Index No. 27843 Folder No. 12421

MINUTES OF THE SHAREHOLDERS' MEETING

ITALIAN REPUBLIC

The 7^{th} (seventh) of June 2018 (two thousand eighteen).

In Genoa, at Via Roma, street numbers 11 (eleven) and 3 (three).

I, the undersigned, PAOLO TORRENTE, Notary in Genoa, listed in the register of the United Notarial Districts of Genoa and Chiavari, upon the request - through the Vice Chairman of the Board of Directors Mr. Alberto de Benedictis, born in Rome (RM), on the 17^{th} (seventeenth) of May 1952 (nineteen fifty-two) – of the listed Company:

"Ansaldo STS S.P.A"

with headquarters at Via Mantovani 3-5, Genoa (GE), registered capital EUR 100,000,000.00, fully paid up and divided into 200,000,000 shares of a nominal value of EUR 0.50 each, tax identification number and registration number at the Genoa register of companies 01371160662 (hereinafter also referred to as the "Company"), a company under the management and coordination of "Hitachi Ltd",

proceed to draft the minutes of the Shareholders' meeting of the Company pursuant to article 2375 of the Italian Civil Code, held on my permanent presence, in Genoa, at Corso Ferdinando Maria Perrone, street number 118 (one hundred eighteen), at the offices of Fondazione Ansaldo (Villa Cattaneo dell'Olmo), on

the 10^{th} (tenth) of May 2018 (two thousand eighteen)

as reported in the notice of call indicated below, to discuss and

pass resolution on the agenda indicated below.
I acknowledged that the development report of the above mentioned meeting is the following.

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At 11:00 a.m. Mr. Alberto de Benedictis extended a cordial welcome to all those present, including on behalf of his colleagues of the Board of Directors, the Board of Statutory Auditors, the staff of the Company and the Chairman of the Board of Directors, to whom he gave the floor.
The Chairman of the Board of Directors Mr. Alistair John Dormer welcomed all those presents and specified that, although present, he did not consider appropriate to hold the presidency of the meeting because of his insufficient level of the Italian language used during the meeting, which, pursuant to Art. 14.1 of the Articles of Association would be chaired by the Vice Chairman, Mr. Alberto de Benedictis.
The Vice Chairman, hereinafter referred to as the Chairman, thanked and declared to hold the presidency of the meeting as Vice Chairman of the Board of Directors of the Company for the abovementioned reasons pursuant to Art. 14.1 of the Articles of Association and asked me as Notary to draw up the minutes of the meeting as a public deed, asking the meeting if anyone disagreed with this.
As no disagreement was expressed the Chairman confirmed that I Notary was to act as secretary of this meeting, drawing up the minutes of the same as a public deed.

The Chairman informed that the Company had decided to avail itself of the technical support of Chorus Call Italia S.r.l., a company which provides simultaneous translation of the discussions from Italian to English. An interpreter was present in order to provide a translation in Italian of any contribution in English.

The Chairman stated that:

"- the following persons are present:

-- for the Board of Directors, in addition to himself as Vice Chairman, the Chairman of the Board of Directors Mr. Alistair John Dormer, the Chief Executive Officer Mr. Andrew Thomas Barr and the Director Mr. Michele Alberto Fabiano Crisostomo;

-- for the Board of Statutory Auditors, the Chairman Mr. Antonio Zecca and the Regular Statutory Auditor Mr. Giovanni Naccarato;

- the following persons have excused their absences:

-- the Directors Ms. Rosa Cipriotti, Mr. Mario Garraffo, Ms. Katharine Rosalind Painter,Ms. Katherine Jane Mingay and Mr. Fabio Labruna;

-- the Regular Statutory Auditor Ms. Alessandra Stabilini;

- the Secretary of the Board Mr. Francesco Gianni and the General Counsel of the Company Mr. Filippo Corsi are also present."

The Chairman acknowledged that the shareholders' meeting would be carried out in compliance with the relevant legislation in force, the Articles of Association and the shareholders' meetings regulation approved by the ordinary shareholders' meeting.

The Chairman also acknowledged that the ordinary and extraordinary shareholders' meeting had been properly called for today 10 May

2018 at 11.00 a.m., single call, in accordance with the law and the Articles of Association, by notice of call published on 29 March 2018 on the Company's website and via "Emarket Storage" storage system and, as an extract, in Italian newspaper "Il Sole 24 ore", with the following meeting also being announced by means of a press release, with the following

agenda

Ordinary Part

1. Financial Statements as at 31 December 2017.

1.1 Financial Statements as at 31 December 2017; Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditor. 2017 Non-financial report. Related and consequent resolutions.

1.2 Allocation of the annual net income. Related and consequent resolutions.

2. First Section of the remuneration Report. Related and consequent resolutions.

3. Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

4. Supplement of the fees for the statutory audit mandate granted to Ernst & Young S.p.A. by resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

Extraordinary Part

Proposed amendment to the articles of association concerning the closing date of the financial year. Related and consequent

resolutions.

The Chairman reported that:

- pursuant to and within the terms of article 126-*bis* of legislative decree no. 58/98 (hereinafter the Consolidated Law on Finance), no requests for additions to the agenda of the shareholders' meeting, or proposals for resolutions on items already on the agenda, were submitted by shareholders;
- the Company was not aware of the existence of any shareholders' agreements.

The Chairman:

a) declared that, as 63 persons entitled to vote were present, either in person or by proxy, representing 161,202,892 ordinary shares equal to 80.601% of the 200,000,000 ordinary shares comprising the share capital, the properly convened meeting was validly constituted, both in ordinary and extraordinary part, on a single call in accordance with law and articles of association and could resolve on the matters on the agenda;

b) during the course of the meeting and before each vote he would provide updated information on attendees;

c) reported that intermediaries notification for the purposes of the attendance, at the meeting, of those individuals entitled to do so, had been given to the issuer in the manner and in accordance with the time scales established by the law in force;

d) he also reported that:

- as set out in the notice of call, the Company has appointed Società per Amministrazioni Fiduciarie Spafid S.p.A. as designated representative for the issues of proxies and related voting instructions pursuant to Article 135-*undecies* of Consolidated Law on Finance and had made available, at the registered office and on its website, the form to be used in order to grant a proxy;

- as per the notification received from the designated representative, within the deadline established by law, no proxies have been issued to the same by individuals entitled to exercise voting rights;

e) confirmed that, in relation to that day's meeting, there was no record of any voting proxies having been requested pursuant to Art. 136 et seq. of the Consolidated Law on Finance

f) reported that no one entitled to do so had submitted questions about the matters on the agenda prior to the meeting pursuant to Art. 127-ter of the consolidated finance law;

g) reported that, pursuant to Art. 12.1, 13.1 and 13.3 of the Articles of Association, Art. 5 of the shareholders' meeting regulations and the applicable provision in force, the right of those present at the meeting to attend and vote had been established and, in particular, it had been established that the proxies carried by those attending complied with the provisions of the law in force and the Articles of Association;

h) reported that, pursuant to Legislative Decree no. 196/2003 (the Italian personal data protection code), the personal data of those attending the meeting would be collected and processed by the Company solely in order to comply with corporate requirements and requirements relating to the shareholders' meeting of an obligatory nature;

i) he reported that the audio recording of the meeting would be made solely in order to facilitate preparation of the minutes of the meeting and to record document the matter set out therein, as set out in the date protection notice pursuant to Art. 13 of the aforementioned Legislative Decree that all attendees had been provided with;

j) he confirmed that the recording referred to would not be communicated or disseminated and that all data, as well as audio media would be stored at the Company's registered office together with the documents produced during the meeting;

k) he reminded that, pursuant to Art. 6 of the shareholders' meeting regulation, no recording equipment of any kind, cameras, video cameras, recorders or similar devices were allowed in the rooms in which the meeting was to be held without his specific authorization, the Notary preparing the minutes being the only person allowed to use such equipment, in order to perform his duty.

