
Free operating cash flow		**(35,213)**		**(11,738)**
Strategic transactions	-		-	
Other changes in investing activities	494		744	
Cash flows from (used in) investing activities	**(13,388)**		**(7,477)**	
Dividends paid	-		(36,000)	
Cash flows from (used in) other financing activities	(1,606)		2,700	
Cash flows from (used in) financing activities	**(1,606)**		**(33,300)**	
Net exchange rate gains (losses)	**(3,995)**		**(3,049)**	
Closing cash and cash equivalents	**265,266**		**256,963**	

Cash and cash equivalents increased by €8.3 million to €265.3 million at the reporting date from the balance for the corresponding period of the previous year.

The Free Operating Cash Flow (FOCF) used before strategic transactions totalled €35.2 million compared to €11.7 million at 30 September 2016.

NON-IFRS ALTERNATIVE PERFORMANCE INDICATORS

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

As required by CESR communication 05 - 178b, the components of each of these indicators are described below:

- **Operating profit (EBIT)**: the unadjusted profit before income taxes and financial income and expense. It does not include income and expense on non-consolidated equity investments and securities or the gains (losses) on the disposal of consolidated equity investments, classified in "Financial income and expense" in the financial statements or, for equity-accounted investees, in the caption "Share of profits (losses) of equity-accounted investees".

- **Adjusted EBIT (Adj)**: is the EBIT as described above, net of the following items (where applicable):
  - any impairment losses on goodwill;
  - amortisation of the portion of purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

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

	First nine months of	
(€'000)	***2017***	***2016***
EBIT	84,542	76,971
Restructuring costs	-	-
Adjusted EBIT	**84,542**	**76,971**

- **Free Operating Cash Flow (FOCF)**: the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investments in and disinvestments of property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions or disposals of equity investments which qualify as "strategic transactions" given their nature or materiality. The reclassified statement of cash flows set out in the previous section shows how FOCF is arrived at for the current reporting period and corresponding period of the previous year.

- **Funds From Operations (FFO)**: the cash flows generated by (used in) operating activities, net of changes in working capital. The reclassified statement of cash flows set out in the previous section shows how FFO is arrived at for the current reporting period and corresponding period of the previous year.
- **Economic Value Added (EVA)**: the difference between EBIT net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the Weighted Average Cost of Capital (WACC).
- **Operating working capital**: comprises trade receivables and payables, inventories, work in progress, progress payments and advances from customers and provisions for risks and charges.
- **Net working capital**: operating working capital less other current assets and liabilities.
- **Net invested capital**: the sum of non-current assets, non-current liabilities and net working capital.
- **Net financial position or debt**: the calculation method used complies with paragraph 127 of CESR recommendation 05-054b, implementing EC Regulation 809/2004.
- **New orders**: the sum of the contracts agreed with customers during the period that meet the contractual requirements to be recorded in the orders book.
- **Order backlog**: the difference between new orders and revenue for the period (including the change in contract work in progress). This difference is added to the backlog for the previous period.
- **Headcount**: the number of employees recorded in the relevant register on the reporting date.
- **Return on Sales (ROS)**: the ratio of operating profit to revenue.
- **Return on Equity (ROE)**: the ratio of the profit or loss for the reporting period to the average amount of equity at the reporting date and the corresponding period reporting date.
- **Research and development expense**: the total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to "general technology", i.e., aimed at gaining scientific knowledge and/or techniques applicable to various new products and/or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms.

PERFORMANCE

The market and commercial situation

New orders acquired during the reporting period totalled approximately €915 million (€996 million in the corresponding period of the previous year).

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

ITALY

New orders during the period amount to around €295 million and mainly relate to the Framework Agreement with RFI relating to the provision of technical assistance and maintenance for the Ansaldo STS systems operating on the RFI network (€100 million) and the Framework Agreement signed with Hitachi Rail Italy for the supply of on-board devices for the Caravaggio trains (€63 million).

As regards the Mass Transit sector, there were variations relating to Line 6 of the Naples metro (€24 million) and those correlated with dedicated settlements with the end customer on the Alifana project (€16 million).

REST OF EUROPE

New orders approximate €188 million, achieved mainly in France (€57 million) and in Denmark (€81 million).

In France, note in particular the contract with Vossloh relating to the supply of TVM 430 on-board devices for a total of around €14 million.

In Denmark there were variations relating to the Copenhagen project (€81 million), and in Sweden around €7 million related to the contract with Stadler for the supply of on-board devices.

Lastly, a maintenance contract was entered into for the high-speed Madrid-Lleida line for €14 million in Spain and in Turkey the contract for the Ankara Metro line depot was signed (€14 million).

MIDDLE EAST

New orders, totalling around €12 million, related to variations on maintenance contracts on the PNU (*Princess Nura University*) line and for line 3 of the Riyadh metro.

AMERICAS

New orders during the period amounted to around €267 million; of this, around €41 million related to the sale of components, maintenance and modernisation of freight lines.

A contract was entered into by Hitachi Ansaldo Baltimore Rail Partners LLC, whose partners are Ansaldo STS USA and Hitachi Rail Italy S.p.A., with the MTA (Maryland Transit Authority). The scope of the work for Ansaldo STS regards the replacement of the track circuits with CBTC units wayside and on the 78 carriages for the Baltimore metro (€133 million).

In addition, a contract was entered into with MNRR (Metro North Railroad) for the re-signalling of the Stanford – New Haven line for around €22 million, in addition to contracts for the supply of on-board and wayside devices with LIRR (Long Island Rail Road) for around €10 million and MBTA (Massachusetts Bay Authority) for around €8 million, and lastly for variations on the Honolulu metro for roughly €10 million.

ASIA PACIFIC

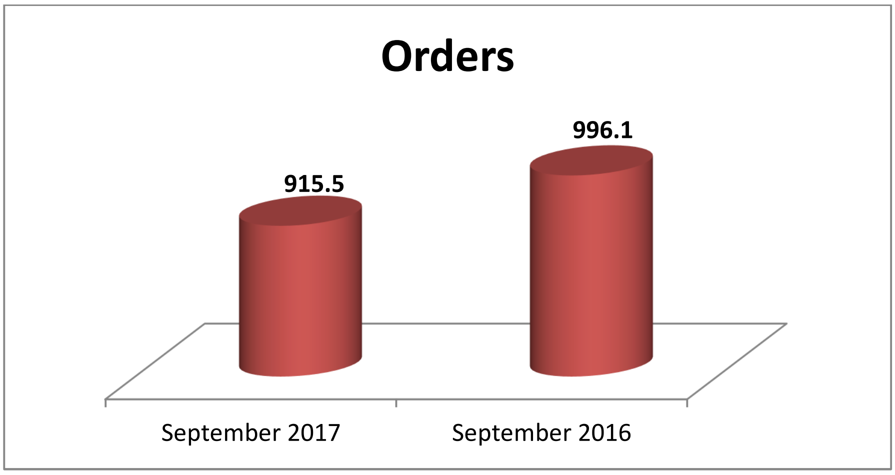
New orders for the reporting period come to approximately €154 million, including roughly €94 million acquired in Australia and relating to the contract entered into with Hyundai Rotem for the supply of on-board devices with ETCS L2 technology (€20 million) and variations relating to mining and freight transport railway lines (Rio Tinto) for around €48 million.

As regards the Far East, new orders totalled approximately €45 million, including around €12 million in South Korea relating mainly to the contract with Rotem for the supply of on-board devices and roughly €12 million in Malaysia (MNDT *Claim for proprietary technologies*).

