

Ansaldo STS A Hitachi Group Company

INTERIM FINANCIAL REPORT

AT 31 MARCH 2018

ANSALDO STS S.p.A.

Registered office: Via P. Mantovani 3-5, Genoa

Paid-up share capital of Euro 100,000,000

Genoa company registration no. and tax code: 01371160662

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DIRECTORS' REPORT AT 31 MARCH 2018

Introduction

The financial results in the first quarter of 2018 were positive and in line with forecasts.

They are summarised in the table below:

Key performance indicators

<i>(€ thousand)</i>	31.03.2018	31.03.2017	Change
New orders	225,380	266,100	(40,720)
Order backlog	6,315,522	6,454,031	(138,509)
Revenue	318,493	299,142	19,351
Operating profit (EBIT)	26,203	25,892	311
Profit for the period	21,530	20,003	1,527
Net working capital	132,405	151,414	(19,009)
Net Invested capital	388,192	398,541	(10,349)
Net financial position	(332,323)	(327,018)	(5,305)
Free Operating Cash Flow	(22,270)	(10,967)	(11,303)
R.O.S.	8.2%	8.7%	-0.5 p.p.
R.O.E.	9.2%	11.2%	- 2.0 p.p.
E.V.A.	10,463	8,497	1,966
Research and Development	11,100	7,936	3,164
Headcount (no.)	4,210	4,084	126

The Ansaldo STS Group recorded a profit of €21.5 million, compared to €20.0 million for the corresponding quarter of the previous year. Revenue totalled €318.5 million, up on the value recorded in March 2017 (€299.1 million), and ROS was 8.2%, compared to 8.7% in the first quarter of 2017.

The new accounting standard IFRS15 on revenue recognition came into effect on 1 January 2018. In detail, for the first quarter of 2018, the total difference in terms of Revenue and Ebit, if the new rule had not been applied, would have been around €1.5 million, giving an ROS of around 8.7%, which is basically in line with the first quarter of the previous year.

More specifically:

New orders totalled €225.4 million, compared to €226.1 million at 31 March 2017; the order backlog amounted to €6,315.5 million (€6,454.0 million at 31 March 2017 and €6,457.5 million at 31 December 2017).

Revenue totalled €318.5 million, compared to the €299.1 million recorded in the first quarter of 2017 (+6.5%); the increase is the result of greater progress in projects in Italy and in the Pacific Asia area.

The operating profit (EBIT) stood at €26.2 million, compared to €25.9 million in the first quarter of 2017. ROS was 8.2%, compared to 8.7% in the corresponding period of the previous year.

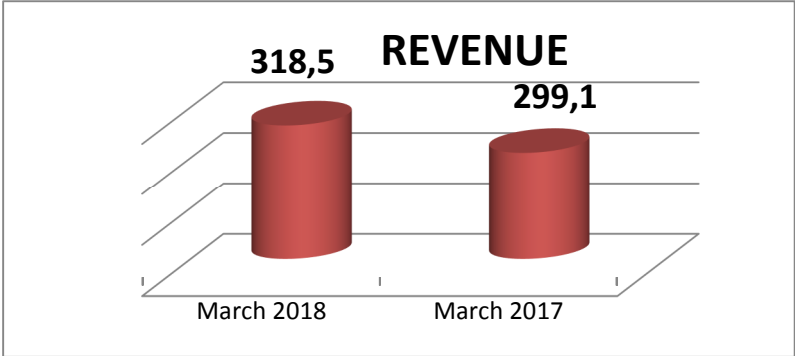
The profit for the period stood at €21.5 million (€20.0 million in the first quarter of 2017).

The net financial position (credit) decreased from -€357.5 million (also credit) at 31 December 2017 (-€327.0 million at 31 March 2017) to -€332.3 million.

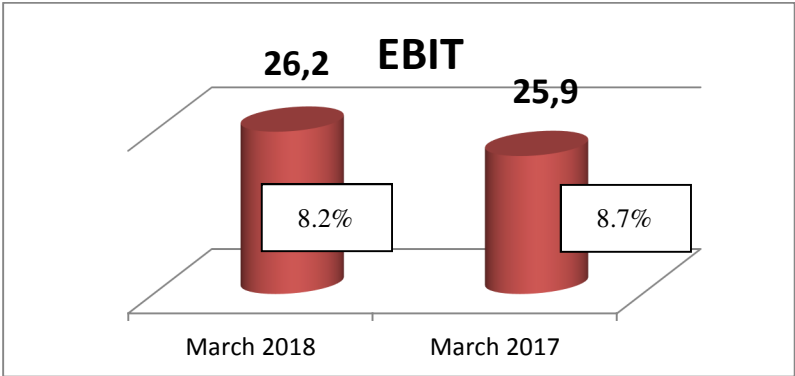
Research and Development expenses amounted to €11.1 million, compared to €7.9 million in 2017.

The group’s headcount totalled 4,210 employees, compared to 4,084 at 31 March 2017 and 4,228 at 31 December 2017. The average group’s headcount was 4,176 employees, compared to 4,007 employees in the first quarter of 2017 (4,081 average for 2017).

Revenue for the quarters ending at 31 March 2018 and 2017 (€m)



EBIT and ROS for the quarters ending at 31 March 2018 and 2017 (€m)



The reclassified tables below provide further information on the Group financial position and economic result. Consolidated income statement, consolidated statement of financial position, consolidated net financial debt and consolidated cash flow statement.

The following table shows the consolidated income statements at March 2018 and 2017:

Consolidated income statement (€ thousand)	Quarter ending at 31 March	
	2018	2017
Revenue	318,493	299,142
Purchases and personnel expense (*)	(294,296)	(271,708)
Amortisation, depreciation and impairment losses	(3,844)	(4,527)
Other net operating income (**)	3,436	320
Change in work-in-progress, semi-finished products and finished goods	2,414	2,665
Adjusted EBIT	26,203	25,892
Restructuring costs	-	-
Operating profit (EBIT)	26,203	25,892
Net financial income	2,711	3,054
Income taxes	(7,384)	(8,943)
Profit (loss) from discontinued operations	-	-
Profit for the period	21,530	20,003
<i>attributable to the owner of the parent</i>	21,544	20,008
<i>attributable to non-controlling interests</i>	(14)	(5)
Earnings per share <i>Basic and Diluted</i>	0.11	0.10

Reconciliation between the items of the reclassified consolidated income statement and the consolidated income statement:

() Includes the captions "Purchases", "Services", "Personnel expense" (net of restructuring costs) and "Accruals to (use of) the provision for expected losses to complete contracts" net of "Internal work capitalised".*

*(**) Includes the net amount of the items "Other operating income" and "Other operating expenses" (net of restructuring costs, write-downs and accruals to (use of) the provisions for loss-making contracts).*

Briefly, the operating result is practically in line with the value recorded at the end of the same quarter of the previous year (+€0.3 million), since the effect of the higher production volumes was basically offset by recording of higher R&D costs. Lower taxes (+€1.5 million) substantially led to the overall increase in the net profit (+€1.5 million).

The group's reclassified consolidated statement of financial position as at 31 March 2018 is set out in the table below:

Consolidated statement of financial position

(€ thousand)

	<u>31.03.2018</u>	<u>31.12.2017</u>
Non-current assets	316,208	305,070
Non-current Liabilities	(60,421)	(60,780)
	255,787	244,290
Inventories	119,703	110,995
Contract work in progress	443,353	379,590
Trade receivables	719,319	736,664
Trade payables	(426,590)	(413,639)
Progress payments and advances from customers	(720,883)	(683,036)
Working capital	134,902	130,574
Provisions for risks and charges	(15,768)	(15,967)
Other net assets (liabilities) (*)	13,271	12,561
Net working capital	132,405	127,168
Net Invested capital	388,192	371,458
Equity attributable to the owners of the parent	720,427	728,892
Equity attributable to Non-controlling interests	88	101
Equity	720,515	728,993
Non-current assets held for sale	-	-
Net financial position	(332,323)	(357,535)

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 €388.2 million, compared to the €371.5 million recorded at 31 December 2017 (€398.5 million at 31 March 2017); the increase of €16.7 million is the result of the increase in other non-current net assets and liabilities (€11.5 million) due to recording of deferred tax assets after adoption of the new IFRS15 and net working capital (€5.2 million) due to the increase in total net inventories, partially offset by the decrease in trade receivables and the increase in trade payables.