The Chairman also stated that:

- the subscribed and paid up share capital to date was of EUR 100,000,000.00 (one hundred million), divided into 200,000,000 (two hundred million) ordinary shares with a par value of EUR 0.50 (nought point five nought) each;

- the Company shares were admitted for trading on the electronic stock exchange organized and operated by Borsa Italiana S.p.A. – Star segment;

- to date the Company did not own its own shares;
- to date, those individuals holding, either directly or indirectly, more than 3% of the subscribed share capital of Ansaldo STS S.P.A, represented by share with voting rights, as per the records in the shareholders' register as supplemented by the information received pursuant to Art. 120 of the Consolidated Law on Finance and other information available were the following:

Declarant	**Direct shareholder**	**Number of shares**	**% of ordinary capital**
HITACHI LTD	HITACHI RAIL ITALY INVESTMENTS S.r.l.	101,544,702	50.772%
SINGER PAUL E.	ELLIOTT INTERNATIONAL LP	35,147,167	17.574%
	THE LIVERPOOL LIMITED PARTNERSHIP	16,143,001	8.072%
	TOTAL	51,290,168	25.645%
UBS Group AG	UBS Asset Management Trust Company	4,003	0.002%
	UBS AG	10,064,225	5.032%
	TOTAL	10,068,228	5.034%

The Chairman noted that the shareholder Paul Singer had informed the Company that pursuant to specific binding agreements signed by this shareholder and through subsidiaries, could potentially increase his stake in Ansaldo STS S.p.A. from 25.645% to 31.774%.

The Chairman also noted that the shareholder UBS Group AG had informed the Company that pursuant to specific binding agreements signed by this shareholder and through subsidiaries, could potentially increase his stake in Ansaldo STS S.p.A. from 5.034% to 5.043%.

The Chairman reported that the Company is managed and coordinated by Hitachi Ltd.

He reminded the meeting that the right to vote attached to shares in relation to which the duties of disclosure set out below have not been fulfilled, could not be exercised:

- the duty of disclosure referred to in Art.120 of the Consolidated Law on Finance regarding shareholdings in excess of 3%;
- the duty of disclosure referred to in Art. 122, first paragraph of the Consolidated Law on Finance regarding shareholders' agreements.

The Chairman also reminded that, in terms of the duties of disclosure referred to in Art. 120 of the Consolidated Law on Finance, shares in relation to which the right to vote arises pursuant to a proxy are treated as shareholdings where that right can be exercised on a discretionary basis in the absence of specific instructions issued by the party granting the proxy.

The Chairman asked the attendees to state any want of voting rights.

Mr. MATTEO MARIA PRATELLI, representing Elliott Funds, took the floor and underlined that the litigation among the Elliott Funds, Hitachi and the Company was still ongoing, because there had been a first instance ruling by the Court of Genoa that had been appealed; he therefore stated that, in the opinion of the Elliott Funds, Hitachi's voting right for all matters on the agenda of the meeting could not be exercised pursuant to article 110 of the Consolidated Law on Finance.

The Chairman acknowledged that with regard to the items on the agenda, all the requirements established by the applicable legislative and regulatory provision had been duly satisfied.

In particular, the following documents had been lodged at the registered office, as well as having been made available on the Company's website www.ansaldo-sts.com and via the "Emarket Storage" storage system:

- on 29 March 2018: the annual financial report, including the Draft Financial Statements, the Draft Consolidated Financial Statements, the directors' management report, certification pursuant to Art. 154-*bis*, paragraph 5, of the Consolidated Law on Finance, approved by the Board of Directors on 14 March 2018 together with:

-- 2017 Non financial statement;

-- the reports by the Board of Statutory Auditors and the Auditing Company;

-- the annual report on corporate governance and ownership structure;

-- the accounting statements for significant subsidiaries outside the EU;

while the financial statements and summary reports in relation to other subsidiaries and affiliated companies had been lodged at the registered office;

- on 29 March 2018: the explanatory reports drawn up in accordance with Art. 125-*ter* of the Consolidated Law on Finance in relation to items 1 (Financial Statement) of the ordinary part and the sole item of the extraordinary part on the agenda;

- on 4 April 2018: the explanatory report drawn up pursuant to Art. 125-*ter* of the Consolidated Law on Finance in relation to item 3 on the agenda (own shares);

- on 6 April 2018: the explanatory reports drawn up pursuant to Art. 125-*ter* of the Consolidated Law on Finance in relation to items 2 (Remuneration) and 4 (EY compensation)on the agenda.

Where the documents mentioned above are concerned all requirements pursuant to the legislation in force with regard to Consob had been complied with.

The Chairman stated that said documents would be attached to the minutes of the meeting, forming an integral and substantive part of the same and that all of the documents listed above had been handed to the attendees at the meeting.

The Chairman then proposed, if there was not any disagreement, to omit the reading of the documents concerning individual items on the agenda, in consideration of the fact that those documents had already been made available to the public and distributed to those present. Instead, he proposed to read only the essential parts and the proposed resolutions, thereby providing adequate information to shareholders and allowing more time for discussion.

As no disagreement was expressed, the Chairman declared to omit the reading of the aforesaid documentation , and instead he would read only the essential parts and the proposed resolutions.

The Chairman informed that in accordance with the Issuers' Regulations, the Company's draft financial statements and the consolidated financial statements had attached to them the schedule of fees for the financial year due to the auditing company and to the companies in its network for the services provided to the Company and to its subsidiaries respectively.

Finally, the Chairman stated that the following documents would be attached to the minutes of the meeting, forming an integral and substantive part of the same, and would be avail-able to those entitled to vote:

- the slate of names of those attending the meeting, in person or by proxy, complete with all the information required by Consob, stating the number of shares for which the intermediary’s notification to the issuer had been made pursuant to Art. 83-*sexies* of the Consolidated Law on Finance;
- the slate of names of individuals who voted for, against or abstained or left before any vote and the relevant number of shares represented in person and/or by proxy.

The Chairman also stated that the summary of the presentations along with the names of the various speakers, the replies provided and any responses to the same would be included in the minutes of the meeting.

The Chairman reported that, in order to cater for the organizational and technical requirements in relation to the meeting, pursuant to Article 3 of the shareholders' meeting regulations, a certain number of the Company's employees and members of contract staff had been allowed to attend the meeting, in order to assist him during the meeting.

The Chairman also stated that, pursuant to Article 3 of the shareholders' meeting regulations, accredited journalists, experts and financial analysts had, with his consent, been al-lowed to attend the meeting, including via closed circuit TV links, without being entitled to take the floor.

Before moving on to discuss the items on the agenda, the Chairman reminded the meeting that, pursuant to article 9 of the shareholders' meeting regulations, individuals entitled to vote could ask to take the floor once only for each item under discussion, doing so by presenting him with a written request stating the item on the agenda that their question concerned only after he read out the relevant item and until he declared the discussion on the item to which the question relates closed.

The Chairman invited the individuals entitled to vote to submit the requests for intervention to the secretary of the meeting through the sheets received, together with a copy of the meeting regulations and the documents regarding the agenda during their registration.

He informed that:

- he would give the floor following the chronological order of the request of questions;
- the question might last a maximum of ten minutes, pursuant to Art. 11 of the meeting regulation, at the end of which the speaker would be invited to terminate in the following two minutes;
- pursuant to Art. 9 of the meeting regulations, the Directors and the Statutory Auditors of the Company might ask to intervene in the meeting; if considered useful by the Chairman, also the Directors, the Statutory Auditors and the executives of the Company and companies of the group might intervene;
- pursuant to Article 11 of the said regulations, a maximum of two minutes would be allowed for responses, if any.

The Chairman informed that those entitled to vote might intervene and reply only at the podium near the presidency desk, in order to be registered and taken into consideration for the drafting of the minutes of the meeting.

Therefore, he informed that:

- the interventions carried out differently could not be drafted;
- once all speeches had been made in relation to each item on the agenda, replies to questions would be provided, after a short break where necessary;
- pursuant to Article 10 of the shareholders' meeting regulations, either he would reply him-self to the questions put or ask the other Directors and Statutory Auditors to do so.