Key orders acquired in the first nine months of 2017 are as follows:

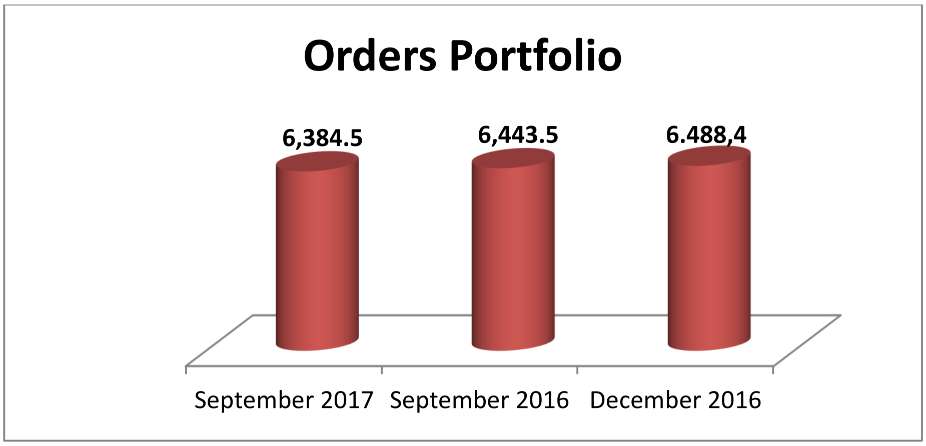
Country	Project	Customer	Amount (€m)
USA	Baltimore Metro	MTA	133
Italy	Framework Agreement with RFI	RFI	100
Denmark	Copenhagen Cityringen order variation (includes O&M)	Metroselskabet	81
Italy	On-board devices for Caravaggio trains	HRI	63
Australia	Rio Tinto order variation	Rio Tinto	48
Italy	Naples Line 6 order variation	Naples municipality	24
USA	Re-signalling of the Stanford-New Haven line	MNRR	22
Australia	On-board devices	Rotem	20
Various Europe/Asia	Components	Various	66
Various Europe/Asia	Service & Maintenance	Various	54
USA	Components	Various	41

New orders for the first nine months of 2017 and 2016 (€m)



The order backlog amounts to €6,384.5 million at 30 September 2017 compared to €6,488.4 million at 31 December 2016, down by €103.9 million (€6,443.5 million at 30 September 2016).

Order backlog at 30 September 2017 and 2016 (€m) and December 2016



The order backlog at September 2017 includes the residual amount of the contract in Libya, currently halted, worth €427.8 million and in relation to the Red Line contract in Sweden, for which reference is made in more detail in the paragraph "Key events of and after the reporting period", a total value of about €33.6 million.

Business performance

Revenue during the year until September 2017 totalled €945 million (€901 million at 30 September 2016).

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

ITALY

RAILWAYS - CENTRAL AUTOMATED SYSTEM:

Production mainly related to the project for the technological upgrade of the Turin-Padua line. In particular the activation of milestone 3.2.1 and that of phase 1.4 were completed according to schedule.

As part of the SCCM Genoa project, January saw the inauguration of the new SCCM (Multistation Command and Control System) Control Room in Teglia. In addition, the 2B and 2C activation phases were completed in the Voltri area (in March and July, respectively).

In relation to the Florence-Rome Direttissima project, planning and procurement activities continue.

MAINTENANCE & SERVICE AND SPARE PARTS:

Activities in the component area mainly involved the supply of spare parts to RFI (Conventional high-speed railway), the production of circuit boards for Hitachi Rail Italy S.p.A. and component supplies.

The service activities mainly related to contracts with RFI, as well as Technical System Support provided under the services outsourcing contract with FS (the Italian railways).

NAPLES METRO LINE 6:

Civil and plant engineering works on the Mergellina-Municipio section continued according to schedule. The Municipality of Naples approved the variation projects for the completion of the intermediate Arco Mirelli and Chiaia stations, thus making it possible to resume civil works.

ROME METRO LINE C:

Digging activities are under way for the construction of section T3 (from San Giovanni to Fori Imperiali), which are proceeding slowly due to archaeological finds; on the other hand rollout activities are continuing for the San Giovanni station.

Financial disputes between Metro C and the customer are still in progress and there have been no significant updates.

MILAN METRO LINE 5:

The project for Line 5 of the Milan metro has been completed; the entire line is running and management is currently focused on the guarantee stage. Delays are reported in obtaining the testing certificates due to alleged system performance-related problems that are currently being resolved with the customer.

MILAN METRO LINE 4:

Engineering and procurement activities continued in the reporting period. The first access points to the line were released and installation activities began in the Expo section.
A new work plan which calls for the partial opening of the line and the extension of the overall timing of the contract is in the approval phase.

GENOA METRO:

At the end of February the Dinegro depot was completed and delivered to the customer according to schedule. Activities to place the vehicles in operation continue.

ALIFANA:

The ongoing dispute between the Concessionaires Consortia of works involving the Company and the customer Metro Campania Nord Est was closed through dedicated settlements in February 2017. In light of this transaction, Metro Campania Nord Est ordered the first payments and planned the subsequent ones. Work sites were opened in the Scampia station.

REST OF EUROPE

TURKEY:

With reference to the Mersin-Toprakkale project, the Multistation 11 and related CTC went into operation and the documentation was issued in preparation for the placement in operation of the ETCS L1 for Multistations 01 to 05.
In relation to the Ankara metro, Line 3 went into operation (M3, in March) and Line 4 was delivered (M4, in April) with the CBTC system, but is not yet operating, whilst work continues to reach similar goals on the other lines.

With respect to the Gebze Kosekoy project, the line has been operating since April 2017 and an agreement is being formalised with the customer for the settlement of variations and claims that arose during the project.

GREECE:

With reference to the Thessaloniki metro project, planning and procurement continued in relation to the technological systems, whilst an extension of the project calling for the completion of works by the end of 2020 was formalised. The arbitration process is currently being completed.

DENMARK:

Planning work on the Copenhagen Cityringen metro line continued in Denmark.
In parallel, activities for the construction of the tramline in Aarhus are also going ahead, though with contract delays.
In September, the Danish Transport Authority did not issue final approval for opening the tramline from Letbanen to Aarhus to the public. As a result, the inauguration was postponed due to the assessment that requirements were not met for maintenance management and due to insufficient safety documentation prepared by the operator.
This resulted in the postponement of negotiations on several variations for ASTS.

SWEDEN:

As regards the Red Line project for the Stockholm metro, installation was completed for the first functional section (Trial Line) using the CBTC system despite some critical technical and contractual issues.
It should be noted that at 30 September 2017, the Red Line project as a whole presents positive work in progress, net of progress payments and advances, for about €33 million; at the end of October following the refund payment, about €34 million, the net work in progress value is about €67 million.
For further details please refer to paragraph “Key events of and after the reporting period”.

FRANCE:

In the beginning of July, two important high-speed projects began operating, BPL (Bretagne Pays de Loire) and SEA (Sud Europe Atlantique).
March saw the service start-up of the Interlocking SEI-NG system at Gare de Lyon. The new generation of the SEI-NG system will offer enhanced performance in terms of train location,

optimisation of operations through a greater capacity to generate and model routes and to improve the safety and reliability of the network through continuous control over all the line systems.

In addition, in February the pre-inauguration was held for the high-speed Tours-Bordeaux line. The new line opened to the public will allow Bordeaux to be reached from Paris in just 2 hours (the journey currently takes 3.5 hours).

GREAT BRITAIN:

In Great Britain, planning and procurement of technological systems continue relating to the Glasgow metro line, although there have been delays in the work plan.

With respect to the technological upgrading project on the signalling system for the Ferriby – Gilberdyke railway line, planning and procurement activities continue according to the updated work plan.

BELGIUM:

In Belgium, planning and procurement of technological systems continue relating to the project for the technological upgrading of the signalling system on lines 1 to 5 of the Brussels metro, although there have been delays in the work plan.

NORTH AFRICA AND THE MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, activities continue on the Riyadh Metro Line 3 and installation activities have begun in the functional section. In Canada, the integration test was completed with satisfactory results on the Ansaldo STS on-board system installed in the vehicle manufactured by Bombardier.

Also note the delay in assigning the O&M contract relating to the Riyadh PNU; in the meantime, a temporary extension of the current maintenance contract was defined.

In a consortium with another partner, Ansaldo STS is participating in a tender for the operation and maintenance of the Riyadh Metro. The tender is currently still under way.

LIBYA:

The local railway project is still on hold and it is difficult to say when it will resume.

AMERICAS

USA:

In Hawaii, activities for the construction of the Honolulu metro continue, in terms of design and production activities and mobilisation of the construction team. Delays are reported in completing the civil works.

Installation activities are under way relating to the MBTA PTCS (Positive Train Control System) project in Boston according to schedule although there have been some critical technical and contractual issues.

With respect to the technological upgrading project on the signalling system for the Media Sharon Hill line in Philadelphia, planning and material procurement activities continue although there have been delays in the work plan.

PERU:

The design activities for the second phase of the project for Line 2 and one section of Line 4 of the Lima metro are in the approval phase, while the civil works are still affected by the delays caused by the difficulties in acquiring the areas to be expropriated and in obtaining the customer's approval of the design. In this regard, works have started in the depot in 3 stations, with around 5 km of tunnels completed. In addition, 13 trains have already been manufactured and sent to the site as well as various materials and machinery relating to the railway works.