The net financial position as at 31 March 2018 compared to the figures as at 31 December 2017 is set out in the table below:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.12.2017</u>
Current loans and borrowings	1,053	424
Cash and cash equivalents	<u>(302,481)</u>	<u>(327,326)</u>
NET CASH AND CASH EQUIVALENTS	<u>(301,428)</u>	<u>(326,902)</u>
Related party loan assets	-	(232)
Other loan assets	<u>(31,166)</u>	<u>(30,401)</u>
LOAN ASSETS	<u>(31,166)</u>	<u>(30,633)</u>
Other current loans and borrowings	<u>271</u>	<u>-</u>
OTHER LOANS AND BORROWINGS	<u>271</u>	<u>-</u>
NET FINANCIAL POSITION	<u>(332,323)</u>	<u>(357,535)</u>

The Group net financial position (financial receivables and cash and cash equivalents higher than financial payables) at 31 March 2018 was -€332.3 million, compared to -€357.5 million recorded at 31 December 2017 and -€327.0 million at 31 March 2017.

Financial receivables also record the value of Libyan dinars received as a payment on account in Libya and deposited at a local bank while waiting for the activities to recommence (€28.4 million).

The consolidated statement of cash flows for the period ending at 31 March 2018 is shown below:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.03.2017</u>
Opening cash and cash equivalents	327,326	305,586
Profit for the year	21,530	20,003
Share of profits (losses) of equity-accounted investees	(3,663)	(2,759)
Income taxes	7,384	8,943
Italian post-employment and other employee benefits	245	210
Stock grant plans	714	836
Net gains (losses) on the sale of assets	1	(4)
Net financial income	951	(295)
Amortisation, depreciation and impairment losses	3,844	4,527
Accruals to/reversals of provisions for risks	(858)	(774)
Other operating income/expense	393	5,594
Write-downs/reversals of write-downs of inventories and work in progress	2,019	2,588
Gross cash flows from operating activities	32,560	38,868
Change in other operating assets and liabilities	(29,743)	(39,834)
Funds from operations	2,817	(965)
Change in working capital	(22,742)	(7,454)
Cash flows from (used in) operating activities	(19,925)	(8,419)
Cash flow used in ordinary investing activities	(2,345)	(2,548)
Free Operating Cash Flow	(22,270)	(10,967)
Strategic investments	-	-
Other changes in investment activities	6	130
Cash flows used in investing activities	(2,339)	(2,418)
Dividends paid	-	-
Cash flows used in other financing activities	360	(661)
Cash flows used in financing activities	360	(661)
Net exchange rate gains (losses)	(2,941)	(56)
Closing cash and cash equivalents	302,481	294,032

Cash and cash equivalents at 31 March 2018 totalled €302.5 million, up by €8.5 million on the same period of 2017.

The Free Operating Cash Flow (FOCF) before strategic investments totalled €22.3 million, compared to €11.0 million at 31 March 2017.

In line with the agreement signed in December 2017 with the Swedish customer, AB Storstockholms Lokaltrafik (SL), the remaining payments on account totalling around €23.5 million plus VAT (€5.9 million), subsequently recovered in the quarter, and interest (€1.7 million) were returned in January 2018.

NON-IFRS ALTERNATIVE PERFORMANCE INDICATORS

Ansaldo STS's management also assesses the economic and financial performance of the Group and the business units using several 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 expenses. The EBIT does not include income and expenses on non-consolidated equity investments and securities or the gains (losses) on any disposals of consolidated equity investments, classified under "Financial income and expenses" on the financial statements or, for equity investments recorded using the equity method, in the item "Effect of recording equity investments using the equity method".
- **Free Operating Cash Flow (FOCF):** the sum of cash flows generated by (used in) operations 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 investments" given their nature or materiality. The reclassified cash flow statement set out in the previous section shows how the FOCF is arrived at for the periods being compared.
- **Funds From Operations (FFO):** the cash flow generated by (used in) operations, net of changes in working capital. The reclassified cash flow statement set out in the previous section shows how the FFO is arrived at for the periods being compared.
- **Economic Value Added (EVA):** the difference between EBIT net of taxes and the cost of average invested capital of the two periods being compared, calculated using the Weighted Average Cost of Capital (WACC).
- **Operating Working Capital:** comprises trade receivables and payables, inventories, work in progress, payments on account from customers and provisions for risks and charges.
- **Net Working Capital:** operating working capital minus other current assets and liabilities.
- **Net Invested Capital:** the algebraic sum of non-current assets, non-current liabilities and net working capital.
- **Net financial position or debt:** the calculation method complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation EC no. 809/2004.
- **Return on Sales (ROS):** the ratio between EBIT and revenue.
- **Return on Equity (ROE):** calculated as the ratio between the net profit and the average value of equity in the two periods being compared.

- ***Research & Development expense:*** the total expense incurred for research and development, both capitalised and sold. Normally capitalised research costs are those relating to “basic technology”, i.e., aimed at obtaining new scientific know-how and/or techniques applicable to various new products and/or services. Sold research costs are those commissioned by the customers and for which there is a specific sales order. They are recorded in accounts and administered in the same manner as an ordinary supply order (sales contract, profitability, invoicing, advances, etc.).

PERFORMANCE

The market and business situation

New orders at 31 March 2018 totalled around €225 million (€266 million at 31 March 2017).

The key information on each geographical area is provided below:

ITALY

New orders in the period totalled €58 million, including €14 million relating to the framework agreement with RFI for supply of LED signals and €13 million to the contract signed with Trenitalia for the supply of level 2 ETCS on-board units on 116 trains.

REST OF EUROPE

Orders totalled around €44 million and were obtained mainly in France (€24 million) and in Denmark (€10 million).

Orders in France included the contract with RATP for implementation of the OCTYS - *Open Control of Train Interchangeable & Integrated System* (technology based on CBTC) to modernise 14 km of track serving 28 stations on metro line 6 (€18 million).

The orders in Denmark included around €10 million relating to the Copenhagen project, of which around €8 million for activities on the trains by Hitachi Rail Italy.

MIDDLE EAST

New orders in the period totalled around €44 million.

This figure includes €34 million relating to the new O&M contract in JV on the metro serving the Princess Noura University in Riyadh; Ansaldo STS has been working at the site since 2009, when it started with the contract for design and construction of the *driverless* system serving the campus of the largest university for women in the world, which was completed in time in 2012. Over the last 6 years, Ansaldo STS has supported the main contractor for building of the campus in the O&M activities.

A further €10 million relate to variants to the line 3 project.

AMERICAS

New orders in the period totalled around €33 million, of which around €12 million relate to sale of components, maintenance and modernisation of the freight train lines and around €15 million relating to the contract signed with LACMTA for upgrade of the track circuits on line 10 of the Los Angeles metro.

ASIA PACIFIC

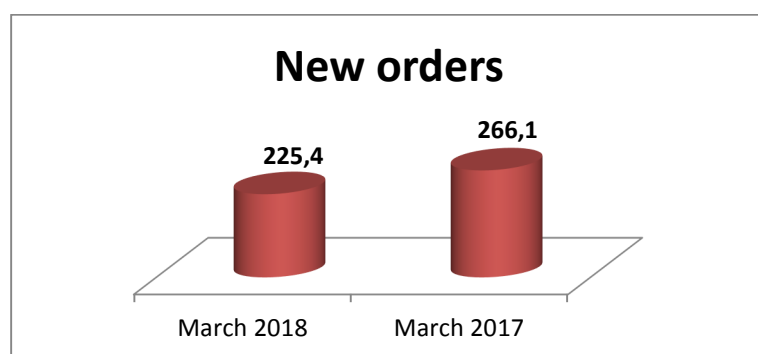
Orders in the period totalled €46 million, of which around € 21million obtained in Australia and relating mainly to variants for the mine and freight transport lines for Rio Tinto (€13 million).

Orders in the Far East totalled around €19 million, including €7 million relating to the contract signed with Shanghai Metro in partnership with CASCO for the supply of the track circuits on 31 new trains of line 2 of the Shanghai metro.

The key orders acquired in the first quarter of 2018 are as follows:

Country	Project	Customer	Amount (€m)
Saudi Arabia	Riyadh O&M (PNU)	Princess Noura Bint Abdulrahman University	34
France	OCTYS L6	RATP	18
USA	Los Angeles replacement of track circuits	LACMTA	15
Australia	Rio Tinto – Order variants	Rio Tinto	13
Various EU / Asia	Components	Various	23
Various EU / Asia	Service & Maintenance	Various	16
USA	Components	Various	12

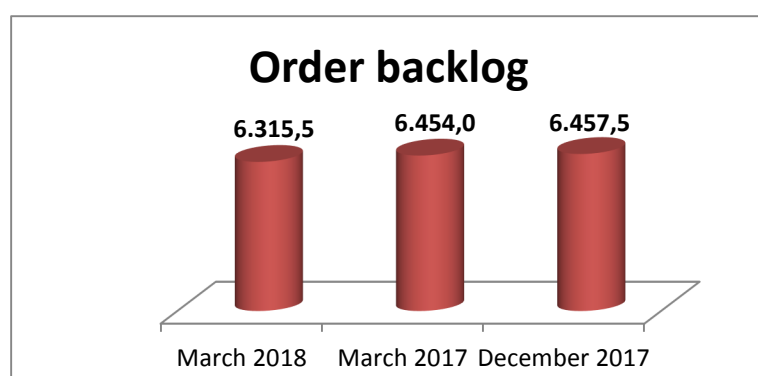
New orders in the first three months of 2018 and 2017 (€m)



The order backlog totalled €6,315.5 million at 31 March 2018, compared to €6,457.5 million at 31 December 2017, down by €142 million (€6,454.0 million at 31 March 2017).