The Chairman stated that in order for the meeting to be conducted properly, functional requirements dictated that the use of Wi-Fi connections and cell phones in the areas in which the meeting was held was prohibited.

Finally, pursuant to Article 16 of the meeting regulations, the Chairman explained how the meeting would be managed and the voting procedure.

Voting on the items on the agenda would be done by using a re-mote control called 'televoter', instructions for which could be found in the file provided.

Voting on how the meeting should be conducted would instead be by show of hands only; for the purposes of the minutes, those voting against or abstaining would be required to state their name and the number of shares directly owned and/or proxied.

On registration in order to join the meeting, each participant had received a 'televoter'. The screen on that device showed the participant's ID and the number of votes that he could cast at the meeting, in person and/or by proxy.

The televoter was strictly for personal use only and would be activated when voting took place.

When voting started, the person voting should cast his/her vote by pressing just one only of the buttons on the remote control, which were marked as follows:

in favour

against

abstain

and immediately afterward the “ok” button, specifying that the voters could change their vote if the 'ok' button had not been pressed.

The Chairman, moreover, stated that:

- once the 'ok' button had been pressed, the vote could not be changed and would remain visible on the screen on the remote control until the end of voting;
- anyone not casting a vote would be treated as a non-voter.
- anyone who did not want to be counted in for the purposes of forming the basis for the calculation of the majority to leave the room before voting started, recording the leaving in the manner previously set out, specifying that:

-- votes could not be validly cast before voting started;

-- participants experiencing technical problems when operating the 'televoter' should contact the support staff at the desk set up for that purpose;

-- the voting procedure set out above would apply to all participants, save for those entitled to vote who did not want to cast the same vote in relation to all the shares that they represented. Those participants would vote with the help of the special voting station;

-- voters could check the votes that they had cast at the station provided for this purpose;

-- voting on individual items on the agenda would take place at the end of the discussion of the related topic;

-- participants were asked not to leave the room until votes had been counted and the result announced.

The Chairman acknowledged that for the purposes of vote counting, the Notary would be assisted by personnel from Spafid, the company assisting with registration and attendance.

The Chairman reminded that, as 63 persons entitled to vote were present, either in person or by proxy, representing 161,202,892 ordinary shares equal to 80.601% of the 200,000,000 ordinary shares comprising the share capital, the properly convened meeting was validly constituted in ordinary part on a single call in accordance with law and articles of association and could resolve on the items of the ordinary part on the agenda.

The Chairman moved on to a joint discussion of the first item on the agenda for the ordinary part, specifying that this item would be subject to separate voting as composed of the following two different sub-items:

1.Financial statements as at 31 December 2017.

1.1 Financial statements as at 31 December 2017; Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditor. 2017 Non Financial Report. Related and consequent resolutions.

1.2 Allocation of the annual net income. Related and consequent resolutions.

The Chairman reported that the auditing company, Ernst & Young S.p.A., which had been instructed to express an opinion in accordance with Consolidated Law on Finance:

- gave an opinion on both Ansaldo STS S.p.A. financial statements as at 31 December 2017 and on the Company's consolidated financial statements, indicating that no irregularities had been found and that the management report and the information referred to in Art. 123-*bis*, paragraphs 1, c), d), f), l) and m) and paragraph 2, b), of the Consolidated Law on Finance, as set out in the report on the Company's corporate governance and ownership structure, were consistent with the financial statements, as set out in the reports issued on 27 March 2018;

- verified that the information indicated in paragraph 2, letter a), c), d), and d-*bis*) of the Consolidated Law on Finance was provided, and that the Non-financial report, pursuant to Legislative Decree no. 254 of 30 December 2016 was approved by the Board of Directors, as set out in the reports issued on 27 March 2018;

- on 27 March 2018, the same auditing company also issued the attestation of conformity on the Non-financial report.

The Chairman therefore asked the meeting to vote on the following proposed resolution on point 1.1 on the agenda, which conformed in full with that contained in the Board of Directors' explanatory report to the meeting:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A.

- having regard to the Report of the Board of Directors;

- having regard to the Report of the Board of Statutory Auditors;

- having reviewed the Financial Statements as of 31 December 2017;
- acknowledging the Report of the Independent Auditor Ernst & Young S.p.A.,

resolves

- to approve the Report of the Board of Directors and the Financial Statements as of 31 December 2017;
- to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."

The Chairman also asked the meeting to vote on the following proposed resolution on point 1.2 on the agenda, which con-formed in full with that contained in the Board of Directors explanatory report to the meeting:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A., after examining and discussing the proposal of the Board of Directors, as set out in the explanatory report on this agenda item for this Shareholders' Meeting

resolves

- to approve the following proposal formulated by the Board of Directors to distribute the entire profit for the year amounting to EUR 71,988,273.75:

-- the sum of EUR 30,000,000.00 to be distributed to Shareholders through a dividend of EUR 0.15, before statutory withholding taxes, for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, with detachment of coupon No. 15 dated 21 May 2018 and payment from 23 May 2018. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of 24 February 1998, entitlement to the dividend payment is determined with reference to the intermediary's accounts as provided in Article 83-quater, paragraph 3, of the Legislative Decree No. 58/98, at the end of the accounting day of 22 May 2018;

-- the residual amount, of EUR 41,988,273.75, to be carried forward.

- to grant a mandate to the Board of Directors and, on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."

The Chairman then invited the Chief Executive Officer Mr. ANDREW THOMAS BARR to speak. While some explanatory slides were displayed, Mr. Barr stated as follows:

"Good morning, everybody.

We have prepared a detailed review of the year and I wish to talk about the highlights, as well as our recently completed strategic business review, which will set the direction for future years.

Today I'll just comment on selected slides in your pack. Please turn to slide number four.

2017 was an important year for us; orders and revenues grew in line with our forecast, and we developed a strong profit. The net result would have exceeded 90 million euros, without an exceptional item, which I shall come onto later. We finished the year once more with a strong net cash position of 358 million euros. The highlights for me have been two large new orders, the Hight Speed Line in Italy, and the Baltimore Metro in the USA, and the successful start of our automated trains for Rio Tinto in Australia. Thanks to tremendous commitment of our 4,000 employees, we were able to activate 1,700 kilometres of track and 285 stations.

On page five, you can see some of the key data from our results, summarizing what we have in the annual report. It's been a year of further consolidation in our industry, with two major players, Siemens and Alstom, having announced plans to combine. Revenues in 2017 were 1.36 billion euros, up 2.5% and return sales were 7.4.%, even after the exceptional item. We remain in a healthy condition, starting the year with a healthy EUR 6.5 billion backlog.

In recent months, we have undertaken a strategic business overview to assess the future market and how best to position our Company. We identified the market in which we operate as EUR 15 billion, as overall value. The Ansaldo STS market share was estimated at 11%. Our focus is therefore to concentrate on the attractive segments that we can grow at a higher rate. Projects management and delivery will be important, as well as the need to use our regional presences to secure new business.

Based on our estimates the adjustment market could be divided into 3 main segments: signalling, turnkey, and operation and maintenance. Particularly important lines of business are the operation and maintenance for turnkey, as well as systems technology for the turnkey projects in North America in particular. There are likely to be a significant number of projects in North America in the coming few years, and we plan to resource these projects accordingly.

This chart on page ten highlights our vision for the future. We see conventional signaling becoming more commoditized and an success of the advanced CBTC and ERTMS standards which will be the differentiator to remain dominant. This trends is enabling the market by the development of automation, digital and satellite. This is an area where assistance from Hitachi will be a competitive advantage. During projects, Ansaldo STS will use expertise to integrate different technologies alongside these turnkey capability to provide the solutions to support new requirements of the clients. In this chart in the dark blue, we refer to this as a multi-mode system.