Arbitration proceedings were requested by the Concessionaire against the contracting party in order to obtain recognition of expense relating to these delays and amendments on the construction sequence.

ASIA PACIFIC

TAIWAN:

Design and production activities continued for the construction of the Taipei Metro Circular Line. The delays in civil works heavily impacted the construction times of the metro, and these delays are currently being discussed with the customer. During the period, installation continued, including the completion of activities relating to the power supply for Substation 1 and the depot.

Again in Taipei, engineering and procurement activities are in progress in relation to the new contract for building the new Sanying metro line, acquired in the first half of 2016.

CHINA:

Upgrading of the CBTC lines continues with the installation of the new CBTC software version, improved in terms of performance compared to that currently installed. In September, line 10 of the Chengdu metro was activated.

INDIA:

With respect to the Calcutta Metro project, an agreement was finalised with the customer to change the scope of work (from DTG to CBTC technology). A new work plan was submitted to the customer for approval.

The executive design activities are instead nearing completion for the Noida metro project.

Lastly, design and materials procurement and on-site delivery continue for the project relating to Line 1 of the Navi Mumbai metro.

MALAYSIA:

In Malaysia, the BBBAS JV consortium, in which ASTS participates, successfully closed the dispute with the customer MGJV. In light of this agreement, ASTS successfully completed negotiations in relation to claims for extra time and higher costs incurred on the MNDT contract.

Lastly, preliminary design activities continue for the project relating to the Klang Valley Double Track (KVDT).

AUSTRALIA

As regards the AutoHaul project, software upgrading and installation on the locomotives and line testing of the system continued. Project completion is at present expected in the second half of 2018.

With respect to the Roy Hill project, all system functions have been released, the warranty period has started and negotiations were completed with the customer on claims relating to higher costs incurred.

In Queensland, activities to start operations on the Moreton Bay Rail Link and QR Stabling Yard were completed.

KEY EVENTS OF AND AFTER THE REPORTING PERIOD

On 19 January 2017, the ordinary Shareholders' Meeting of Ansaldo STS S.p.A., taking into account the resignation of KPMG S.p.A on 14 November 2016, appointed EY S.p.A. as the Company's independent auditors for the years 2016-2024.
Based on a request for addition to the agenda received from the shareholder Hitachi Rail Italy Investments s.r.l. on 29 December 2016 and pursuant to art. 126-bis of the Consolidated Finance Act, the Shareholders' Meeting also resolved to file corporate liability action pursuant to art. 2393 of the Italian Civil Code against the Director Giuseppe Bivona who, as a result, was removed from office. Consequently, as envisaged in current regulations and the company By-Laws, the Shareholders' Meeting appointed Michele Alberto Fabiano Crisostomo as Director of the Company, the first candidate not appointed from the minority list filed jointly on 21 April 2016 by the minority shareholders Elliott Associates L.P., Elliott International L.P. and the Liverpool Limited Partnership ("Elliott Funds"). At the time of filing the list, the candidate in question had declared meeting the independence requirements envisaged in current regulations and the Corporate Governance Code of listed Companies issued by Borsa Italiana S.p.A. During the Shareholders' Meeting, the Elliott shareholders confirmed that the appointment was accepted and the independence requirements were met.

On 27 February, the Board appointed ad interim, with effect from 1 March 2017, Renato Gallo as Chief Financial Officer of the Company and, with opinion in favour from the Board of Statutory Auditors, as Manager in charge of financial reporting pursuant to art. 154-bis of Italian Legislative Decree no. 58/1998, to replace Roberto Carassai.
On 28 March, the Company confirmed the appointment of Renato Gallo as Chief Financial Officer of Ansaldo STS.
Renato Gallo has already covered important offices within the Company and in recent years was Deputy CFO and Senior Vice President Management & Statutory Reporting.

On 24 February, 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 completed with a trial journey from Cagliari to Decimomannu.
ERSAT is the latest-generation signalling project, which - for the first time in Europe - interfaces and integrates the European rail traffic management system (ERTMS) with Galileo satellite navigation and location technology.
The ERSAT EAV Project, presented jointly with Rete Ferroviaria Italiana and Trenitalia in Sardinia, is included in the European research programme Horizon 2020 and forms part of the ERSAT project.

Launched under Ansaldo STS coordination, the main purpose of the project is to define and test development of the ERTMS signalling system through train convoy location based on satellite technology.

The satellite technologies are designed to safely control and manage rail traffic on the conventional secondary lines, local and regional.

Andy Barr, the CEO of Ansaldo STS, remarked: “The rail signalling market, the core business of Ansaldo STS, calls for increasingly innovative, reliable and competitive solutions in terms of savings in costs, time and energy, in addition to safety and environmental impact. We are particularly proud to be testing this innovative technology today, for which many statements of interest have already been received from infrastructure managers and rail operators in Italy and in Europe due to the numerous benefits of this system”.

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

ERSAT EAV locates the trains via satellite and interfaces with the rail traffic monitoring system (ERTMS). This data and information exchange was made possible through the devices installed on board the train and the radio bases located wayside along the railway line. The info points on the current signalling systems - the buoys along the line - will be replaced by virtual buoys managed via satellite receiver, integrated with the ERTMS signalling system.

The benefits of ERSAT EAV are:

- to increase traffic capacity available to the rail companies in favour of passengers and to reduce CO_2 emissions;
- to guarantee high safety standards and punctual operation of rail traffic;
- to reduce operating expense in that the new technology devices will require lower installation and maintenance investments.

Ansaldo STS has contributed in the definition of requirements to support the integration of satellites with the public radio communications networks.

It also set up the test site in Sardinia where the full functions of the new technology were tested.

The same GPS-based Ansaldo STS solution is already in operation in Australia: the first solution worldwide.

The tests carried out at the site in Sardinia were used to complete the Roy Hill Iron Ore project in Australia, the first system in the world for rail signalling of this type (in this case used for freight transport).

Roy Hill, in fact, recently developed its own project to mine iron ore and transport 55 million tonnes per year, via rail, from the mine to the port, for a total of 350 km of track.

The turnkey solution for signalling and communications dedicated to freight rail transport, developed by Ansaldo STS for Roy Hill, includes high-technology Integrated Signalling and Communications solutions which envisage, amongst other things, an automatic train protection system with satellite

positioning that allows an increase in density in the number of trains on the line through moving block functions.
The Ansaldo STS solution optimises operating efficiency and allows automatic routing and control of trains to be managed from the control centre in Perth, more than 1,300 kilometres away. This solution also offers significantly improved safety of all the line activities.
Ansaldo STS has delivered stage 1 of the project - the integrated electronic system known as Integrated Electronic Train Order (IETO) - which entered into service in September 2016. The radio signalling system, or Communications Based Signalling (CBS) was completed in January 2017, and the final stage of the project - moving block functions - is nearing delivery.

In June, Ansaldo STS signed a memorandum of understanding with the company Metroselskabet to develop a proof of concept (or prototype) for the new *Dynamic Headway Solution* developed from Hitachi technology for the Copenhagen M1/M2 metro.
The *Dynamic Headway Solution* will be developed using Ansaldo STS railway control systems as well as the Hitachi IoT (Internet of Things) technological digitalisation, which identifies the presence of passenger flows on platforms using sensors and thus analyses traveller needs. And on the basis of this demand for mobility, the number of convoys available may be automatically optimised, thus responding dynamically to sudden changes in the number of users present.
This technology is particularly useful when the request for vehicles rises while the metro is operating. A dynamic solution that will help to resolve congestion, even before it can impact passengers, therefore also increasing the level of satisfaction of travellers. For the operator, this highly reactive solution which adapts the number of trains based on effective demand in real time, is equivalent to the possibility of reducing energy bills and operating costs, thus improving service operations.

In July, Hitachi Ansaldo Baltimore Rail Partners LLC, a company established by Hitachi Rail Italy SpA and Ansaldo STS USA, Inc. (the US subsidiary of Ansaldo STS SpA) was awarded a contract worth $400.5 million for the Baltimore metro by the Maryland Transit Administration (MTA) for the supply of new trains and the communication and control system (Communication Based Train Control – CBTC) for the Baltimore Metro Subway Link.
In relation to the replacement of the existing signalling system with the innovative CBTC solution of Ansaldo STS, the value is roughly $148 million.

With reference to the contract with AB Storstockholms Lokaltrafik (“SL”), in respect of the signalling system upgrading on the Metro System Red Line portion in Stockholm, for a total whole life contractual value of about EUR 127 million, SL has requested the refund of the payments related to contract amendments previously agreed by the parties, for an amount of about €45 million of which about €34 million as refunded payments, about €9 million for VAT and about €2 million for interest.