The total value of the order backlog includes €426.7 million relating to the Libya project, which is still suspended due to the social and political situation in the country.

Order backlog at 31 March 2018 and 2017 (€m) and December 2017



Business performance

Total value of production in the first quarter of 2018 totalled €318 million (€299 million at 31 March 2017).

The key information on each geographical area is provided below:

ITALY

RAILWAYS:

Activities here related mainly to the technological upgrade of the Turin-Padua Line to meet milestone 6.1 envisaged in the second quarter.

Design and procurement activities continued on the Florence-Rome direct line and the impacts of the changes to the working methods requested by the customer are currently being assessed.

NAPLES METRO LINE 6:

Civil and plant engineering work on the Mergellina-Municipio section continued according to the timetable. The first issue of the on-board equipment safety report was produced in February 2018.

ROME METRO LINE C:

Excavations are underway for construction of section T3 (from San Giovanni to Fori Imperiali), but have been slowed down by the discovery of archaeological finds. Pre-operation of the San Giovanni station has started, however.

The economic and financial disputes over Metro C with the customer are still ongoing and there were no significant changes in the period.

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 warranty stage. There have been delays in obtaining the inspection certificates, but the technical aspects are currently being resolved and the contractual aspects are being discussed.

MILAN METRO LINE 4:

Engineering and procurement activities continued during the period, initial access to the line was issued and installation activities are underway in the Expo section.

A new works timetable with partial opening of the line and extension of the overall contract times is currently in the process of approval.

REST OF EUROPE

TURKEY:

For the Mersin-Toprakkale project, preliminary activities for commissioning of the ETCS Level 1 system of Multistations 1 to 8 are continuing.

GREECE:

Design and procurement activities for the technological systems are continuing for construction of the Salonicco metro and installation activities have started.

DENMARK:

Planning work on the Copenhagen Cityringen metro line continued in Denmark.

Installation and testing activities continued on the suburban sections of the tramway in the city of *Aarhus*, despite delays in the revised timetable.

SWEDEN:

For the *Red Line* project of the Stockholm metro, Ansaldo STS Sweden filed a petition for arbitration against SL at the SCC Arbitration Institute in April 2018 and appointed its own arbitrator.

GREAT BRITAIN:

Design and procurement activities of the technological systems of the Glasgow metro and the Ferriby-Gilberdyke railway line continued in Great Britain, despite delays in the timetable.

BELGIUM:

Design and procurement activities of the technological systems for the technological renewal of the signalling system on lines 1 to 5 of the Brussels metro continued in Belgium, despite delays in the timetable.

NORTH AFRICA AND MIDDLE EAST

SAUDI ARABIA:

Activities for the Riyadh Metro Line 3 project continued in Saudi Arabia, despite delays in completion of the civil works with respect to the revised timetable.

Ansaldo STS is participating, as part of a joint venture, in the call for tenders for management and maintenance of the Riyadh metro.

LIBYA:

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

AMERICA

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 and testing activities are underway for the MBTA PTCS (*Positive Train Control System*) project in Boston; there are currently both technical and contractual critical issues and problems in relations with the customer and the Company is preparing appropriate corrective actions.

Materials design and procurement activities are continuing for the technical renewal project of the signalling system on the Media Sharon Hill in Philadelphia, despite delays in the work timetable.

Design activities relating to the MTA project in Baltimore for installation of a CBTC system on the existing line are also in progress.

PERU:

The design of phase 1B for construction of line 2 and a branch of line 4 of the Lima metro are in the approval stage; at the same time, the civil works continue to be adversely affected by the huge delays produced by the difficulty in acquiring the areas to expropriate, which also impacts on activities within the scope of work of Ansaldo STS.

The concessionaire has started arbitration against the contracting party at the ICSID (*International Center for Settlement of Investment Disputes*) in Washington, in order to obtain recognition of the expenses relating to said delays and changes in the construction sequence, and also work not included in the technical bid.

There have been significant slowdowns in negotiation of the *Adenda 2* variant, due to resignation of the government and the consequent inaction of ministerial structures. Settlement of the *Adenda 2* issue, which also involves a review of the work performance times, will have a major impact on re-determination of the complex project financing mechanism.

ASIA PACIFIC

TAIWAN:

Activities relating to construction of the *Circular Line* of the Taipei metro continue. The delays accumulated by the civil works contractors have heavily impacted the construction times of the

metro, and these delays are currently being discussed with the customer. Installation activities continued, while activities relating to the deposit were completed and dynamic tests are currently being performed on the line.

Engineering and procurement activities are also underway in Taipei for the project relating to construction of the new San-Ying metro line.

CHINA:

Upgrading of the CBTC lines continues with the installation of the new CBTC software version, improved in terms of performance compared to the one currently installed.

INDIA:

Design and production activities for the Metro Calcutta project are proceeding according to schedule. The on-board equipment of the first two trains of the fleet was delivered in January.

Detailed design and production activities for the Noida metro project are close to completion, while the pre-commissioning tests on the first *ATP* phase of the project are continuing with difficulties.

AUSTRALIA:

Production in Australia is focused principally on the AutoHaul project, part of the *Framework Agreement* with Rio Tinto (RAFA), in which the software upgrade and installation activities on locomotives and testing of the system on the line continued.

The project is expected to be completed in the second half of 2018 and negotiations for the *Operations & Maintenance* are in progress.

MALAYSIA:

Materials design and procurement activities for the *Klang Valley Double Track* (KVDT) project continue in Malaysia.

KEY EVENTS OF AND AFTER THE REPORTING PERIOD

RATP (Régie Autonome des Transports Parisiens), the operator of the Paris metro, has awarded Ansaldo STS a contract worth €17.6 million for implementation of the OCTYS - Open Control of Train Interchangeable & Integrated System system (technology based on CBTC) to modernise 14 km of track serving 28 stations on metro line 6.

The project forms part of the "Metro 2030" strategic project started by RATP to modernise the metro operating systems, with development of digital technologies on the Paris metro. The CBTC of Ansaldo STS has been operational on line 3 since the end of 2012 and offers maximum performance by reducing breakages significantly and increasing operating efficiency.

With reference to the "System Delivery Agreement" signed on 3 November 2010 between Ansaldo STS Sweden and AB Storstockholms Lokaltrafik (SL) for upgrade of the signalling system on the "Red Line" of the Stockholm metro, following unilateral termination of the agreement by SL on 7 November 2017, Ansaldo STS Sweden filed a petition for arbitration against SL at the SCC Arbitration Institute in early April 2018 and appointed its own arbitrator.

Ansaldo STS Sweden has taken this action in order to ask the court of arbitration to establish that unilateral termination of the agreement is groundless, which is a breach of contract, and that Ansaldo STS is entitled to compensation.

FINANCIAL DISCLOSURE

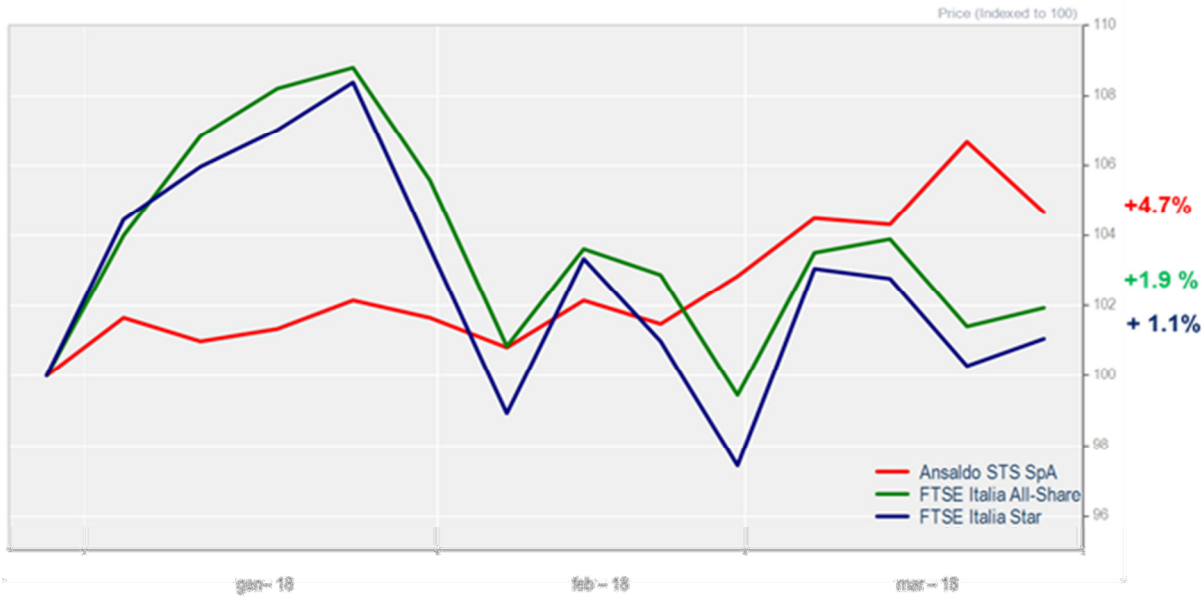
The official share price in the period from 31 December 2017 to 31 March 2018 rose from €12.00 to €12.56, up 4.7%.