So how do we do all this? It will be a mixture of organic growth, seeking opportunities to collaborate in local markets, and addressing our own organization's structure to ensure we can consistently deliver these projects to clients' satisfaction. In particular, we are looking at localizing some of the capabilities which were previously centralized. For instance, resourcing CBTC technology in Pittsburgh, as well as strengthening our capabilities to support public-private partnerships.

There were lots of important orders from all over the world, let me highlight, in particular, Baltimore Metro project in the USA.

This is a turnkey project which was received together with Hitachi Rail Italy, the total value of which was just over $400,000,000. Our portion is $148,000,000, representing the second largest order we have ever gained in North America. It's for the integration of communications based train controls, CBTC, into the 15.5 miles of the infrastructure.

Turning on to the following slide, you can see that the number grew over the course of last year by 277, to over 4,000, in line with the needs of the new projects. Significant resources were added in Italy, France, the USA and India.

Unfortunately, during the course of 2017, our client SL in Sweden decided to unilaterally terminate the contract we had on the Red Line. We considered it was actually better to continue the project because the technical progress was significant, and many milestones had been achieved. However on November the 7th, we were notified of a unilateral termination. This has incurred a 76 million euro repayment, including approximately 14 million euro VAT and 4 million of interest. This payment was made obviously under protest, without prejudice for Ansaldo STS rights and in April 2018, we filed a request for arbitration against SL.

I'm particularly proud of the company's achievements in Australia, for the mining company Rio Tinto, highlighted here on page 26. The fully autonomous freight trains have been successfully trialed. These trains can be up to 2.5 kilometers in length, and travel to a distance of up to 1,200 kilometers.

Let me now turn to the financial matters for 2018, starting with the dividends. The Board of Directors is recommending a payment of EUR 30 million , which is equal to 15 cents per share.

The guidance we have given for results this year remains the same as the time we announced on the annual results. We expect revenues in the range of EUR 1.35 billion to EUR 1.45 billion , and a margin in the 8 to 8.5% range. This year we do have an impact from the new accounting standard, IFRS 15, with a negative effect of approximately 50 basis points.

This year started positively and we are on track in the first quarter with a healthy 6.5% growth in revenues and a margin of 8.2%. I would like to thank you all for your attention and continued attendance and interest at the shareholders meeting today."

The Chairman thanked the Chief Executive Officer for his intervention and gave the floor to the Chairman of the Board of Statutory Auditors, Mr. Antonio Zecca, inviting him to read the conclusions regarding the Report of the Board of Statutory Auditors on the Financial Statements.

Mr. ANTONIO ZECCA stated the following:

"Good morning. I shall begin by reading the conclusions of the report on the financial statement. To conclude our business, we can state that our supervisory activity took place during the course of the 2017 financial year, under normal circumstances, and it did not reveal any omissions, improper conduct or irregularities to be noted in this report, nor do we have any proposals to make, pursuant to article 153, second paragraph, of the consolidated law on finance. In view of this conclusion, and all that was stated and indicated in the report, we believe that the directors' report contains adequate information on the activities during the year and we agree with the proposal of the board of directors regarding the allocation of the profit for the year.

I would also like to point out that during the shareholders' meeting held on 11 May 2017, the undersigned supervisory body, as the incoming Board of Statutory Auditors, received two complaints pursuant to article 2408 of the Italian Civil Code, the reports of which I will read out later.

During the Shareholders' Meeting held on 11 May 2017, several "questions" were put to us as the "*incoming Board of Statutory Auditors*" by the shareholders Bluebell Partners and Elliot International LP. These "questions" were described by the shareholders concerned as "complaints", "interventions" and "requests" pursuant to Article 2408 of the Italian Civil Code.

We should preface our remarks with the observation that some of the requests submitted to us are based on facts and arguments that have already been thoroughly discussed and scrutinised by the previous Board, or else have been resolved or superseded by subsequent events. In other words, as will be seen, in some cases requests and complaints already submitted to and examined by the previous Board of Statutory Auditors have been put to us again.

We nonetheless believed it to be our duty to conduct additional, independent enquiries and therefore requested that the company provide us with all existing documentation concerning the facts at hand.

Turning first to the complaints or requests put to us pursuant to Article 2408 of the Italian Civil Code, in his address, Mr. Marco Taricco, on behalf of Bluebell Partners, asked nine "questions", as reproduced below, of the Chairman of the Shareholders' Meeting, Mr. Alberto de Benedictis, and of Mr. Giacinto Sarubbi, as Chairman of the Board of Statutory Auditors:

a) with regard to the memorandum of understanding signed with Hitachi Rail, Ferrovie dello Stato and Astaldi regarding the "Iran" order: i) "*which and how many contracts within the scope of the Iran memorandum of understanding, by their nature, size, scope [...] and at what risk [...] were signed by the company in 2016 [...] with non-related parties*"; ii) "*whether there have been others*"; iii) "*who signed this memorandum of understanding* [...]" and "*why* [...] *according to the press release that was issued by the company, operating mandates for the management of the company were only granted to Mr Barr on 24 May 2016; the memorandum of* *understanding bears an earlier date*" (question addressed to the Chairman of the Shareholders' Meeting);

b) again with regard to the memorandum of understanding signed with Hitachi Rail, Ferrovie dello Stato and Astaldi regarding the "Iran" order: i) whether the memorandum of understanding "*was exempt from authorisation by the Committee for Transactions with Related Parties pursuant to Article 10.2 c of the Regulation*"; ii) "*whether you* [referring to the Statutory Auditors] *have ascertained that the mandates were duly granted to those who signed this memorandum of understanding, and why, if you identified irregularities, no mention of them was made in the Board of Statutory Auditors' report to the Shareholders' Meeting*" (question addressed to the Chairman of the Board of Statutory Auditors);

c) with regard to the independence of Mr de Benedictis: i) "*why did* [the Board of Statutory Auditors] *wait until 21 November 2016 to submit the request* [to Chairman Mr Dormer] *to include discussion of the verification of independence requirements in the agenda*"; ii) "*what steps have been taken by the Board of Statutory Auditors - if it any have been taken - since then* [in reference to the Shareholders' Meeting of 19 January 2017]" (question addressed to the Chairman of the Board of Statutory Auditors);

d) with regard to the "*cost incurred with the Paul Hastings law firm arising from the consultancy provided on the question of the independence of Mr de Benedictis*", why the company "*had refused to provide the pro-forma invoices issued by the law firm Paul*

Hastings" and whether the Board of Statutory Auditors had subsequently acquired the pro-forma invoices in question;

e) in the matter of the termination of Mr Carassai's employment and the severance package paid to him, and with particular regard to the consideration paid by way of the non-competition clause and redundancy incentive: i) "*what was the relationship between the non-compete component, on the one hand*"; ii) "*and the redundancy incentive component, on the other hand*, *and why was it reported to us that Mr Carassai had voluntarily left the company*"; iii) "*whether the Board of Statutory Auditors had ascertained whether the redundancy incentive component constituted an irregularity from a tax and social security contribution standpoint*";

f) with regard to the appointment of Mr Barr as chief executive officer: i) "*whether it is believed that in respect of the said appointment the Nomination Committee acted professionally, transparently and with independent judgement*" (a question addressed to the Chairman of the Board of Statutory Auditors); ii) "*why the Board of Statutory Auditors failed to censure the Director Ms Painter for having led the Board to believe that there had been a long discussion, when the discussion had lasted half an hour"*; iii) *"why this procedure* [...] *was not subject to censure, if this is how matters stand in the report to today's Shareholders' Meeting*";

g) with regard to the statements made by Mr Romano: i) "*on what date did the Board of Statutory Auditors become aware of this gross irregularity*"; ii) "*whether the Board of Statutory Auditors* *ascertained this on its own initiative, or [...] in response to reports from third parties*"; iii) "*whether the Board of Statutory Auditors or its Chairman* [...] *was aware that Mr Romano's statements were not true*"; iv) "*why it took six months to ascertain the censured conduct and whether in this case as well the Board of Statutory Auditors acted on its own account or at the initiative or one or more directors*";

h) *"one last question"*, with regard to the report given by the Board of Statutory Auditors at the beginning of the Shareholders' Meeting of 19 January 2017: i) "*Whether the Chairman of the Board of Statutory Auditors believes that an increase in the remuneration of the Board of Statutory Auditors or its Chairman, that has been approved by the Board of Directors, must be authorised by the Shareholders' Meeting*"; ii) "*If* [...] *the Chairman of the Board of Statutory Auditors states in advance that he wishes to donate the additional remuneration to charitable institutions of his choosing, expressly in his name,* [...] *whether* [...] *this authorisation needs to be approved by the Shareholders' Meeting*".