In order to encourage all the needed actions to protect its rights and, at the meantime, to protect the contractual continuity of the project, at the end of October, Ansaldo STS has decided to follow up to the SL request “without prejudice and under protest”.

FINANCIAL DISCLOSURE

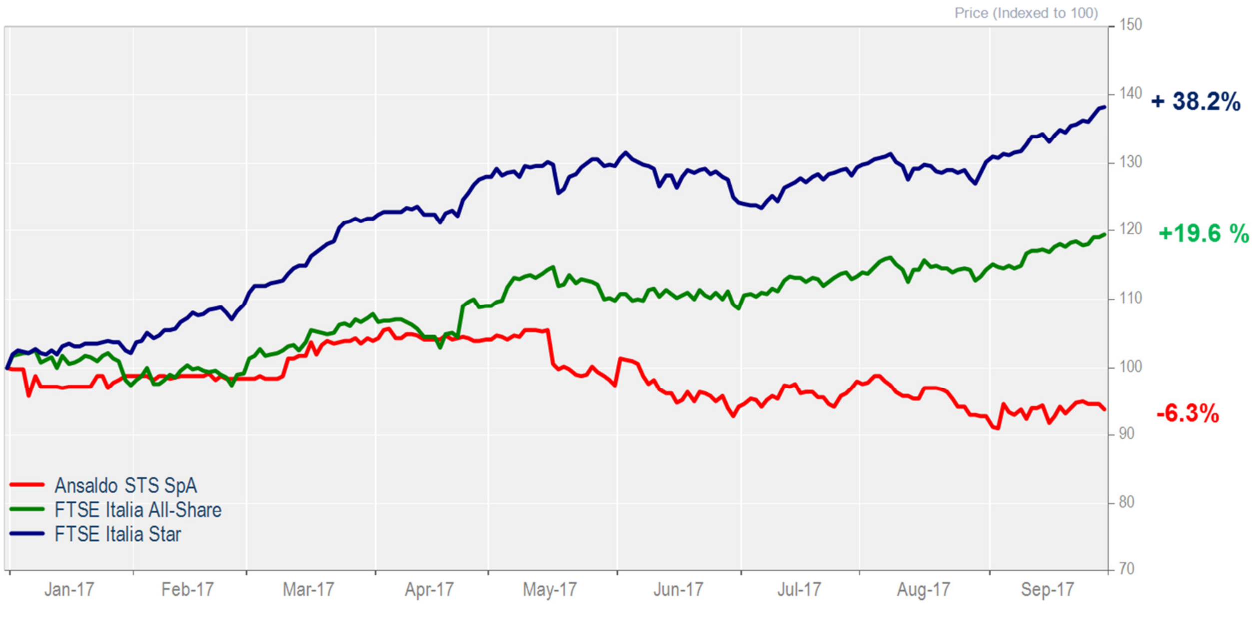
The official share price in the 31 December 2016 to 30 September 2017 period fell from €11.84 to €11.10, down 6.3%.

The share’s period high of €12.50 was recorded on 5 April 2017 and its low of €10.78 on 4 September 2017.

An average 104,586 shares were traded daily in the period, compared to 247,178 shares traded in the corresponding period of the previous year. The decrease in volumes is the direct result of the decline in the float.

The FTSE Italia All-Share index gained 19.6% during the period while the FTSE Italia STAR index gained 38.2%.

Share performance compared to the main indices (base 100)



1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Income statement

(€'000)	First nine months of 2017	of which, related parties	2016	of which, related parties
Revenue	945,035	52,136	900,555	50,809
Other operating income	16,106	669	15,638	973
Purchases	(240,465)	(12,383)	(208,440)	(13,780)
Services	(361,331)	(43,783)	(363,071)	(42,288)
Personnel expense	(253,330)	-	(245,540)	-
Amortisation, depreciation and impairment losses	(12,630)	-	(13,980)	-
Other operating expense	(14,730)	-	(13,847)	(4)
Changes in finished goods, work-in-progress and semi-finished products	3,049	-	2,103	-
(-) Internal work capitalised	2,838	-	3,553	-
Operating profit (EBIT)	**84,542**		**76,971**	
Financial income	15,454	-	9,975	-
Financial expense	(19,264)	-	(21,110)	-
Share of profits (losses) of equity-accounted investees	5,808	-	4,304	-
Pre-tax profit	**86,540**		**70,140**	
Income taxes	(24,966)	-	(24,374)	-
Profit/(loss) for the period from non-current assets held for sale	-	-	-	-
Profit for the period	**61,574**		**45,766**	
attributable to the owners of the parent	*61,582*		*45,782*	
attributable to non-controlling interests	*(8)*		*(16)*	
Earnings per share				
Basic and diluted	0.31		0.23	

1.2 Statement of comprehensive income

(€'000)	**First nine months of** *2017*	*2016*
Profit for the period	**61,574**	**45,766**
Items that will not be reclassified to profit or loss:		
- Net actuarial losses on defined benefit plans	(289)	(1,779)
- Income tax	82	570
	(207)	**(1,209)**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	378	15,193
- Net exchange rate losses	(31,443)	(9,291)
- Income tax	(120)	(4,240)
	(31,185)	**1,662**
Comprehensive income (expense), net of taxes	**(31,392)**	**453**
Total comprehensive income for the period	**30,182**	**46,219**
Attributable to:		
- the owners of the parent	30,203	46,262
- non-controlling interests	(21)	(43)

1.3 Statement of financial position

(€'000)	***30.09.2017***	***of which, related parties***	***31.12.2016***	***of which, related parties***
ASSETS				
Non-current assets				
Intangible assets	47,982	-	49,262	-
Property, plant and equipment	83,740	-	85,198	-
Equity investments	78,648	-	73,047	-
Loans and receivables	47,580	29,503	45,485	25,522
Deferred tax assets	41,415	-	41,324	-
Other non-current assets	14,282	-	16,090	-
	313,647		310,406	
Current assets				
Inventories	119,508	-	125,067	-
Contract work in progress	396,422	-	358,865	-
Trade receivables	714,855	44,276	728,852	62,376
Current financial assets at fair value through profit or loss	-	-	-	-
Tax assets	29,466	-	22,649	-
Loan assets	34,654	232	34,233	267
Other current assets	88,578	4	84,604	4
Cash and cash equivalents	265,266	-	305,586	-
	1,648,749		1,659,856	
Non-current assets held for sale	-	-	-	-
Total assets	**1,962,396**		**1,970,262**	
EQUITY AND LIABILITIES				
Equity				
Share capital	100,000	-	100,000	-
Reserves and retained earnings	634,024	-	607,626	-
Equity attributable to the owners of the parent	734,024		707,626	
Equity attributable to non-controlling interests	199	-	220	-
Total equity	**734,223**		**707,846**	
Non-current liabilities				
Loans and borrowings	-	-	-	-
Employee benefits	37,053	-	36,048	-
Deferred tax liabilities	7,245	-	12,175	-
Other non-current liabilities	13,743	-	12,908	-
	58,041		**61,131**	
Current liabilities				
Progress payments and advances from customers	628,670	-	598,012	-
Trade payables	406,371	21,347	458,119	19,671
Loans and borrowings	4,217	-	1,780	-
Tax liabilities	12,344	-	8,978	-
Provisions for risks and charges	16,708	-	14,040	-
Other current liabilities	101,822	410	120,356	410
	1,170,132		1,201,285	
Total liabilities	**1,228,173**		**1,262,416**	
Total liabilities and equity	**1,962,396**		**1,970,262**	