The share's period high of €12.80 was recorded on 23 March 2018 and its low of €12.01 on 2 January 2018.

An average 137,437 shares were traded daily in the period, compared to 61,923 shares traded in the corresponding period of 2017.

The FTSE Italia All-Share index gained 1.9% during the period, while the FTSE Italia STAR index gained 1.1%.

Share performance compared to the main indices (base 100)



1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Income statement

<i>(€ thousand)</i>	Quarter ending at 31 March			
	<i>2018</i>	<i>of which, related parties</i>	<i>2017</i>	<i>of which, related parties</i>
Revenue	318,493	12,160	299,142	14,274
Other operating income	8,712	371	4,231	320
Purchases	(80,082)	(4,284)	(73,830)	(3,578)
Services	(127,791)	(13,980)	(111,673)	(16,238)
Personnel expense	(88,500)	-	(88,183)	-
Amortisation, depreciation and impairment losses	(3,844)	-	(4,527)	-
Other operating expense	(3,342)	-	(2,753)	-
Changes in finished goods, work-in-progress and semi-finished products	2,414	-	2,665	-
(-) Internal work capitalised	143	-	820	-
Operating profit (EBIT)	26,203		25,892	
Financial income	6,811	-	6,873	-
Financial expenses	(7,763)	-	(6,578)	-
Share of profits (losses) of equity-accounted investees	3,663	-	2,759	-
Pre-tax profit	28,914		28,946	
Income taxes	(7,384)	-	(8,943)	-
Profit (losses) from discontinued operations	-	-	-	-
Profit for the period	21,530		20,003	
<i>attributable to the owners of the parent</i>	<i>21,544</i>		<i>20,008</i>	
<i>attributable to non-controlling interests</i>	<i>(14)</i>		<i>(5)</i>	
Earnings per share				
<i>Basic and diluted</i>	0.11		0.10	

1.2 Consolidated statement of comprehensive income

<i>(€ thousand)</i>	Quarter ending at 31 March	
	2018	2017
Profit for the period	21,530	20,003
<u>Items that will not be reclassified to profit or loss:</u>		
- Net actuarial losses on defined benefit plans	196	(215)
- Income tax	(56)	61
	<u>140</u>	<u>(154)</u>
 <u>Items that will or may be reclassified to profit or loss:</u>		
- Net change in fair value of cash flow hedges	(588)	597
- Net exchange rate gains (losses)	(8,258)	529
- Income tax	190	(127)
	<u>(8,656)</u>	<u>999</u>
 Other comprehensive income (expense), net of taxes	<u>(8,516)</u>	<u>845</u>
 Total comprehensive income for the period	<u>13,014</u>	<u>20,848</u>
 Attributable to:		
- the owners of the parent	13,027	20,854
- non-controlling interests	(13)	(6)

1.3 Consolidated statement of financial position

<i>(€ thousand)</i>	<i>31.03.2018</i>	<i>of which, related parties</i>	<i>31.12.2017</i>	<i>of which, related parties</i>
ASSETS				
<i>Non-current assets</i>				
Intangible assets	46,592	-	47,505	-
Property, plant and equipment	84,491	-	85,349	-
Equity investments	82,693	-	78,753	-
Loans and receivables	43,463	26,012	43,456	25,627
Deferred tax assets	45,662	-	36,213	-
Other non-current assets	13,307	-	13,794	-
	316,208		305,070	
<i>Current assets</i>				
Inventories	119,703	-	110,995	-
Contract work in progress	443,353	-	379,590	-
Trade receivables	719,319	41,909	736,664	55,208
Tax assets	33,289	-	35,782	-
Loan assets	31,166	-	30,633	232
Other current assets	94,206	4	84,386	21
Cash and cash equivalents	302,481	-	327,326	-
	1,743,517		1,705,376	
Non-current assets held for sale	-	-	-	-
Total assets	2,059,725		2,010,446	
EQUITY AND LIABILITIES				
<i>Equity and liabilities</i>				
Share capital	99,936	-	100,000	-
Reserves	620,491	-	628,892	-
<i>Equity attributable to the owners of the parent company</i>	720,427		728,892	
<i>Equity attributable to Non-controlling interests</i>	88	-	101	-
Total Equity	720,515		728,993	
<i>Non-current Liabilities</i>				
Employee benefits	37,799	-	37,572	-
Deferred tax liabilities	8,648	-	8,830	-
Other non-current liabilities	13,974	-	14,378	-
	60,421		60,780	
<i>Current Liabilities</i>				
Progress payments and advances from customers	720,883	-	683,036	-
Trade payables	426,590	23,046	413,639	29,873
Loans and borrowings	1,324	-	424	-
Tax Liabilities	8,755	-	6,021	-
Provisions for risks and charges	15,768	-	15,967	-
Other current liabilities	105,469	410	101,586	410
	1,278,789		1,220,673	
Total liabilities	1,339,210		1,281,453	
Total liabilities and equity	2,059,725		2,010,446	

1.4 Statement of cash flows

<i>(€ thousand)</i>	31.03.2018	<i>of which, related parties</i>	31.03.2017	<i>of which, related parties</i>
<i>Cash flows from operating activities:</i>				
Profit for the year	21,530	-	20,003	-
Share of profits (losses) of equity-accounted investees	(3,663)	-	(2,759)	-
Income taxes	7,384	-	8,943	-
Italian post-employment and other employee benefits	245	-	210	-
Stock grant plans	714	-	836	-
Net gains (losses) on the sale of assets	1	-	(4)	-
Net financial income	951	-	(295)	-
Amortisation, depreciation and impairment losses	3,844	-	4,527	-
Accruals to/reversals of provisions for risks	(858)	-	(774)	-
Other operating income/expense	393	-	5,594	-
Write-downs/reversals of write-downs of inventories and work in progress	2,019	-	2,588	-
<i>Gross cash flows from operations</i>	<u>32,560</u>		<u>38,868</u>	
Inventories	(9,041)	-	(4,163)	-
Work in progress and progress payments and advances from customers	14,249	-	12,900	-
Trade receivables and payables	(27,950)	(20,126)	(16,191)	(11,972)
<i>Changes in working capital</i>	<u>(22,742)</u>		<u>(7,454)</u>	
Changes in other operating assets and liabilities	(31,273)	(17)	(32,643)	5
Net interest paid	4,032	-	(2,962)	-
Income taxes paid	(2,502)	-	(4,228)	-
Cash flows from (used in) operating activities	<u>(19,925)</u>		<u>(8,419)</u>	
<i>Cash flows from investing activities:</i>				
Acquis./adjust. of equity investments, net of cash acquired	-	-	-	-
Investments in property, plant and equipment and intangible assets	(2,345)	-	(2,548)	-
Strategic investments	-	-	-	-
Sales of equity investments	59	-	(79)	-
Sales of property, plant and equipment and intangible assets	(53)	-	209	-
Changes in non-current financial assets	-	-	-	-
Dividends received	-	-	-	-
Other investments	-	-	-	-
Cash flows produced by (used in) investment activities	<u>(2,339)</u>		<u>(2,418)</u>	
<i>Cash flows from financing activities:</i>				
Net change in other financing activities	360	-	(661)	-
Share capital increase	-	-	-	-
Other changes	-	-	-	-
Dividends paid	-	-	-	-
Cash flows produced by (used in) financing activities	<u>360</u>		<u>(661)</u>	
Net increase (decrease) in cash and cash equivalents	(21,904)	-	(11,498)	-
Net exchange rate gains (losses)	(2,941)	-	(56)	-
Opening cash and cash equivalents	327,326	-	305,586	-
Closing cash and cash equivalents	<u>302,481</u>		<u>294,032</u>	