While addressing the meeting on behalf of the shareholder Elliot International LP, Mr Gianpiero Succi then also demanded a response from the incoming Board of Statutory Auditors, to which he submitted the following five "questions":

i) with regard to the memorandum of understanding signed with Hitachi Rail, Ferrovie dello Stato and Astaldi relating to the "Iran" order: i) whether the memorandum of understanding "*can be* *regarded as exempt from the related-party transactions procedure, pursuant to Art. 10.2 of the related regulation, as argued by the company at the Shareholders' Meeting*"; ii) "*verification for this purpose of the contracts entered into in all of 2016 between the company and unrelated parties within the framework of the memorandum of understanding by nature, scope, risks or counterparties*"; iii) "*verification whether the memorandum of understanding was signed in violation of the provisions that at the time governed the exclusive prerogatives of the Board of Directors and the mandates granted*";

j) with regard to the matter of the exchange between the Board of Directors and Director Mr de Benedictis concerning his fulfilment of independence requirements, the events in question involve the alleged "*use of the company's resources to support* [through the lawyer Mr Bruno Cova of the firm Paul Hastings] *the Director Mr de Benedictis' personal position*";

k) with regard to the termination of Mr Carassai's employment and the severance package granted to him: i) how is it possible to justify the payment of a redundancy incentive to an employee who apparently decided to leave the company freely, in which case such payment constitutes "an improper use of the company's resources for unknown reasons not in the company's interest";

l) with regard to Mr Barr's appointment as chief executive officer: i) whether this appointment "*was made without the Nomination Committee first discussing the requirements for the position*"; ii) "*it seems particularly objectionable that the*

Nomination Committee made its decisions without considering any candidates besides Mr Barr, who was clearly sponsored by Hitachi. From the documentation published by the company, it is also apparent that during the discussion on the appointment of the Chief Executive Officer, the Human Resource Manager provided the directors with untruthful information: conduct which has already been verified and censured by the Board of Statutory Auditors";

m) the new Board of Statutory Auditors is asked to verify the propriety of the conduct of the outgoing directors and statutory auditors, in respect of the alleged actions purportedly performed for the sole benefit of the controlling shareholder "*by around a hundred individuals within the Ansaldo STS Group*", which, it is argued, constitute an "illegitimate, unilateral transfer of resources for the benefit of an entity that has caused damages"; moreover, in respect of such conduct, which dates back to 2016, the complainant has asked the Shareholders' Meeting to consider bringing a liability suit against the directors Messrs Dormer, Barr, de Benedictis and Painter, seeking compensation for the damages caused to the company.

Before continuing, in order to delimit precisely the nature of the verification requested by above shareholders through their respective representatives of this Board of Statutory Auditors pursuant to Article 2408, paragraph 2, of the Italian Civil Code (applicable to the case at hand), it should be recalled that "*the board of statutory auditors is required to investigate the subject* *matter of a complaint without delay and present its conclusions and proposals, if any, to the shareholders' meeting.*" It follows that providing information on the merits of operations lies outside the Board of Statutory Auditors' remit, as such matters are the responsibility of the governing body.

Let us now proceed to examine the matters raised in the above points a) to m):

- questions a), b) and i): with regard to the Iran Memorandum and related contracts/initiatives, it should be noted that during that same Shareholders' Meeting of 11 May 2017, the Chairman de Benedictis responded to the matter as follows: *"There is another contract that was for a tramway system in Glasgow, England, and the vehicle component supplier, Stadler, which is Swiss."* Mr Gaudiello also addressed that same session of the Shareholders' Meeting on this subject. In response to an invitation from the Chairman, he provided a thorough report on the matter, identifying three other orders in 2016 that might serve as a basis for comparison. This Board of Statutory Auditors therefore believes that these contributions satisfied the shareholders' demands for information.

Turning to the application of the related-parties procedure, two respects are relevant: (i) the timing of referral to the Related-Parties Transactions Committee; and (ii) the assessment of whether the transaction is exempt from this protocol due to its ordinary nature.

With regard to the protocol in question, the previous Board of Statutory Auditors, in the minutes of its session 20 September 2016, referring to the additional information provided by Mr Corsi, remarked that: "*(i) for the company, the transaction is believed to be exempt pursuant to Article 10, paragraph 2, letter c of the company's Procedure for Transactions with Related Parties; (ii) the agreements are not believed to be immediately enforceable, and thus irreversible, since it is possible to withdraw from them; (iii) as matters stand, it does not appear that the contractual safeguards between sister companies, which would effectively limit the company's obligations to those relating to its own exclusive scope, have been triggered; (iv) the memorandum of understanding signed on 19 May 2016 may be regarded as insufficiently concrete to constitute a transaction. After the agreements became enforceable, the Procedure for Transactions with Related Parties was carried out on 5 August 2016*". The Board of Statutory Auditors further recalls that, as early as the session of the Board of Directors of 5 August 2016, it was acknowledged, in a detailed report on the "Iran order", that the decision to propose Hitachi Rail Italy (in addition to Astaldi as the parent company and lead company in the temporary joint venture) to operate alongside Ansaldo STS was made in concert with the Italian government and Ferrovie dello Stato in order to present them as Italy's flagship companies in the railway infrastructure sector (along the lines, incidentally, of the approach taken in the high-speed rail project). In further detail, Mr Filippo Corsi had explained to the previous Board of Statutory Auditors, during its session of 20 September 2016, that "*in his opinion Article 3.7 of the memorandum of understanding, properly construed, allows the companies to withdraw from the agreement if the end client does not approve the bid put before it*". He further stated that the memorandum of understanding signed on 19 May 2016 "*may be regarded as insufficiently concrete and definitive to be termed a 'transaction'*" and that *"once the agreements became enforceable, the Procedure for Transactions with Related Parties was performed on 5 August 2016".* This approach is also echoed in Chairman Mr de Benedictis' address to the Shareholders' Meeting on 19 January 2017. Thereafter, during the Shareholders' Meeting of 11 May 2017, Mr Sarubbi, concurring with this approach, remarked that "*the preliminary and non-binding (in terms of execution) phases of study and structuring of a possible project, the essential, characteristic elements of which have yet to be defined*" lie outside the remit of the Related Parties Committee, which is to consider the matter "*as soon as the project becomes a reality*".

It is the opinion of this Board of Statutory Auditors that this view is borne out by the applicable legislation: if the negotiations are so preliminary that they have yet to entail the assumption of precise obligations by the "parties" (even if "related"), it must be concluded that the transaction does not constitute a "related-party transaction". The rationale for this is that the company has yet to enter into any legal obligation whatsoever, in respect of one or more such related parties, to execute any transfer to another related party.

Consequently, according to the view that the memorandum was not sufficiently definitive and binding with regard to the possibility of a "transfer" - a circumstance that is difficult to assess owing to the complex contractual terms of the memorandum but that is stated in the report given to the previous Board of Statutory Auditors by Mr Corsi - the decision to bring this project before the committee only on 5 August 2016 appears to be comprehensible and does not constitute a delay in initiating the Procedure for Transactions with Related Parties. However, these are assessments of a complex, extremely controversial matter, which in any event is open to various interpretations. Accordingly, the Board of Statutory Auditors believes that in future, the Related Parties Committee may decide to conduct an earlier assessment of such particularly complex and large projects and agreements at their formative stages.