1.4 Statement of cash flows

(€'000)	*30.09.2017*	*of which, related parties*	*30.09.2016*	*of which, related parties*
Cash flows from operating activities:				
Profit for the period	61,574	-	45,766	-
Share of profits (losses) of equity-accounted investees	(5,808)	-	(4,304)	-
Income taxes	24,966	-	24,374	-
Italian post-employment and other employee benefits	705	-	597	-
Stock grant plans	1,612	-	4,160	-
Net gains (losses) on the sale of assets	(6)	-	-	-
Net financial income/expense	3,810	-	11,135	-
Amortisation, depreciation and impairment losses	12,630	-	13,980	-
Accruals to/reversals of provisions for risks	(3,218)	-	1,895	-
Other operating income/expense	(9,881)	-	4,618	-
Write-downs/reversals of write-downs of inventories and work in progress	11,600	-	4,817	-
Cash flows from (used in) operating activities	**97,984**		**107,038**	
Inventories	2,900	-	(8,272)	-
Work in progress and progress payments and advances from customers	(11,866)	-	(138,959)	-
Trade receivables and payables	(62,949)	(19,776)	45,699	(15,470)
Change in working capital	**(71,915)**		**(101,532)**	
Changes in other operating assets and liabilities	(22,545)	-	8,674	-
Net interest paid	(2,331)	-	(1,628)	(5)
Income taxes	(22,524)	-	(16,069)	-
Total other operating assets and liabilities	**(47,400)**		**(9,023)**	
Cash flows from (used in) operating activities	**(21,331)**		**(3,517)**	
Cash flows from investing activities:				
Acquisition of equity investments, net of cash acquired	(13,932)	-	(8,235)	-
Investments in property, plant and equipment and intangible assets	563	-	795	-
Sales of property, plant and equipment and intangible assets and others	50	-	14	-
Other investing activities	(69)	-	(51)	-
Cash flows from (used in) investing activities	**(13,388)**		**(7,477)**	
Cash flows from financing activities:				
Net change from other financing activities	(1,606)	(35)	2,700	(2,499)
Dividends paid	-	-	(36,000)	-
Cash flows from (used in) financing activities	**(1,606)**		**(33,300)**	
Net increase (decrease) in cash and cash equivalents	(36,325)	-	(44,294)	-
Net exchange rate gains (losses)	(3,995)	-	(3,049)	-
Opening cash and cash equivalents	305,586	-	304,306	-
Closing cash and cash equivalents	**265,266**		**256,963**	

1.5 Statement of changes in equity

(€'000)	**Share capital**	**Retained earnings and consolidation reserves**	**Hedging reserve**	**Stock grant reserve**	**Translation reserve**	**Other reserves**	**Equity attributable to the owners of the parent**	**Equity attributable to non-controlling interests**	**Total equity**
Equity at 1 January 2016	**100,000**	**504,504**	**(1,469)**	**4,611**	**28,723**	**18,418**	**654,787**	**306**	**655,093**
Change in consolidation scope and companies measured at equity	-	(2,024)	-	-	271	-	**(1,752)**	-	**(1,752)**
Net change in stock grant reserve	-	-	-	2,971	-	-	**2,971**	-	**2,971**
Other comprehensive income (expense), net of taxes	-	-	15,193	-	(9,264)	(5,449)	**480**	(27)	**453**
Dividends	-	(36,000)	-	-	-	-	**(36,000)**	-	**(36,000)**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit for the period ended 30 September 2016	-	45,782	-	-	-	-	**45,782**	(16)	**45,766**
Equity at 30 September 2016	**100,000**	**512,263**	**13,724**	**7,582**	**19,730**	**12,969**	**666,268**	**263**	**666,531**

	Share capital	**Retained earnings and consolidation reserves**	**Hedging reserve**	**Stock grant reserve**	**Translation reserve**	**Other reserves**	**Equity attributable to the owners of the parent**	**Equity attributable to non-controlling interests**	**Total equity**
Equity at 1 January 2017	**100,000**	**544,451**	**3,042**	**8,115**	**36,755**	**15,263**	**707,626**	**220**	**707,846**
Change in consolidation scope and companies measured at equity	-	(4,092)	-	-	674	-	**(3,418)**	-	**(3,418)**
Net change in stock grant reserve	-	-	-	(386)	-	-	**(386)**	-	**(386)**
Other comprehensive income (expense), net of taxes	-	-	378	-	(31,430)	(327)	**(31,379)**	(13)	**(31,392)**
Dividends	-	-	-	-	-	-	**-**	-	**-**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit for the period ended 30 September 2017	-	61,582	-	-	-	-	**61,582**	(8)	**61,574**
Equity at 30 September 2017	**100,000**	**601,941**	**3,420**	**7,729**	**5,999**	**14,936**	**734,024**	**199**	**734,223**

2 Notes to the condensed interim consolidated financial statements at 30 September 2017

2.1 General information

Ansaldo STS S.p.A. is a company limited by shares with its registered office in Via Paolo Mantovani 3-5, Genoa, and a branch in Via Argine 425, Naples. It has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006. It was included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were re-included again in the FTSE MIB index starting from 7 April 2015 until 20 December 2015. Since 21 December 2015, the Company's shares have again been included in the FTSE Italia Mid Cap index.

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

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

Ansaldo STS Group operates internationally in the design, construction and operation of signalling and transport systems for aboveground and underground railway lines, both for freight and passengers. It operates worldwide as a Main Contractor and supplier of turnkey systems. Ansaldo STS S.p.A., as Parent Company, also exercises industrial and strategic guidance and control, coordinating the activities of its operating subsidiaries (together, "Ansaldo STS Group" or the "Group").

2.2 Basis of preparation

Ansaldo STS group's Interim financial report at 30 September 2017 is drafted in accordance with article 154-ter, paragraph 5 of Legislative Decree no. 58/98 (the Consolidated Finance Act) and subsequent amendments and integrations and in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).
This Interim financial report at 30 September 2017 was approved and authorised for publication by the Board of Directors in accordance with ruling legislation in the meeting held on 31 October 2017.
As per IAS 34 "Interim financial reporting", the notes to the condensed interim consolidated financial statements do not include all disclosures required for the preparation of the annual

financial statements, as they refer only to those items that are essential to understand the Group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. These condensed Interim consolidated financial statements should, therefore, be read in conjunction with the 2016 Annual consolidated financial statements.

The accounting policies used for the condensed Interim consolidated financial statements are unchanged from those of the 2016 Annual consolidated financial statements.

Amounts are shown in thousands or millions of Euros unless stated otherwise.

Preparation of the condensed Interim consolidated financial statements required management to make estimates.

2.3 Consolidation scope

Ansaldo STS Group's condensed Interim consolidated financial statements at 30 September 2017 include the interim financial statements of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the IFRS-EU accounting principles applied by Ansaldo STS Group. The consolidated entities are listed below, showing the Group's related direct or indirect interest therein:

Companies consolidated on a line-by-line basis

Companies consolidated on a line-by-line basis

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	INVESTMENT %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (UK)	1,000	GBP	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EUR	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	837	EUR	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EUR	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Toronto (Canada)	-	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	5,612,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EUR	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Direct	Beijing (China)	1,500	USD	100
ANSALDO STS SOUTHERN AFRICA PTY Ltd	Indirect	Gaborone (Botswana)	0.1	BWP	100

Companies measured using the equity method

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

Companies measured at cost

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	INVESTMENT %
Metro C S.c.p.A.	Direct	Rome (Italy)	150,000	EUR	14.00
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)	9,000	EUR	2.956
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 Volla Due consortium	Direct	Naples (Italy)	71	EUR	25.00
Cris consortium	Direct	Naples (Italy)	2,377	EUR	1.00
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	2.00
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)	103	EUR	25.00
SPV M4 S.p.A.	Direct	Milan (Italy)	35,795	EUR	5.54
Ansaldo STS do Brasil Sistemas de Trasporte 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)	87	EUR	4.84
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Direct	Rome (Italy)	40	EUR	12.00
Dattilo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	14.00
S.p. M4 S.c.p.A. (in Liq.)	Direct	Milan (Italy)	360	EUR	16.90
MetroB S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47

*The company was established during the tender and will be used as a vehicle for the billing of the recent contract acquired in Baltimore. As it is subject to joint control, the balances in the relative financial statements will be consolidated directly by the respective partners.