1.5 Statement of changes in equity

(€ thousand)	Share capital	Retained earnings and consolidation reserves	Cash flow hedging reserve	Stock grant reserve	Translation reserve	Other reserves	Total Group equity	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 scope of consolidation and companies recorded with the equity method	-	(3,695)	-	-	-	-	(3,695)	-	(3,695)
Net change in stock grant reserve	-	-	-	559	-	-	559	-	559
Other items of comprehensive income, net of taxes	-	-	597	-	530	(281)	846	(1)	845
Other changes	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period ending at 31 March 2017	-	20,008	-	-	-	-	20,008	(5)	20,003
Equity at 31 March 2017	100,000	560,764	3,639	8,674	37,285	14,982	725,344	214	725,558
Equity at 1 January 2018	100,000	605,335	1,432	7,698	(83)	14,510	728,892	101	728,993
Change in scope of consolidation and companies recorded with the equity method	-	4,167	-	-	(2,083)	-	2,084	-	2,084
Net change in stock grant reserve	-	-	-	(1,009)	-	-	(1,009)	-	(1,009)
Other items of comprehensive income, net of taxes	-	-	(588)	-	(8,259)	330	(8,517)	1	(8,516)
Net change in treasury shares	(64)	-	-	-	-	-	(64)	-	(64)
Other changes	-	(31,852)	-	-	-	9,349	(22,503)	-	(22,503)
Profit (Loss) for the period ending at 31 March 2018	-	21,544	-	-	-	-	21,544	(14)	21,530
Equity at 31 March 2018	99,936	599,194	844	6,689	(10,425)	24,189	720,427	88	720,515

2 Notes to the condensed interim consolidated financial statements at 31 March 2018

2.1 General information

The registered office of the parent company Ansaldo STS S.p.A., a joint-stock company, is 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 subscribed and fully paid-up share capital amounts to €100,000,000.00 and is represented by 200,000,000 ordinary shares, with a par value of €0.50 each.

In March 2018, the company purchased 128,124 treasury shares, equal to 0.06% of the total shares representing the capital, to service the 2015 instalment of the management incentive plan called "Stock Grant Plan 2014-2016". These shares will be allocated in April 2018 according to the regulations of the plan.

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..

Moreover, 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").

2.2 Basis for preparation

The Interim Financial Report of the Ansaldo STS Group as at 31 March 2018 has been prepared in accordance with the requirements of Art. 154 ter p.5 of Leg. Decree no. 58/98 - T.U.F. (Finance Laws Consolidation Act) - and subsequent amendments and additions, and has been prepared in

compliance with IAS 34 “Interim Financial Reporting”, issued by the *International Accounting Standard Board* (IASB).

This Interim financial report as at 31 March 2018 was approved and authorised for publication by the Board of Directors in the times and with the methods required by current legislation in the meeting held on 9 May 2018.

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. This condensed Interim consolidated financial report should, therefore, be read in conjunction with the 2017 Annual consolidated financial statements.

The same accounting standards and preparation criteria used for the Consolidated financial statements at 31 December 2017 have been adopted to prepare the condensed Interim consolidated financial report, with the following exceptions.

In detail, in the section “New IFRS and interpretations of the IFRIC” of the Consolidated financial statements as at 31 December 2017, IFRS 15 and IFRS 9 were adopted from 1 January 2018 for the Group.

The new standard IFRS 15 was applied to the Group starting in 2018 and the *Cumulative Effect Method* has been used to record prior impacts. 2017 revenue recorded according to IAS 11 and IAS18 have therefore not been restated, but an adjustment to Work in progress on orders and Payments on account from customers has been recorded, with profits or losses reserve as contra-entry which therefore impacts directly on equity.

The difference in revenue for current contracts at 31 December 2017, calculated as if the new standard IFRS15 had always been applied, has therefore been recorded in accounts at 1 January 2018 in a reserve for profits/losses carried forward due to a change in the accounting standard for a total of around -€32 million (as a reduction of equity), with a reduction in Work in progress on orders and Payments on account from customers as the contra-entry.

Deferred tax assets and/or deferred taxes have been recorded on this impact, with a contra-entry of shareholders' equity totalling around €9 million (as an increase in shareholders' equity).

In order to provide complete information, it is noted that if the Group had continued to apply IAS 11 in the first quarter of 2018, the positive impact on revenue and the operating result would have been around €1.5 million.

There were no impacts from first application of the new standard IFRS 9.

For further details, see the section “New IFRS and interpretations of the IFRIC” in the Consolidated financial statements as at 31 December 2017.

All values are shown in thousands or millions of Euro, unless stated otherwise.

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

2.3 Consolidation scope

This condensed Interim consolidated financial report includes the interim financial statements as at 31 March 2018 of the companies/entities in the consolidation scope (the “consolidated entities”), drafted pursuant to the IFRS-EU accounting standards applied by Ansaldo STS Group. The consolidated entities are listed below, showing the Group’s related direct or indirect interest therein:

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

NAME	DIRECT/INDIRECT CONTROL	REGISTERED OFFICE	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)	7,732	CNY	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	Kingston (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)	10,250	CNY	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0.1	BWP	100

Companies measured using the equity method

NAME	DIRECT/INDIRECT CONTROL	REGISTERED OFFICE	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	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	% HELD
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	21.26
Società Tram di Firenze S.p.A.	Direct	Florence (Italy)	12,000	EUR	2.418
Iricav Uno consortium	Direct	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Direct	Rome (Italy)	510	EUR	17.05
Ferrovioario 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 (in Liq.)	Direct	Naples (Italy)	2,377	EUR	1.00
Ascosa Quattro consortium	Direct	Rome (Italy)	57	EUR	24.92
Siit S.C.p.A.	Direct	Genoa (Italy)	600	EUR	2.33
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)	93	EUR	1.11
MM4 consortium	Direct	Milan (Italy)	200	EUR	17.68
Radiolabs consortium	Direct	Rome (Italy)	258	EUR	20.02
SPV M4 S.p.A.	Direct	Milan (Italy)	49,345	EUR	5.55
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.c.a.r.l.	Direct	Naples (Italy)	80	EUR	5.29
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
MetroB S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47

*The company was incorporated in the bid phase and will be used as the vehicle for billing the contract acquired in Baltimore. Since the company is jointly controlled, the balances on the relative financial statements are consolidated directly by the respective partners.

During 2017, the board of directors approved winding-up of the company Ansaldo STS Do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA (a company directly participated by Ansaldo STS S.p.A. with a 99.99% stake and by Ansaldo STS USA International Co. with a 0.01% stake). It was incorporated to participate in the call for tenders for construction of the Fortaleza metro, which was not awarded to the company. Since there are no further business opportunities in the country in the short term, it has been decided to proceed with liquidation.

Also in 2017, cancellation from the Botswana tax registers and consequent winding-up of the company Ansaldo STS Southern Africa Pty Ltd was approved, since the entire order backlog has been completed.

2.4 Exchange rates adopted

The following exchange rates were applied to translate financial statements and balances reported in the financial statements as at 31 March 2018 and 2017 into Euro:

	Rate at 31/03/2018	Average rate for the quarter ending at 31/03/2018	Rate at 31/03/2017	Average rate for the quarter ending at 31/03/2017
USD	1.23210	1.22916	1.06910	1.06475
CAD	1.58950	1.55416	1.42650	1.40921
GBP	0.87490	0.88313	0.85553	0.85941
HKD	9.66960	9.62116	8.30740	8.26361
SEK	10.28430	9.97412	9.53220	9.50387
AUD	1.60360	1.56399	1.39820	1.40528
INR	80.29600	79.13309	69.39650	71.30609
MYR	4.76580	4.82312	4.73130	4.73404
BRL	4.09380	3.99184	3.38000	3.34642
CNY	7.74680	7.81425	7.36420	7.33483
BWP	11.72310	11.82160	11.23480	11.13690
ZAR	14.62100	14.70308	14.24040	14.08250
KZT	393.27000	397.31729	335.77700	343.24935
JPY	131.15000	133.13212	119.55000	121.03482
AED	4.52490	4.51410	3.92467	3.90869
KRW	1,310.89000	1,317.58065	1,194.54000	1,227.38823

3 Segment Reporting

Group revenue is assessed by geographical area below:

<i>(€ thousand)</i>	31/03/2018	31/03/2017
Italy	76,235	55,719
Rest of Europe	87,818	98,859
North Africa and Middle East	24,625	25,727
Americas	76,945	77,187
Asia/Pacific	52,870	41,650
Total	318,493	299,142

Non-current property, plant and equipment and intangible assets are shown by geographical location below:

<i>(€ thousand)</i>	31/03/2018	31/12/2017
Italy	103,336	104,149
Rest of Europe	14,440	14,620
North Africa and Middle East	1,399	1,584
Americas	10,071	10,530
Asia/Pacific	1,837	1,971
Total	131,083	132,854

4 Notes to the condensed interim consolidated financial statements as at 31 March 2018

Related party assets and liabilities

Business transactions with related parties generally take place under arm's length conditions. The relevant statement of financial position balances are shown below. The effect on cash flows of related-party transactions is reported directly on the consolidated cash flow statement.