Lastly, it bears observing that, according to the view that the memorandum was not definitive until 5 August 2016, the company's modus operandi - in terms of the timing of its referral to the Related Parties Committee - also does not appear censurable on the basis of the opinions given by professors Chiappetta and Tombari, and most recently by Professor Marchetti.

Turning to the exemption of the memorandum in question from the Procedure for Transactions with Related Parties pursuant to Article 10.2.c of the company's related-parties regulation (in the view that it was an ordinary transaction), it should firstly be noted that once the transaction became sufficiently concrete and definitive, the Board of Statutory Auditors obtained the opinion on this matter given to the company by professors Chiappetta and Tombari on 26 July 2017.

After first noting that the company had participated on several occasions in temporary joint ventures "of a vertical nature" in the form of consortia without legal personality with various Hitachi Group companies, the opinion goes on to clarify that the application of the "Regulation on Transactions with Related Parties" clearly does not apply, not only in the case at issue in the opinion, but in all cases in which the company participates in a temporary grouping "of a vertical nature" with a related party. The basis for this assertion is the significant observation that transactions generally satisfy the *subjective* requirements for being considered related-party transactions, but do not satisfy the *objective* requirements, since they do not include transfers of wealth, such as transfers of a financial value from one related party to another (a characteristic shared by the three types of "transfer" according to the Consob Regulation and accounting standard IAS 24: "*of resources, services and obligations between related parties*"). The opinion concludes that "*it can therefore be stated without fear of contradiction that the participation of ASTS in a joint venture of a vertical nature - according to the general scheme of consortium without legal personality customarily used by ASTS - and the related preparatory and subsequent acts do* *not entail any transfer of a financial value between the companies participating in the grouping of companies and thus do not qualify as related-party transactions subject to the Procedure*". Moreover, the Board of Statutory Auditors, observing that transactions involving collaboration between Ansaldo and its Parent Company, Hitachi, were and are customary due to the complementary nature of their services, asked Professor Marchetti to give an opinion on whether participation in vertical temporary joint ventures with Group companies could be considered related-party transactions and whether they might be regarded as exempt as ordinary transactions, in light of the general positions adopted in this respect in the opinion given by Tombari and Chiappetta.

The opinion given by Professor Marchetti in May 2018 clarifies that "*participation by Ansaldo STS in consortia, joint ventures or other similar forms of association alongside its related parties, i.e. companies of the Hitachi group, can come within the definition of a transaction that is significant for the purposes of the legislation on related parties*" and, citing specific Consob communications relating to similar cases, further clarifies that "*The transfer of wealth [...] does not necessarily have to be the object, the reason for the transaction, in its legal description; it can also be the risk (and therefore the possible result, including the indirect result) of the relationship with related parties*". In particular, Professor Marchetti goes on to affirm that transactions involving an association with a related party are relevant "*precisely because of possible conditioning arising* *due to the possibility that a related-party relationship could be entered into for merely opportunistic purposes, in the interest not of all shareholders or, more generally, all investors in a listed company, but, for example, in the interest of only those who exercise control over the company, thereby giving rise to cases of expropriation to the detriment of investors, with possible negative repercussions for the functioning of the financial market*". The opinion then continues with the assertion that in practice "*there are many forms in which this transfer of resources may occur*" and that "*is true that in a project each party is compensated for its contribution, yet every price, every consideration obviously implies margins of discretion, especially in complex orders, which are generally unique and not comparable with the content of other orders. It is clear, therefore, that a 'dominant' related party has an opportunity to exert pressure to ensure that the related party operating alongside it in the contract reduces its margins in order to keep the total price within a level that the client is willing to accept*". Professor Marchetti, in contrast to professors Chiappetta and Tombari, concludes that it is difficult to argue for the general exemption of operations of an associative nature with related parties as being of an ordinary nature, since such transactions are complex and tailor-made. He thus suggests that "*Therefore, if one wishes to insist on the exemption approach in the cases in question on the grounds that they are ordinary operations, it seems inevitable that we must use adequate benchmarks and extensive precedents not* *involving the participation of related parties to prepare templates for conditions, both economic and not, that are considered customary and fair, for ready comparison with each new case that arises. If this is not done, the risk of non-compliance with the procedure for related parties is, in my view, significant.*" The opinion then concludes that: "*the participation of Ansaldo STS in consortia, joint ventures, or similar forms of association in which another or various other companies of the Hitachi group participate* [...] constitutes 'related party transactions'" and that "*in the absence of a consolidated seriality and standardisation of market conditions that is capable of ensuring uniformity of comparisons, it does not seem to me that such transactions can in all cases qualify as exempt on the grounds that they are 'ordinary transactions', and thereby avoid coming within the scope of the legislation on transactions with related parties*".

It thus seems clear that there are conflicting, equally authoritative views of the matter at hand. In its future activities, the Board of Statutory Auditors, in light of the extremely delicate and complex nature of the subject matter, and of the peculiarities of the company's business and ongoing interrelations – even just for commercial bids made together with the Group that exercises management and coordination over it – will from here onwards take cognizance of the findings of authoritative opinions received and request that the governing body consider, where appropriate, mechanisms designed to correct and reinforce the current related parties procedure, with the objective, *inter alia*, of monitoring the potential critical areas identified in the opinion given to the Board of Statutory Auditors by Professor Marchetti.

Turning to the specific case of the Iran Memorandum, the Board of Statutory Auditors observes that: i) the assessment as to whether the transaction could be considered ordinary was conducted in the appropriate forum, namely during the session of the Related Parties Committee of 5 August 2016; ii) this assessment was based on reasonable evidence and adequate discussion of the operational, risk and remuneration profiles of this project, with the involvement of the Company's managers, who reasonably enabled the Committee's members to assess whether the transaction was ordinary in comparison to transactions with third parties.

In conclusion, we believe it is important to note that during the Shareholders' Meeting of 11 May 2017 the previous Board of Statutory Auditors expressly excluded the possibility of censurable conduct in the matter.

As for the question of who signed the Memorandum and the related mandates that were granted, we believe that the matter was resolved by the clarification provided by Mr Sarubbi, during that same session of the Shareholders' Meeting of 11 May 2017, when he stated: "*Memorandum of Understanding signed on 19 May 2016 by Mr Giuseppe Gaudiello pursuant to a mandate granted by Mr Stefano Siragusa, I think it was in the month of April 2016*". In any event, the Board of Statutory Auditors checked this statement against the relevant documentation, and the mandate in question was indeed found to have been granted by Mr Siragusa to Mr Gaudiello on 5 May 2016.

- question c), on the matter of Mr de Benedictis' independence, may be regarded as already resolved, now superseded, and in any event resolved by the observation that, following the Shareholders' Meeting of 11 May 2017 (during which the complaint in question was lodged), the company's Board of Directors, by resolution passed on 15 June 2017, as part of the annual review of the fulfilment of the independence requirements for the Independent Directors recommended by the Corporate Governance Code, unanimously voted in favour (with the sole abstention of the director concerned in each case) of the continuing fulfilment of these requirements on the part of the Independent Directors, including Mr Alberto de Benedictis. Without prejudice to the above, it also bears remarking that, in any event, as is common knowledge, ultimate responsibility for the assessment of independence rests with the Board of Directors;

- questions d) and j) on the use of the law firm Paul Hastings: the Board of Statutory Auditors notes that both questions may be regarded as superseded, since the previous Board of Statutory Auditors gave a thorough account, during its meeting on 20 September 2016, of the clarification and documentation obtained from the Company on 6 September 2016. Consequently, the previous Board of Statutory Auditors, while censuring the company's lack of punctuality in providing the requested information, did not identify any other matters falling within the scope of the Board of Statutory Auditors' supervisory responsibilities. In addition, and decisively, during that same session of the Shareholders' Meeting of 11 May 2017, the Chairman of the previous Board of Statutory Auditors, Mr Giacinto Sarubbi, once again restated the terms of the question, which, as mentioned above, had already been thoroughly dealt with by the Board of Statutory Auditors. As a result, Mr Taricco himself acknowledged Mr Sarubbi's response during that same meeting of 11 May 2017, stating that he was satisfied with the clarification given. Additionally, at that same session of the Shareholders' Meeting of 11 May 2017, Mr Filippo Corsi, the company's General Counsel, in response to an invitation from the Chairman of the session to give a presentation on the matter, once again rehearsed the details of the legal consulting agreement concluded by the company with the law firm Paul Hastings in support of the independent directors. Accordingly, the information on this matter is to be regarded as full and complete. It also bears remarking that this Board of Statutory Auditors has reconsidered the documentation made available on this matter, without identifying any critical issues.