2.4 Exchange rates adopted

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

	Spot rate at 30/09/2017	**Average rate for the nine months ended 30/09/2017**	Spot rate at 30/09/2016	Average rate for the nine months ended 30/09/2016
USD	1.17410	1.11300	1.12250	1.11564
CAD	1.45540	1.45309	1.48290	1.47568
GBP	0.87565	0.87246	0.86208	0.80218
HKD	9.17140	8.66864	8.70410	8.66199
SEK	9.58850	9.58189	9.61650	9.37030
AUD	1.49540	1.45266	1.46370	1.50555
INR	77.15300	72.58175	74.59150	74.89654
MYR	4.94650	4.83454	4.64340	4.55927
BRL	3.73570	3.53117	3.63890	3.96512
CNY	7.79840	7.57114	7.49110	7.34267
VEB	11,726.30000	11,116.06667	11,211.00000	10,064.81333
BWP	12.10330	11.50560	11.69490	12.22908
ZAR	15.90620	14.69289	15.24920	16.70704
KZT	399.08200	360.13340	378.37700	384.12301
AED	4.31188	4.08586	4.12070	4.09544
KRW	1,341.10000	1,266.79250	1,231.76000	1,296.42427
JPY	132.60000	124.52922	112.93000	121.09670

3 SEGMENT REPORTING

A breakdown of Group's revenue by geographical segment is as follows:

(€'000)	**30/09/2017**	**30/09/2016**
Italy	183,123	200,927
Rest of Europe	286,853	275,894
North Africa and Middle East	89,338	73,047
Americas	234,732	171,782
Asia/Pacific	150,989	178,905
Total	**945,035**	**900,555**

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

(€'000)	**30/09/2017**	**31/12/2016**
Italy	104,127	105,961
Rest of Europe	13,506	13,745
North Africa and Middle East	1,633	778
Americas	10,471	12,010
Asia/Pacific	1,985	1,966
Total	**131,722**	**134,460**

4 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

Related party assets and liabilities

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

FINANCIAL ASSETS AT 30.09.2017 *(€'000)*	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Parent Company						
Hitachi Ltd (Rail)	-	-	-	178	-	**178**
Hitachi Ltd (Mito)	-	-	-	279	-	**279**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	1	-	**1**
Alifana Due S.c.r.l.	-	-	-	421	-	**421**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	23,186	-	1,366	-	**24,552**
SPV Linea 4 S.p.A.	-	5,864	-	-	-	**5,864**
SP M4 S.C.p.A. (in liq.)	-	-	232	-	-	**232**
Metro Brescia S.r.l.	-	-	-	385	-	**385**
Metro Service A.S.	-	-	-	2,448	-	**2,448**
Consortia						
Saturno consortium	-	-	-	17,811	-	**17,811**
Ascosa Quattro consortium	-	-	-	1,280	-	**1,280**
Ferroviario Vesuviano consortium	-	-	-	1,545	-	**1,545**
MM4 consortium	-	182	-	11,347	-	**11,529**
San Giorgio Volla Due consortium	-	-	-	1,808	4	**1,812**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
EPC Lima consortium	-	271	-	-	-	**271**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	2,294	-	**2,294**
Hitachi Rail Inc.	-	-	-	1,305	-	**1,305**
Total	**-**	**29,503**	**232**	**44,276**	**4**	**74,015**
% of the total corresponding condensed interim consolidated financial statements caption		**62%**	**1%**	**6%**	**0.01%**	

FINANCIAL ASSETS AT 31.12.2016 *(€'000)*	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Parent Company						
Hitachi Ltd (Rail)	-	-	-	155	-	**155**
Hitachi Rail Europe LTD	-	-	-	313	-	**313**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	93	-	**93**
Alifana Due S.c.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 4 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 Systems J.V. 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**
Other group companies						
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**
% of the total corresponding condensed interim consolidated financial statements caption		**56%**	**1%**	**9%**	**0.01%**	

FINANCIAL LIABILITIES AT 30.09.2017 *(€'000)*	**Non-current loans and borrowings**	**Other non-current financial liabilities**	**Current loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Parent Company						
Hitachi Rail Europe Ltd	-	-	-	2	-	**2**
Hitachi Ltd (Rail)	-	-	-	1	-	**1**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	167	3	**170**
Alifana Due S.c.r.l.	-	-	-	238	-	**238**
Associates						
Metro Service S.A.	-	-	-	9,270	-	**9,270**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	57	-	**57**
Metro Brescia S.r.l.	-	-	-	-	370	**370**
Metro 5 S.p.A.	-	-	-	5	-	**5**
Consortia						
Saturno consortium	-	-	-	948	-	**948**
Ascosa Quattro consortium	-	-	-	864	8	**872**
Ferroviario Vesuviano consortium	-	-	-	85	21	**106**
San Giorgio Volla consortium	-	-	-	5	8	**13**
Cris consortium	-	-	-	4	-	**4**
MM4 consortium	-	-	-	242	-	**242**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	8,231	-	**8,231**
Hitachi India Pvt Ltd Rail Systems Company	-	-	-	1,228	-	**1,228**
Total	**-**	**-**	**-**	**21,347**	**410**	**21,757**
% of the total corresponding condensed interim consolidated financial statements caption				**5%**	**0.4%**	

FINANCIAL LIABILITIES AT 31.12.2016 *(€'000)*	**Non-current loans and borrowings**	**Other non-current financial liabilities**	**Current loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Parent Company						
Hitachi Ltd (Rail)	-	-	-	-	-	**-**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	125	3	**128**
Alifana Due S.c.r.l.	-	-	-	109	-	**109**
Associates						
Metro Service A.S.	-	-	-	2,704	-	**2,704**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	61	-	**61**
Consortia						
Saturno consortium	-	-	-	2,066	-	**2,066**
Ascosa Quattro consortium	-	-	-	150	8	**158**
San Giorgio Volla Due consortium	-	-	-	206	-	**206**
Ferroviario Vesuviano consortium	-	-	-	85	21	**106**
San Giorgio Volla consortium	-	-	-	5	8	**13**
MM4 consortium	-	-	-	591	-	**591**
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	13,569	-	**13,569**
Total	**-**	**-**	**-**	**19,671**	**410**	**20,081**
% of the total corresponding condensed interim consolidated financial statements caption				**4%**	**0.3%**	

At 30 September 2017, trade receivables from related parties amounted to €44,276 thousand, down by €18,100 thousand compared to 31 December 2016, mainly due to positions with the Saturno consortium.

Trade payables to related parties are substantially in line with the 31 December 2016 balance.

Non-current assets

Non-current assets totalled €313,647 thousand at 30 September 2017, as follows:

(€'000)	***30.09.2017***	***31.12.2016***
Intangible assets	47,982	49,262
Property, plant and equipment	83,740	85,198
Equity investments	78,648	73,047
Loans and receivables	47,580	45,485
Deferred tax assets	41,415	41,324
Other non-current assets	14,282	16,090
Total	**313,647**	**310,406**

Specifically:

- intangible assets amount to €47,982 thousand and mainly include goodwill (€34,569 thousand). The group recognised capitalisation of €1,897 thousand relating to the Satellite and Rail Telecom project during the period and amortisation for the period totalled €3,939 thousand;
- property, plant and equipment amount to €83,740 thousand and essentially refer to properties owned by the Parent Company. Capitalisations and acquisitions for the period amounted to €7,534 thousand and depreciation totalled €7,708 thousand;
- equity investments amounted to €78,648 thousand, up €5,601 thousand compared to 31 December 2016, mainly due to the increase in the value of the investment in SPV M4 S.p.A. by €3,128 thousand as well as the effect of the measurement of investments at equity for International Metro Service S.r.l. (€48 thousand), Metro 5 S.p.A. (-€585 thousand), Metro Brescia S.r.l. (€233 thousand) and the JV Balfour Beatty Ansaldo Systems JV SDN BHD (€2,777 thousand);
- non-current loans and receivables of €47,580 thousand rose by €2,095 thousand compared to the balance at 31 December 2016, substantially as a result of the SPV M4 S.p.A. shareholder loan;
- deferred tax assets amounted to €41,415 thousand, essentially in line with the balance at 31 December 2016;
- other non-current assets of €14,282 thousand show a decrease of €1,808 thousand, due to the reduction of the non-current prepaid trademark licence fees.

Please note that the Ansaldo STS SpA board of directors approved the dissolution of Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA and Ansaldo STS Southern Arica (PTY) LTD, as there are no longer the conditions that made those markets appealing for the Group and, in the second case, as all activities relating to outstanding contracts have been completed.

Non-current liabilities

Non-current liabilities of €58,041 thousand at the reporting date are made up as follows:

(€'000)	*30.09.2017*	*31.12.2016*
Employee benefits	37,053	36,048
Deferred tax liabilities	7,245	12,175
Other non-current liabilities	13,743	12,908
Total	**58,041**	**61,131**

Specifically:

- the employee benefits, which include the Italian post-employment benefits and other employee benefit obligations, rose €1,005 thousand to €37,053 thousand compared to 31 December 2016;
- deferred tax liabilities increased by €835 thousand to €13,743 thousand.

Inventories

Inventories totalled €119,508 thousand at the reporting date. The caption can be analysed as follows:

(€'000)	*30.09.2017*	*31.12.2016*
Raw materials, consumables and supplies	25,710	24,782
Work-in-progress and semi-finished products	13,996	12,668
Finished goods	11,070	9,790
Advances to suppliers	68,732	77,827
Total	**119,508**	**125,067**

The net decrease for the period was €5,559 thousand compared to 31 December 2016, mainly due to the reduction of advances to suppliers.