<i>FINANCIAL ASSETS AT 31.03.2018</i>	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
<i>(€ thousand)</i>						
<u>Parent company</u>						
Hitachi Rail Europe LTD	-	-	-	10	-	10
Hitachi LTD (Rail)	-	-	-	219	-	219
<u>Subsidiaries</u>						
Alifana Due S.c.a.r.l.	-	-	-	1,926	-	1,926
<u>Associated companies</u>						
Metro Service A.S.	-	-	-	725	-	725
Metro de Lima Linea 2 S.A.	-	466	-	-	-	466
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	387
Metro 5 S.p.A.	-	19,116	-	1,519	-	20,635
SPV Linea M4 S.p.A.	-	6,248	-	-	-	6,248
<u>Consortia and Consortium Companies</u>						
Saturno consortium	-	-	-	9,929	-	9,929
Ascosa Quattro consortium	-	-	-	1,275	-	1,275
Ferroviano Vesuviano consortium	-	-	-	855	-	855
MM4 consortium	-	182	-	19,738	-	19,920
San Giorgio Volla Due consortium	-	-	-	1,156	4	1,160
San Giorgio Volla consortium	-	-	-	1,421	-	1,421
<u>Fellow subsidiaries</u>						
Hitachi Rail Italy S.p.A.	-	-	-	2,406	-	2,406
Hitachi Rail Inc.	-	-	-	343	-	343
Total	-	26,012	-	41,909	4	67,925
Related parties as percentage of total		60%		6%	0.004%	

<i>FINANCIAL ASSETS AT 31.03.2017</i>	Non-current loan assets	Other non- current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
<i>(€ thousand)</i>						
<u>Parent company</u>						
Hitachi Ltd (Rail)	-	-	-	114	17	131
<u>Subsidiaries</u>						
Alifana Due S.c.a.r.l.	-	-	-	341	-	341
<u>Associated companies</u>						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	387
Metro 5 S.p.A.	-	19,285	-	5,937	-	25,222
Metro Service A.S.	-	-	-	1,705	-	1,705
SP M4 S.C.p.A. (in liq.)	-	-	232	-	-	232
SPV Linea M4 S.p.A.	-	6,160	-	-	-	6,160
Metro Brescia S.r.l.	-	-	-	522	-	522
<u>Consortia and Consortium Companies</u>						
Saturno consortium	-	-	-	11,903	-	11,903
Ascosa Quattro consortium	-	-	-	1,280	-	1,280
Ferroviano Vesuviano consortium	-	-	-	2,085	-	2,085
MM4 consortium	-	182	-	23,924	-	24,106
San Giorgio Volla Due consortium	-	-	-	786	4	790
San Giorgio Volla consortium	-	-	-	1,421	-	1,421
<u>Fellow subsidiaries</u>						
Hitachi Rail Inc.	-	-	-	997	-	997
Hitachi India Pvt Ltd Rail Systems Co.	-	-	-	1,042	-	1,042
Hitachi Rail Italy S.p.A.	-	-	-	2,764	-	2,764
Total	-	25,627	232	55,208	21	81,088
Related parties as percentage of total		59%	1%	7%	0.02%	

**FINANCIAL LIABILITIES AT
31.03.2018**

	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
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(€ thousand)

Parent company

Hitachi Rail Europe LTD	-	-	-	-	-	-
Hitachi Ltd (Rail)	-	-	-	394	-	394

Subsidiaries

Alifana S.c.r.l.	-	-	-	-	3	3
Alifana Due S.c.a.r.l.	-	-	-	1,559	-	1,559

Associated companies

Metro Service A.S.	-	-	-	7,922	-	7,922
MetroB S.r.l.	-	-	-	-	370	370
Pegaso S.c.r.l. (in liq.)	-	-	-	83	-	83

Consortia and Consortium Companies

Saturno consortium	-	-	-	1,281	-	1,281
Ascosa Quattro consortium	-	-	-	881	8	889
MM4 consortium	-	-	-	152	-	152
Ferrovio Vesuviano consortium	-	-	-	64	21	85
San Giorgio Volla consortium	-	-	-	5	8	13
M4 consortium	-	-	-	157	-	157
Cris consortium	-	-	-	4	-	4

Fellow subsidiaries

Hitachi Systems CBT S.p.A.	-	-	-	883	-	883
Hitachi Rail Italy S.p.A.	-	-	-	9,661	-	9,661

Total	-	-	-	23,046	410	23,456
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Related parties as percentage of total

5%

0.4%

**FINANCIAL LIABILITIES AT
31.03.2017**

(€ thousand)

	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	-	-	-	51	-	51
Subsidiaries						
Alifana S.c.r.l.	-	-	-	134	3	137
Alifana Due S.c.a.r.l.	-	-	-	157	-	157
Associated companies						
Metro Service A.S.	-	-	-	6,842	-	6,842
SPV M4 S.p.A.	-	-	-	157	-	157
MetroB S.r.l.	-	-	-	-	370	370
Pegaso S.c.a.r.l. (in liq.)	-	-	-	83	-	83
Consortia and Consortium Companies						
Saturno consortium	-	-	-	968	-	968
Ascosa Quattro consortium	-	-	-	885	8	893
Ferroviano Vesuviano consortium	-	-	-	64	21	85
San Giorgio Volla consortium	-	-	-	5	8	13
MM4 consortium	-	-	-	161	-	161
Fellow subsidiaries						
Hitachi Systems CBT S.p.A.	-	-	-	937	-	937
Hitachi Rail Italy S.p.A.	-	-	-	19,429	-	19,429
Total	-	-	-	29,873	410	30,283

Related parties as percentage of total

7%

0.4%

Trade receivables from related parties amounted to €41,909 thousand at 31 March 2018, down by €13,299 thousand compared to 31 December 2017, mainly due to the collection of open positions with the MM4, Saturno and Metro 5 S.p.A. consortia.

Trade payables from related parties amounted to €23,046 thousand at 31 March 2018, down by €6,827 thousand compared to 31 December 2017, mainly due to lower payables to Hitachi Rail Italy S.p.A.

Non-current assets

Non-current assets totalled €316,208 thousand at 31 March 2018, as follows:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.12.2017</u>
Intangible assets	46,592	47,505
Property, plant and equipment	84,491	85,349
Equity investments	82,693	78,753
Loans and Receivables	43,463	43,456
Deferred tax assets	45,662	36,213
Other non-current assets	13,307	13,794
Total	<u>316,208</u>	<u>305,070</u>

In detail:

- intangible assets amounted to €46,592 thousand and mainly include goodwill (€34,569 thousand). Capitalisations and acquisitions for the period amounted to €352 thousand and depreciation totalled €1,249 thousand;
- property, plant and equipment amounted to €84,491 thousand and essentially refer to properties owned by the Parent Company. Capitalisations and acquisitions for the period amounted to €2,003 thousand and depreciation totalled €2,481 thousand;
- equity investments amounted to €82,693 thousand and increased by €3,940 thousand compared to 31 December 2017, mainly as the result of valuation using the equity method of Metro 5 S.p.A. (€3,970 thousand), Metro Brescia S.r.l. (€328 thousand) and the JV Balfour Beatty Ansaldo Systems JV SDN BHD (€677 thousand), partially offset by the reduction in value of International Metro Service S.r.l. (€1,035 thousand) due to distribution of a dividend;
- non-current receivables of €43,463 thousand were substantially in line with the balance at 31 December 2017;
- deferred tax assets amounted to €45,662 thousand, up by €9,449 thousand due to recording of deferred tax assets deriving from application of the new accounting standard IFRS 15 (€9,349 thousand);
- other non-current assets amounted to €13,307 thousand, with a decrease of €487 thousand, mostly due to reversal of the non-current prepayment on the trademark.

Non-current Liabilities

Non-current liabilities totalled €60,421 thousand at 31 March 2018, as follows:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.12.2017</u>
Employee benefits	37,799	37,572
Deferred tax liabilities	8,648	8,830
Other non-current liabilities	13,974	14,378
Total	<u>60,421</u>	<u>60,780</u>

In detail:

- the employee benefits, which include the Italian severance indemnity and other employee benefit obligations, increased by €227 thousand to €37,799 compared to 31 December 2017;
- deferred tax liabilities decreased by €182 thousand to €8,648 thousand.