- questions e) and k) regarding the termination of Mr Carassai's employment: the Board of Statutory Auditors, after reiterating that responsibility for providing information on operating matters lies with the governing body, acknowledged that the facts at issue in the questions at hand had already elicited a response, information and verification. As a point of information, during that same session of the Shareholders' Meeting of 11 May 2017, Chairman de Benedictis informed the shareholders that "*the departure of Mr Carassai, who was not an executive with strategic responsibilities, occurred by consensual termination of his contract* [by private agreement dated 19 October 2016]. *The voluntary redundancy incentive was linked to his willingness to remain, after he had indicated his intention to leave in November … to remain until February in order to complete all the activities related to the closing of the financial statements. In fact, he submitted the financial statements to the Board of Directors on 27 February*". The matter was assessed by the previous Board of Statutory Auditors, which thoroughly examined it prior to its participation in the Shareholders' Meeting of 9 January 2017, at which it noted, on the one hand, that the total sum paid to Mr Carassai included consideration for a non-compete undertaking for a period of ten months from termination of his employment, and on the other that following its investigation into the matter, it had decided not to impose any censure. It should also be noted that we have reconsidered the documentation made available on this matter, and have not identified any critical issues.

- questions f) and l) regarding the appointment of Mr Barr: the facts at issue in these questions have to do with Mr Barr's appointment as the company's chief executive officer. Once again, we cannot but regard these matters as resolved, superseded and put to rest by the verification already performed by the previous Board of Statutory Auditors, which did not identify any irregularities. In fact, during the Shareholders' Meeting of 11 May 2017, the Chairman of the Board of Statutory Auditors, Mr Sarubbi, confirmed that "*if I have to say whether there has been a violation: there has not been*. *So I believe that I have answered* [...] *on the matter of Mr Barr*".

- question g) regarding Mr Romano's statements: the Board of Statutory Auditors notes that the question must be considered as already answered by the previous Board of Statutory Auditors, which, during that same Shareholders' Meeting of 11 May 2017, reiterated that it considered "*Mr Romano's statements* [to be] *grossly irregular*" as early as 20 November 2016 (i.e., during the meeting of the Board of Statutory Auditors); this conclusion was followed by a further inquiry that was completed on 28 November 2016, "*with the resulting censure of Mr Dormer and Mr Barr*" given their awareness of the existence of the agreements in question with the company. The Board of Statutory Auditors is not in a position to tell the Shareholders' Meeting whether the control performed by the previous Board of Statutory Auditors was done at its own initiative or on the urging of third parties, nor the time required to complete it. However, this no longer seems generally relevant – especially considering that the conduct in question has been censured.

- question h) regarding the Board of Directors' resolution of 28 October 2016: on this matter, this Board of Statutory Auditors believes it should firstly be affirmed that there can be no doubt that the Shareholders' Meeting is solely responsible for setting the remuneration of the Board of Statutory Auditors. The resolution passed (unanimously) by the Board of Directors is formally correct since the Board of Directors never resolved, in lieu of the Shareholders' Meeting, to increase the Board of Statutory Auditors' remuneration, and the Board of Directors has the power to make donations of reasonable amounts, taking account of the company's size. However, the resolution, as passed, could be interpreted – as it indeed has been – not only as an expression of a desire to make a charitable donation, but also, in view of the circumstances of its adoption, how it was recorded in the minutes, and how the item was included in that day's agenda, construed as a proposal for an indirect increase in the remuneration of the Board of Statutory Auditors or of one of its members. It should also be stressed that, on the basis of the minutes and the relevant appended documentation, it is clear that it was the Chairman of the Board of Directors himself who initially suggested proposing "*that the Shareholders' Meeting approve a one-off sum for the Board of Statutory Auditors*". Consequently, it does not seem reasonable to conclude that the resolution – which, as mentioned above, was passed unanimously – was intended to grant additional remuneration to the Board of Statutory Auditors, circumventing the need for approval by the Shareholders' Meeting. Such approval, it bears repeating, would have been necessary to increase the Board of Statutory Auditors' remuneration. Irrespective of this, the question no longer pertains, since the Board of Directors did not implement the resolution in question, and it thus did not give rise to any decision by the directors that was not subject to review by the Shareholders' Meeting in violation of the law or Articles of Association.

- question m) on the costs incurred for the company that exercises management and coordination: the Board of Statutory Auditors responds by confirming the legitimacy of the censured conduct. Most notably, the reporting activity in question, performed by Ansaldo STS, far from constituting an unlawful transfer of resources to the shareholder Hitachi (and the relevant Group), instead represents the means whereby a subsidiary (namely, Ansaldo STS) fulfils its reporting obligations to its parent company (Hitachi Ltd.).

In point of fact, the Tokyo Stock Exchange (on which Hitachi Ltd. is listed) imposes various precise market disclosure obligations on Hitachi Ltd. in its capacity as parent company, and these obligations therefore cascade down to Group companies. It thus should come as no surprise that the subsidiary Ansaldo STS S.p.A. must in turn, to the extent of its own competence, fulfil the said proper disclosure obligations, by adopting and implementing specific reporting procedures (*an arrangement that, incidentally, is entirely within the normal order of things for companies that are a part of large listed multinational groups*) that are primarily intended to collect from companies in its Group the information to be processed and incorporated into the Ansaldo Group's annual and interim consolidated statements and then submit the Group's aggregate segment reporting information (which in turn is destined to be incorporated into the Hitachi Group's Italian and global consolidated financial statements) to its parent company.

Since we have had the opportunity to appreciate the particularly complex and burdensome nature of the management of the reporting procedures adopted by Ansaldo, it can only be concluded that the proposal to change the end of the financial year from 31 December to 31 March in order to align the subsidiary with its parent company Hitachi Ltd. was intended to achieve cost savings and a significant reduction and simplification of the relevant administrative workload. From this perspective, and for the reasons given, even if changing the end of the financial year for the sake of convenience is a tenable decision, this does not mean that having fulfilled its reporting obligations in 2016 through the above reporting procedures could in any way constitute unlawful, and thus censurable, conduct on the part of the company and its directors and statutory auditors.

On this point it should also be noted that, on the basis of the inquiries and meetings held with the competent departments of the company, we have been able to determine that the number of equivalent resources devoted to the reporting activities in question is far removed from the forecasts that were received, and are at a level that appears not only reasonable but also largely immaterial, and in any event commensurate with the Group's complexity and the normal activities that companies subject to management and coordination perform with regard to their parent company (in this case, a listed parent company).

The Board of Statutory Auditors remains at the shareholders' disposal and its members express their gratitude for the trust placed in them.

Genoa, 10 May 2018."

The Chairman thanked the Chairman of the Board of Statutory Auditors for his contribution and opened the discussion on both sub-items of the first item on the agenda, reserving the right to reply to any questions at the end of the interventions or to ask other directors to respond.

To enable the Chairman to moderate the discussion more effectively, he asked those who wished to speak to kindly pass the intervention request form for these items on the agenda that they received upon registration to the secretary of the meeting.

He also invited the speakers, in the interest of an efficient management of the meeting, to keep their interventions within the established limits, to allow all those who have an interest to contribute.