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

Work-in-progress, net of progress payments and advances from customers, is a negative €232,248 thousand. It can be analysed as follows:

(€'000)	***30.09.2017***	***31.12.2016***
Advances from customers	(55,391)	(41,789)
Progress payments	(1,812,455)	(1,886,966)
Work-in-progress	2,306,790	2,328,511
Provision for expected losses to complete contracts	(9,929)	(12,803)
Allowance for write-down	(32,593)	(28,088)
Work-in-progress (net)	**396,422**	**358,865**
Advances from customers	(296,652)	(310,480)
Progress payments	(2,168,279)	(2,009,246)
Work-in-progress	1,852,009	1,735,070
Provision for expected losses to complete contracts	(8,498)	(12,006)
Allowance for write-down	(7,250)	(1,350)
Progress payments and advances from customers (net)	**(628,670)**	**(598,012)**
Work-in-progress, net of progress payments and advances from customers	**(232,248)**	**(239,147)**

The overall carrying amount increased by €6,899 thousand mainly due to production in excess of revenue.

Trade receivables and payables

Trade receivables and payables are made up as follows:

(€'000)	**30.09.2017**		**31.12.2016**	
	Trade receivables	*Trade payables*	*Trade receivables*	*Trade payables*
Trade receivables / Trade payables	670,579	385,024	666,476	438,448
Total third parties	**670,579**	**385,024**	**666,476**	**438,448**
Related parties	44,276	21,347	62,376	19,671
Total	**714,855**	**406,371**	**728,852**	**458,119**

A decrease was recorded in total amount of trade receivables (€13,997 thousand) and in the total amount of trade payables (€51,748 thousand) compared to the previous year-end balances.

Amounts of related-party receivables decreased, as previously mentioned.

Provisions for risks and charges

Provisions for risks and charges amount to €16,708 thousand at 30 September 2017 and are up by €2,668 thousand compared with 31 December 2016 (€14,040 thousand).

Other assets/liabilities

Other current liabilities, net, of €13,244 thousand, are made up as follows:

(€'000)	***30.09.2017***		***31.12.2016***	
	Assets	***Liabilities***	***Assets***	***Liabilities***
Prepayments - current portion	10,902	-	12,314	-
Research grants	17,855	-	18,944	-
Employees	2,051	37,632	2,006	39,316
Social security institutions	27	15,429	30	17,401
Indirect and other tax assets/liabilities	33,406	10,417	31,146	14,471
Derivatives	14,587	2,699	10,515	17,008
Other	9,746	35,235	9,645	31,750
Total other assets	**88,574**	**101,412**	**84,600**	**119,946**
Related parties	4	410	4	410
Total	**88,578**	**101,822**	**84,604**	**120,356**

Details of the main items are set out below:

- prepayments of €10,902 thousand decreased by €1,412 thousand on 31 December 2016, mainly due to prepaid insurance premiums and prepaid commissions on sureties;
- net liabilities to employees at the end of the period of €35,581 thousand decreased by €1,729 thousand on 31 December 2016;
- net indirect and other tax assets amount to €22,989 thousand compared to €16,675 thousand at 31 December 2016;
- the net balance of derivatives was positive at €11,888 thousand, an increase of €18,381 thousand on 31 December 2016;
- other liabilities, net, of €25,489 thousand rose by €3,384 thousand from €22,105 thousand at 31 December 2016.

Financial disclosure

The following disclosure is required by Consob Communication no. DEM/6064293 of 28 July 2006.

	(€'000)	***30.09.2017***	***31.12.2016***
A	Cash in hand	1,943	109
B	Other cash and cash equivalents (bank current accounts)	263,323	305,477
C	Securities held for trading	-	-
D	**CASH AND CASH EQUIVALENTS (A+B+C)**	**265,266**	**305,586**
E	**CURRENT LOAN ASSETS**	**34,654**	**34,233**
F	Current bank loans and borrowings	4	10
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	4,213	1,770
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**4,217**	**1,780**
J	**NET CURRENT FINANCIAL POSITION (I-E-D)**	**(295,703)**	**(338,039)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	-	-
N	**NON-CURRENT FINANCIAL DEBT (POSITION) (K+L+M)**	**-**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(295,703)**	**(338,039)**

Analysis of the income statement

Impact of related party transactions on profit or loss

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

30.09.2017 *(€'000)*	**Revenue**	**Other operating income**	**Costs**	**Financial income**	**Financial expense**	**Other operating expense**
Parent Company						
Hitachi Rail Europe Ltd	1	-	4	-	-	-
Hitachi Ltd (Rail)	536	-	493	-	-	-
Hitachi Ltd (Mito)	4	-	1,137	-	-	-
Subsidiaries						
Alifana S.c.r.l.	637	-	21	-	-	-
Alifana Due S.c.r.l.	226	6	637	-	-	-
Associates						
Metro 5 S.p.A.	1,240	652	40	-	-	-
International Metro Service S.r.l. (in liq.)	8	-	-	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	148	-	-	-
Metro Service S.A.	4,761	-	36,556	-	-	-
Metro Brescia S.r.l.	98	11	-	-	-	-
JOINT VENTURES (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	9,880	-	9	-	-	-
Consortia						
Saturno consortium	8,687	-	829	-	-	-
Ascosa Quattro consortium	4,849	-	621	-	-	-
SanGiorgio Volla Due consortium	1,842	-	98	-	-	-
Ferroviario Vesuviano consortium	28	-	(1)	-	-	-
M4 consortium	-	-	-	-	-	-
MM4 consortium	10,371	-	350	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla consortium	(23)	-	-	-	-	-
Other group companies						
Hitachi Rail Europe Ltd	-	-	-	-	-	-
Hitachi Rail Italy S.p.A.	6,562	-	15,210	-	-	-
Hitachi Rail Inc.	1,614	-	-	-	-	-
Hitachi India Pvt Rail System Company	448	-	-	-	-	-
Hitachi High Technologies Europe GMBH	367	-	-	-	-	-
Hitachi High Australia Pty Ltd	-	-	11	-	-	-
Total	**52,136**	**669**	**56,166**	**-**	**-**	**-**
% of the total corresponding condensed interim consolidated financial statements caption	**6%**	**4%**	**9%**			

30.09.2016 (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Parent Company						
Hitachi Ltd	410	-	518	-	-	-
Subsidiaries						
Alifana S.c.r.l.	-	-	(1)	-	-	-
Alifana Due S.c.r.l.	106	-	206	-	-	-
Associates						
Metro 5 S.p.A.	2,266	950	83	-	-	-
International Metro Service S.r.l.	(75)	6	-	-	-	4
Pegaso S.c.r.l. (in liq.)	-	-	164	-	-	-
Metro Service S.A.	4,745	-	37,097	-	-	-
Metro Brescia S.r.l.	153	17	9	-	-	-
JOINT VENTURES (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(169)	-	40	-	-	-
Consortia						
Saturno consortium	23,339	-	989	-	-	-
Ascosa Quattro consortium	(26)	-	-	-	-	-
SanGiorgio Volla Due consortium	2,052	-	(1)	-	-	-
Ferroviario Vesuviano consortium	28	-	-	-	-	-
M4 consortium	-	-	33	-	-	-
MM4 consortium	10,088	-	418	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla consortium	(21)	-	-	-	-	-
Other group companies						
Hitachi Rail Europe Ltd	31	-	(10)	-	-	-
Hitachi Rail Italy S.p.A.	7,221	-	16,522	-	-	-
Hitachi Rail Inc.	386	-	-	-	-	-
Hitachi India Pvt Rail System Company	275	-	-	-	-	-
Total	**50,809**	**973**	**56,068**	**-**	**-**	**4**
% of the total corresponding condensed interim consolidated financial statements caption	**6%**	**6%**	**10%**			**0.03%**

Related party revenues (€52,136 thousand) and costs (€56,166 thousand) were substantially aligned with the corresponding period of the previous year.

Revenue

Revenue came to €945,035 thousand, up by €44,480 thousand on the €900,555 thousand at the end of the third quarter of 2016 primarily as a result of the greater progress on projects in the Americas and the Middle East.

Other operating income

	First nine months of	
(€'000)	***2017***	***2016***
R&D grants	1,408	1,556
Gains on sales of property, plant and equipment and intangible assets	6	-
Reversals of provisions for risks and charges	7,134	1,628
Royalties	105	163
Financial income and exchange rate gains on operating items	5,072	7,513
Tax asset for R&D	1,402	1,964
Other operating income	310	1,841
Other third party operating income	**15,437**	**14,665**
Other related party operating income	669	973
Total other operating income	**16,106**	**15,638**

Other operating income amounted to €16,106 thousand, substantially in line with that of the same period of the previous year (€15,638 thousand).