Inventories

Inventories totalled €119,703 thousand at 31 March 2018, as follows:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.12.2017</u>
Raw materials, consumables and supplies	24,798	22,720
Work-in-progress and semi-finished products	13,910	11,799
Finished goods	9,795	9,915
Advances to suppliers	71,200	66,561
Total	<u>119,703</u>	<u>110,995</u>

There was a net increase of €8,708 thousand compared to 31 December 2017 in the reporting period, essentially as a result of higher payments on account to suppliers linked to a project for which the payment on account from the customer has been recorded in accounts.

Work in progress, net of payments on account

Work-in-progress, net of payments on account, was negative and totalled €277,530 thousand, as follows:

<i>(€ thousand)</i>	<u>31.03.2018</u>	<u>31.12.2017</u>
Advances from customers	(27,618)	(63,090)
Progress payments	(1,278,046)	(1,238,554)
Work in progress	1,789,218	1,719,784
Provisions for loss-making contracts	(8,378)	(10,597)
Provisions for write-down of work in progress	(31,823)	(27,953)
Work in progress (net)	<u>443,353</u>	<u>379,590</u>
Advances from customers	(268,929)	(266,885)
Progress payments	(2,614,702)	(2,610,525)
Work in progress	2,195,906	2,231,603
Provisions for loss-making contracts	(8,773)	(10,079)
Provisions for write-down of work in progress	(24,385)	(27,150)
Advances from customers (net)	<u>(720,883)</u>	<u>(683,036)</u>
Work in progress, net of payments on account	<u>(277,530)</u>	<u>(303,446)</u>

As a result of adoption of the new accounting standard IFRS 15, work in progress for some projects at 1 January 2018 has been recalculated with a total impact of around € -32 million considering the amount of €-303 million recorded at the end of 2017.

The total value of work in progress net of payments on account increased by €25,916 thousand, due to production which was higher than the amount invoiced, the reduction in payments on account from customers caused by return of the residual payment on account of around €24 million to the Swedish customer AB Storstockholms Lokaltrafik (SL) in January 2018 and to the impact of the new accounting standard described above.

Trade receivables and payables

Trade receivables and payables at 31 March 2018 are shown below:

<i>(€ thousand)</i>	<u>31.03.2018</u>		<u>31.12.2017</u>	
	<i>Receivables</i>	<i>Payables</i>	<i>Receivables</i>	<i>Payables</i>
Third parties	677,410	403,544	681,456	383,766
Related parties	41,909	23,046	55,208	29,873
Total	<u>719,319</u>	<u>426,590</u>	<u>736,664</u>	<u>413,639</u>

A decrease was recorded in the total amount of trade receivables (€17,345 thousand) and in the total amount of trade payables (€12,951 thousand) compared to the previous year-end balances.

Receivables and payables with related parties decreased, as already mentioned.

Provisions for risks and charges

Provisions for risks and charges amounted to €15,768 thousand at 31 March 2018 and were substantially in line with the figure recorded at 31 December 2017 (€15,967 thousand).

Other assets/liabilities

The value of other current net assets(liabilities) at 31 March 2018 was negative and amounted to €11,263 thousand, as follows:

<i>(€ thousand)</i>	31.03.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
Prepaid expenses - current portions	9,218	-	9,040	-
Research grants	18,937	-	18,130	-
Employees	2,448	41,034	2,361	34,777
Social security institutions	19	15,752	32	16,032
Indirect and other tax assets	43,880	10,625	33,906	13,563
Derivatives	10,085	2,267	10,715	2,740
Other assets / Other liabilities	9,615	35,381	10,181	34,064
Total other assets	94,202	105,059	84,365	101,176
Other receivables from related parties	4	410	21	410
Total	94,206	105,469	84,386	101,586

Details of the main items are set out below:

- prepayments amounted to €9,218 thousand, in line with the value at 31 December 2017, and relate mainly to prepayment of insurance premiums and commission on guarantees;
- net liabilities at the end of the period to employees amounted to €38,586 thousand and increased by €6,170 thousand compared to 31 December 2017, due to the deferred remuneration recognised in the period;
- net indirect and other tax assets amounted to €33,255 thousand, compared to €20,343 thousand at 31 December 2017; the increase is basically due to higher VAT credit of the parent company;
- other liabilities of €25,766 thousand increased by €1,883 thousand from €23,883 thousand at 31 December 2017.

Financial disclosure

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

<i>(€ thousand)</i>	<u><i>31.03.2018</i></u>	<u><i>31.12.2017</i></u>
A Cash in hand	128	115
B Other cash and cash equivalents (bank current accounts)	302,353	327,211
C Securities held for trading	-	-
D CASH AND CASH EQUIVALENTS (A+B+C)	<u>302,481</u>	<u>327,326</u>
E CURRENT LOAN ASSETS	<u>31,166</u>	<u>30,633</u>
F Current bank loans and borrowings	-	-
G Current portion of non-current loans and borrowings	-	-
H Other current loans and borrowings	1,324	424
I CURRENT FINANCIAL DEBT (F+G+H)	<u>1,324</u>	<u>424</u>
J NET CURRENT FINANCIAL POSITION (I-E-D)	<u>(332,323)</u>	<u>(357,535)</u>
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)	<u>-</u>	<u>-</u>
O NET FINANCIAL POSITION (J+N)	<u>(332,323)</u>	<u>(357,535)</u>

Analysis of the income statement

Impact of related party transactions on profit or loss

Business transactions with related parties generally take place under arm's length conditions. The relevant balances included in the consolidated income statement are shown below.

	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
31.03.2018						
<i>(€ thousand)</i>						
<u>Parent company</u>						
Hitachi Rail Europe LTD	-	-	(12)	-	-	-
Hitachi LTD (Rail)	202	-	394	-	-	-
<u>Subsidiaries</u>						
Alifana S.c.r.l.	6	-	(5)	-	-	-
Alifana Due S.c.a.r.l.	747	11	1,418	-	-	-
<u>Associated companies</u>						
Metro 5 S.p.A.	168	333	-	-	-	-
Metro Service A.S.	1,918	-	10,877	-	-	-
<u>Joint ventures</u>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(100)	-	-	-	-	-
<u>Consortia and Consortium Companies</u>						
Saturno consortium	1,899	27	442	-	-	-
Ascosa Quattro consortium	(13)	-	-	-	-	-
San Giorgio Volla consortium	(60)	-	-	-	-	-
San Giorgio Volla 2 consortium	473	-	-	-	-	-
Ferroviano Vesuviano consortium	27	-	-	-	-	-
Cris consortium	-	-	3	-	-	-
MM4 consortium	3,675	-	(9)	-	-	-
<u>Fellow subsidiaries</u>						
Hitachi Rail Italy S.p.A.	2,474	-	4,874	-	-	-
Hitachi Rail Inc.	619	-	-	-	-	-
Hitachi India Pvt Ltd Rail Systems Co.	112	-	-	-	-	-
Hitachi Systems CBT S.p.A.	-	-	282	-	-	-
Hitachi High Technologies Europe GMBH	13	-	-	-	-	-
Total	12,160	371	18,264	-	-	-
% of the total corresponding balance sheet item	4%	4%	9%			

<u>31.03.2017</u>	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
<i>(€ thousand)</i>						
<u>Parent company</u>						
Hitachi Rail Europe LTD	5	-	-	-	-	-
Hitachi LTD (Rail)	176	-	434	-	-	-
<u>Subsidiaries</u>						
Alifana S.c.r.l.	34	-	-	-	-	-
Alifana Due S.c.a.r.l.	-	-	141	-	-	-
<u>Associated companies</u>						
Metro 5 S.p.A.	596	320	36	-	-	-
I.M. Intermetro S.p.A. (in liq.)	8	-	-	-	-	-
Metro Service A.S.	1,774	-	14,460	-	-	-
Metro Brescia S.r.l.	98	-	-	-	-	-
<u>Joint ventures</u>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	332	-	9	-	-	-
<u>Consortia and Consortium Companies</u>						
Saturno consortium	2,930	-	203	-	-	-
San Giorgio Volla consortium	(40)	-	-	-	-	-
San Giorgio Volla 2 consortium	501	-	(6)	-	-	-
Ferroviano Vesuviano consortium	28	-	(1)	-	-	-
MM4 consortium	4,155	-	121	-	-	-
<u>Fellow subsidiaries</u>						
Hitachi Rail Italy S.p.A.	2,708	-	4,412	-	-	-
Hitachi Rail Inc.	634	-	-	-	-	-
Hitachi India Pvt Ltd Rail Systems Co.	134	-	-	-	-	-
Hitachi High Technologies Europe GMBH	201	-	-	-	-	-
Hitachi Australia Pty Ltd	-	-	7	-	-	-
Total	14,274	320	19,816	-	-	-
% of the total corresponding balance sheet item	5%	8%	11%			

Revenue from related parties at 31 March 2018 totalled €12,160 thousand, down €2,114 thousand due mainly to the decrease in the open position with the Saturno and MM4 consortia.

Related party costs at 31 March 2018 decreased by €1,552 thousand to €18,264 thousand on the corresponding period of 2017 (€19,816 thousand), due mainly to lower costs from Metro Service A.S.

Revenue

Revenue increased by €19,351 thousand to €318,493 thousand, from €299,142 thousand for the corresponding quarter of 2017 (refer to the report on performance for further details).

Other operating income

<i>(€ thousand)</i>	Quarter ending at 31 March	
	2018	2017
Use of provisions for risks and charges	1,350	793
Insurance reimbursements	-	-
Royalties	5	28
Exchange rate gains on operating items	3,127	1,661
Tax asset for R&D	898	452
Other operating income	2,961	977
Other third party operating income	8,341	3,911
Other related party operating income	371	320
Total other operating income	8,712	4,231

Other operating income amounted to €8,712 thousand, an increase of €4,481 thousand compared to the corresponding period of the previous year. The increase is the result of higher income and exchange rate gains on operating items.

Purchases and services

<i>(€ thousand)</i>	Quarter ending at 31 March	
	2018	2017
Materials	78,118	70,745
Change in inventories	(2,321)	(493)
Services	108,736	90,459
Rentals and operating leases	5,076	4,976
Total purchases and services from third parties	189,609	165,687
Total purchases and services from related parties	18,264	19,816
Total purchases and services	207,873	185,503

Purchases and services costs increased by €22.370 thousand compared to the corresponding period of the previous year, due to the higher production recorded.

Personnel expense

<i>(€ thousand)</i>	Quarter ending at 31 March	
	<i>2018</i>	<i>2017</i>
Wages and salaries	69,220	68,112
Stock grant plans and LTIPs	714	836
Social security and pension contributions	16,810	16,940
Italian post-employment benefits	186	138
Other defined benefit plans	231	212
Other defined contribution plans	957	442
Ongoing disputes with personnel	(46)	457
Other costs	428	1,046
Total personnel expense	88,500	88,183

Personnel expense amounted to €88,500 thousand and are basically in line with the figure for the corresponding period of the previous year.

The average workforce was 4,176 people, compared to 4,007 in the first quarter of 2017.

Amortisation, depreciation and impairment losses

<i>(€ thousand)</i>	Quarter ending at 31 March	
	<i>2018</i>	<i>2017</i>
Amortisation of intangible assets	1,249	1,315
Depreciation of property, plant and equipment	2,481	2,491
Amortisation of leased assets	-	-
Impairment Losses	114	721
Total amortisation, depreciation and impairment losses	3,844	4,527

Amortisation, depreciation and impairment amounted to €3,844 thousand, compared to € 4,527 thousand for the corresponding period of the previous year, with a decrease of € 683 thousand mainly attributable to lower write-downs recorded in the period.

Other operating expense

<i>(€ thousand)</i>	Quarter ending at 31 March	
	<i>2018</i>	<i>2017</i>
Accruals to the provisions for risks and charges	492	19
Membership fees	229	195
Losses to complete contracts	(1,934)	(1,158)
Exchange rate losses on operating items	3,497	2,215
Interest and other operating expense	20	237
Indirect taxes	839	787
Other operating expense	199	458
Total other third party operating expense	3,342	2,753
Other related party operating expense	-	-
Total other operating expense	3,342	2,753

Other operating expense increased by €589 thousand compared to the corresponding period of the previous year, due to higher exchange rate losses on operating items.

Internal work capitalised

<i>(€ thousand)</i>	Quarter ending at 31 March	
	<i>2018</i>	<i>2017</i>
Internal work capitalised	143	820

Internal work capitalised amounted to €143 thousand, compared to €820 thousand in the first quarter of 2017.

Net financial expense

<i>(€ thousand)</i>	Quarter ending at 31 March					
	2018			2017		
	Income	Charges	Net	Income	Charges	Net
Interest and fees	253	251	2	108	217	(109)
Exchange rate gains and losses	6,200	6,246	(46)	4,620	4,156	464
Fair value gains and losses	358	1,033	(675)	2,145	1,976	169
Interest on Italian post-employment benefits	-	59	(59)	-	71	(71)
Interest on other defined benefit plans	-	65	(65)	-	62	(62)
Other financial income and expense	-	109	(109)	-	96	(96)
Total net financial expense	6,811	7,763	(952)	6,873	6,578	295
Net related party financial income (expense)	-	-	-	-	-	-
Total	6,811	7,763	(952)	6,873	6,578	295

Net financial income amounted to -€952 thousand, compared to net financial income of € 295 thousand at 31 March 2017. The negative variation of €1,247 thousand is mainly due to exchange rate differences and the fair value results of derivatives still in place at the end of the quarter.

<i>(€ thousand)</i>	Quarter ending at 31 March					
	2018			2017		
	Income	Charges	Net	Income	Charges	Net
Share of profits (losses) of equity-accounted investees	3,663	-	3,663	2,759	-	2,759
Total	3,663	-	3,663	2,759	-	2,759

The valuation of equity investments with the equity method resulted in an amount of €3,663 thousand, due to the results of Metro 5 S.p.A. (€1,886 thousand), International Metro Service S.r.l. (€925 thousand), Metro Brescia S.r.l. (€328 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€524 thousand).

Income taxes

<i>(€ thousand)</i>	<i>Quarter ending at 31 March</i>	
	<i>2018</i>	<i>2017</i>
IRES	2,214	3,378
IRAP	355	516
Other foreign taxes	4,530	5,666
Prior year taxes	97	(10)
Net deferred tax (income) expense	188	(607)
Total	7,384	8,943

Income taxes at 31 March 2018 amounted to €7,384 thousand, compared to €8,943 thousand at 31 March 2017. The decrease of €1,559 thousand is attributable to the different mix of the taxable base. The overall tax rate at 31 March 2018 was 25.5% (30.9% at 31 March 2017).

5 EARNINGS PER SHARE

Earnings per share (EPS) are calculated by:

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

<i>Basic EPS</i>	<u><i>31.03.2018</i></u>	<u><i>31.03.2017</i></u>
Average shares outstanding during the period	199,984,940	200,000,000
Profit for the period	21,530	20,003
<i>Basic and diluted EPS</i>	<u>0.11</u>	<u>0.10</u>

6 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 31 March 2018, the Group has contracts in place for the following notional foreign currency amounts:

(€ thousand)

<i>local currency in thousands</i>	<i>Sell18</i>	<i>Buy18</i>	<i>31.03.2018</i>	<i>Sell17</i>	<i>Buy17</i>	<i>31.03.2017</i>
Euro	28,780	38,894	67,674	30,502	50,432	80,934
US dollar	129,104	30,268	159,372	256,907	73,121	330,028
UK pound	50,462	-	50,462	57,641	-	57,641
Swedish krone	66,937	-	66,937	825	5,022	5,847
Australian dollar	-	11,848	11,848	-	7,224	7,224
Hong Kong dollar	172	-	172	448	-	448
Indian rupee	4,604	-	4,604	5,327	-	5,327
UAE dirham	11,050	-	11,050	12,740	-	12,740

The positive net fair value of the derivatives in place (both fair value and cash flow hedges) as at 31 March 2018 was €7,819 thousand.

7 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There were no significant non-recurring events or transactions for the Ansaldo STS Group in the first quarter of 2018.

8 ATYPICAL AND/OR UNUSUAL TRANSACTIONS

The Ansaldo STS Group did not carry out any atypical and/or unusual transactions during the first quarter of 2018.

9 OUTLOOK

The 2018 financial year will include the accounting effects coming from the adoption of the new IFRS15 standard. Volumes are expected in continuity with the previous year, while the profitability will be affected by a different and less favourable mix of projects. Further investments in R&D and commercial activity as well as specific initiatives focused on improving company effectiveness and efficiency are also budgeted in the year.

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 the meeting held on 28 January 2013, the Board of Directors resolved to apply the "opt-out" scheme as permitted by articles 70 paragraph 8 and 71 paragraph 1-bis of the Issuers' Regulation, which dispenses companies from the obligation to publish the relevant documents for transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.

Genoa, 9 May 2018

For the Board of Directors
The Chairman
Alistair Dormer

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

In accordance with the provisions paragraph two 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 Condensed Interim Consolidated Financial Report at 31 March 2018 of the Ansaldo STS Group corresponds with the accounting evidence, ledgers and records.

Genoa, 9 May 2018

The Manager in charge of
financial reporting

Renato Gallo