Purchases and services

	First nine months of	
(€'000)	***2017***	***2016***
Materials	230,157	203,275
Change in inventories	(2,075)	(8,615)
Services	302,098	306,051
Rentals and operating leases	15,450	14,732
Total third party purchases and services	**545,630**	**515,443**
Total related party purchases and services	**56,166**	**56,068**
Total purchases and services	**601,796**	**571,511**

Costs for purchases and services (€601,796 thousand) increased on the previous year by €30,285 thousand due to greater production volumes developed during the period.

Personnel expense

(€'000)	First nine months of *2017*	*2016*
Wages and salaries	195,680	187,034
Stock grant plans	1,612	4,160
Social security and pension contributions	47,366	43,842
Italian post-employment benefits	487	366
Other defined benefit plans	636	528
Other defined contribution plans	2,410	2,906
Recovery of personnel expense	(18)	(598)
Other costs	5,157	7,302
Total personnel expense	**253,330**	**245,540**

Personnel expense increased by €7,790 thousand to €253,330 thousand from €245,540 thousand in the corresponding period of the previous year, mainly due to the higher average headcount.

The average headcount of 4,061 employees rose by a net 262 employees compared to 3,799 in the same period of the previous year.

Amortisation, depreciation and impairment losses

Specifically:

(€'000)	First nine months of *2017*	*2016*
Amortisation and depreciation:		
- intangible assets	3,939	5,419
- property, plant and equipment	7,708	7,245
	11,647	**12,664**
Impairment losses:		
non-current assets	-	7
current loans and receivables	983	1,309
	983	**1,316**
Total amortisation, depreciation and impairment losses	**12,630**	**13,980**

Amortisation, depreciation and impairment decreased by €1,350 thousand to €12,630 thousand from €13,980 thousand in the corresponding period of the previous year, primarily as a result of the reduction in amortisation of intangible assets.

Other operating expense

(€'000)	First nine months of 2017	First nine months of 2016
Accruals to the provisions for risks and charges	3,916	3,523
Membership fees	683	582
Losses on sales of property, plant and equipment and intangible assets	116	5
Exchange rate losses on operating items	5,116	5,626
Losses to complete contracts	386	(525)
Interest and other operating expense	382	1,288
Indirect taxes	2,518	2,349
Other operating expense	1,613	995
Total other third party operating expense	**14,730**	**13,843**
Other related party operating expense	**-**	**4**
Total other operating expense	**14,730**	**13,847**

Other operating expense increased by €883 thousand on the corresponding period of the previous year mainly due to the higher accrual to the provision for risks and charges for product warranties and the item losses to complete contracts.

Internal work capitalised

(€'000)	First nine months of 2017	First nine months of 2016
Internal work capitalised	2,838	3,553

Internal work capitalised mainly relates to the Parent Company Ansaldo STS S.p.A. (€2,477 thousand); it mainly consists of intangible assets and, in particular, work performed on the Satellite and Rail Telecom project (€1,897 thousand).

Net financial income (expense)

	First nine months of					
	2017			*2016*		
(€'000)	Income	Expense	Net	Income	Expense	Net
Interest and fees	764	622	142	957	409	548
Exchange rate gains and losses	11,856	13,077	(1,221)	8,444	8,945	(501)
Fair value gains and losses	2,834	4,605	(1,771)	574	3,780	(3,206)
Interest on Italian post-employment benefits	-	218	(218)	-	231	(231)
Interest on other defined benefit plans	-	187	(187)	-	215	(215)
Other financial income and expense	-	555	(555)	-	7,530	(7,530)
Total net financial income (expense)	**15,454**	**19,264**	**(3,810)**	**9,975**	**21,110**	**(11,135)**
Net related party financial income (expense)	**-**	**-**	**-**	**-**	**-**	**-**
Total	**15,454**	**19,264**	**(3,810)**	**9,975**	**21,110**	**(11,135)**

Net financial expense amounted to -€3,810 thousand compared to -€11,135 thousand in the corresponding period of the previous year.

The improvement of €7,325 thousand compared to the same period of the previous year was due primarily to the accrual to the provision for risks in 2016 related to the interest to be paid to the Russian customer following the arbitration procedure on the Libya contract.

The share of profits (losses) of equity-accounted investees came to €5,808 thousand and relates to the profits (losses) of Metro 5 S.p.A. (€2,437 thousand), International Metro Service S.r.l. (€48 thousand), Metro Brescia S.r.l. (€233 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€3,090 thousand).

	First nine months of					
	2017			*2016*		
(€'000)	Income	Expense	Net	Income	Expense	Net
Share of profits (losses) of equity-accounted investees	5,808	-	5,808	4,304	-	4,304
Total	**5,808**	**-**	**5,808**	**4,304**	**-**	**4,304**

Income taxes

(€'000)	*First nine months of* **2017**	*First nine months of* **2016**
IRES	10,821	10,054
IRAP	1,295	1,407
Other foreign taxes	15,166	16,426
Net deferred tax (income) expense	(2,316)	(3,513)
Total	**24,966**	**24,374**

Income taxes for the reporting period amount to €24,966 thousand compared to €24,374 thousand for the first nine months of 2016.

The effective tax rate at 30 September 2017 was 28.85%, against 34.75% in the same period of the previous year. The decrease was due to the reduction in the nominal IRES rate in Italy as well as a different mix of pre-tax profits of the individual Group companies.

5 EARNINGS PER SHARE

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

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

Basic EPS	***30.09.2017***	***30.09.2016***
Average shares outstanding during the period	199,994,734	199,995,119
Profit for the period	61,574	45,766
Basic and diluted EPS	0.31	0.23

6 FINANCIAL RISK MANAGEMENT

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

- market risks, related to operations in areas that use currencies other than the group's functional currency (currency risk) and the risk of interest rate fluctuations;
- liquidity risks, related to the availability of financial resources and access to the credit market;
- credit risk, arising from normal trading transactions or financing activities.

The Group specifically monitors each of these financial risks and acts promptly to minimise them including via hedging derivatives. Ansaldo STS Group's approach to managing these risks, in line with internal policies, is described below.

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

local currency '000	*Sell 09 17*	*Buy 09 17*	***30.09.2017***	*Sell 12 16*	*Buy 12 16*	***31.12.2016***
Euro	25,364	43,927	**69,291**	25,169	31,685	**56,854**
US dollar	211,445	74,484	**285,929**	263,912	81,386	**345,298**
Pound sterling	50,862	-	**50,862**	55,729	-	**55,729**
Swedish krona	821	3,532	**4,353**	824	824	**1,648**
Australian dollar	-	11,937	**11,937**	-	6,783	**6,783**
Hong Kong dollar	181	-	**181**	455	-	**455**
Indian rupee	4,792	-	**4,792**	5,164	-	**5,164**
United Arab Emirates dirham	11,596	-	**11,596**	12,921	-	**12,921**

The net fair value of the derivatives in place (both fair value and cash flow hedges) at 30 September 2017 is a positive €11,888 thousand.

7 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There were no significant non-recurring events or transactions during the reporting period.

8 ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

9 OUTLOOK

To date, 2017 production volumes is expected to grow and profitability (ROS) is expected to be in line with the previous year.

What above mentioned does not take into account any impacts that the events described in the paragraph “Key events of and after the reporting period” and relating to the contract awarded by AB Storstockholms Lokaltrafik, may have on the 2017.

10 DISCLOSURE ON THE OPT-OUT REGIME

Pursuant to articles 70 paragraph 8 and 71 paragraph 1-bis of the Issuers’ Regulation, we note that, in their meeting of 28 January 2013 and as permitted by articles 70 paragraph 8 and 71 paragraph 1-bis of the Issuers’ Regulation, the Board of Directors of the Company resolved to opt out of the requirement to publish the relevant documents for transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.

Milan, 31 October 2017

On behalf of the Board of Directors

The Chairperson

Alistair Dormer

ANNEX A: STATEMENT PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE NO. 58/1998

In accordance with the provisions of article 154-bis of the Consolidated Finance Act, the undersigned, Renato Gallo, Manager in charge of financial reporting of Ansaldo STS S.p.A., states that the Interim financial report at 30 September 2017 is consistent with the accounting evidence, ledgers and records.

Milan, 31 October 2017

The Manager in charge of financial reporting

Renato Gallo