The Chairman called on Mr. CARLO MARIA BRAGHERO to use the podium on his left for his contribution.

Mr. CARLO MARIA BRAGHERO took the floor and stated the following:

"Good morning everyone. Chairman of the meeting, first of all, allow me to express my disapproval of the absent directors. We only have one opportunity a year to meet them and the fact that half the directors are absent certainly does not make for a good impression. It may be that some have legitimate explanations which justify their absence, but if they give merely superficial excuses, they are certainly not justified. The addendum to the auditor's report is interesting, quite meticulous, it's a pity it wasn't circulated, we could have paid it closer attention. And with regard to the statutory auditors, I'd like to know why it was decided to continue to publish the ordinary report of the board of statutory auditors in a file separate from the documentation for the shareholders' meeting, instead of the financial statements file with the external auditors' report. And while I'm on the subject of the board of statutory auditors, I'd like to make an observation: it seems that the biggest problem facing our company in 2017 was the Swedish dispute. The board tells us that it made inquiries and investigated the matter in depth, and I have no doubt that these inquiries and in-depth verifications were carried out, but no conclusions are given in the report! I mean: as a result of these inquiries and investigations, were any errors or omissions by Ansaldo STS discovered, or not? This is the fundamental aspect that appears to have escaped us. A second question: the order book is growing, but revenues and profitability are falling. Apparently, we continue to progress commercially, but we're no longer able to operate profitably. I would like an explanation of this very curious aspect. I also ask, because despite this decrease in revenues, this falloff in revenues, this decline in business... 150 new staff were hired, net of resignations. A 7% staff increase with stagnant business does not make much sense to me. Another issue: most of the 2017 results were lower than the 2016 figures, and dividends obtained from foreign subsidiaries plummeted. What does this mean? It means that we’re no longer competitive, that we no longer have any foreign earnings. You also say that strategic personnel have resigned, this is the second year that we find ourselves in this position and it really doesn’t look to me like a very good sign. Also, Romania is mentioned in the list of our permanent establishments abroad. But where is the list of activities referred to on page 19 of the dossier, there is no record of activities in Romania, so I’d like to know the reason for this discrepancy. With regard to the dispute, you tell us in relation to the lawsuit filed by Amber and Elliott that the outcome will be known at the "next hearing in February 2018". How can you be speaking of the “next hearing in February 2018” if the report is dated 14 March 2018? There seems to be some information missing; I’d like an update on the situation, up to march 2018. It may be after 14 march, so I can’t raise a formal objection in this regard. By March 2018 the outcome of the hearing in the case against Mr. Bivona must have been known. To me - and this isn't the first time I've said so - that case seems to be an absolutely ridiculous case, so my question is: is it really necessary to continue along this path?

I think it's very good that the board met 13 times; I haven't looked at the report on corporate governance, so I do not know what the participation rate of the various directors was; I hope and pray that it was substantial. But I have just one doubt: the fact that the board of directors met so often may mean that we have a chief executive officer and general manager who is under the tutelage of the board of directors, also because in the 'il sole 24ore' newspaper on 20 May 2017 there was an incredible feature advertisement in which it appeared that our CEO - as it is written here - is responsible for Ansaldo STS being able to enter confidently into international markets from Asia to Oceania and from the Middle East to the Americas. Maybe we were already in those markets, maybe. I don't understand. But since that feature was an advertisement, it is described as "professional information", but it is an advertisement for the CEO, not an advertisement for Ansaldo STS. Basically, I would like to know who signed off on this advertisement.

Thank you for your answers, and I reserve the right to reply. Thank you"

The Chairman thanked Mr. CARLO MARIA BRAGHERO for his contribution and invited Mr. MARCO TARICCO to use the podium on his left for his contribution.

Mr. MARCO TARICCO, representing the shareholder Blubell Partners, took the floor and stated the following:

"Thank you Chairman de Benedictis. I would like to begin by thanking Mr. Zecca for his meticulous report, and thank the entire board of auditors, we obviously reserve the right to give our response later. I thank you for your work.

I would like to make some comments on the results for the financial year just concluded, which frankly are not brilliant, to use an euphemism. Not only are this year's figures not brilliant, but I would say it's the second year that we see all the main indicators declining. I would like to point out that Ebit, although having an extraordinary component, has fallen by almost 26% compared to two years ago; net profit by 30%, and VAE as reported is down almost 50%. It's a trend that I have to say is quite worrying. Looking at these figures, I don’t think I've seen any particular bright spots, not even during the conference call yesterday on the results for the first quarter. But apart from the numbers, which speak for themselves, I wanted to make three comments and ask related questions. The first: looking at the orders that originated in 2017, I noticed that more than half originated in Italy. This compared to 29% the previous year, and 13% in 2015. Therefore, while on the one hand it is obviously pleasing that Italy is an important market, investing in signalling infrastructure, on the other hand this figure is very striking. The question that leaps to mind is: what is Hitachi’s contribution to all this? Because basically the operation, the integration of which you have spoken to us so often, should be leading to results, especially outside Italy, which I think has always been considered to some extent the home market of Ansaldo STS. So I don’t know if you can give us concrete examples. Mr. Barr, you rightly pointed out the Baltimore order, but that looks like the only really significant order that was won last year abroad. Regarding the Baltimore order, the question I'd like answered is , what is the profitability that can be expected from this order? We've seen that Ansaldo STS' share of the expected revenues is about 1/3 of the total, the rest corresponds to Ansaldo Breda. So I'd be interested to know what kind of profitability you expect. And finally, and further to the comment made by Mr. Braghero, I think it'd be interesting to have some more information on the Stockholm episode. Because we have seen the impact on the financial statements, and there is a natural curiosity to learn a bit more about the genesis, the origin of this setback. One naturally wonders whether in your opinion this incident could have repercussions for other potential orders, given the negative publicity that it has attracted. Thank you."

The Chairman thanked Mr. MARCO TARICCO for his contribution and invited Mr. RAIMONDO PREMONTE to use the podium on his left for his contribution.

Mr. RAIMONDO PREMONTE, representing the shareholder Hitachi Rail Italy Investment, took the floor and stated the following:

"Good morning Mr. Chairman. Good morning shareholders. I would also like to thank the Chairman of the Board of Statutory Auditors, more for the promptness than for the detail of his reply to all the questions that have been raised.

With respect to point 1 on the agenda, I am speaking on behalf of Hitachi Rail Italy Investment. As you already know, the rail sector is a key sector for the Hitachi Group. The railway division has tripled in size in over the last three years, and the group has a strong ambition, which it has repeatedly expressed publicly, to continue this growth. Considering the leading role played by Ansaldo STS in the management and growth of Hitachi's global signalling and turnkey business, Hitachi's expectations are for Ansaldo STS to continue to grow and play a central role in this growth. Ansaldo STS - and I thank the CEO for the indications we have been given - is certainly a leading company in a market segment characterised by advanced technologies and equipment that require - the CEO has repeatedly pointed this out - that require constant development and continuous adaptation to meet increasingly important client requirements. As our CEO has always insisted, this segment has undergone, and continues to undergo, major structural changes. From a market standpoint, we have seen the acquisition of Invensys Rail by Siemens, the acquisition by Alstom of the signalling business of General Electric, the rapid growth of Crc China and also the announcement of the Alstom and Siemens merger in the railway sector. What does this mean? It means that the market in which STS operates is subject to increasingly consolidated competition, both in terms of technological competition and in terms of access to the capital market. We believe that STS must continue to have access to sufficient financial resources to finance investments in research and development programmes, and in programmes that can strengthen its presence and competitiveness. In our opinion, understanding this requirement is crucial to protecting the long-term sustainability of Ansaldo STS in the interests of all shareholders and stakeholders. I would like to draw your attention once more to the financial results for 2017, which - as has been mentioned several times - were affected by an unforeseen event. The question concerns the costs incurred in the red line project in Stockholm in which the client terminated the contract - it will be interesting to have the information that the board of directors will provide us - but in short, what we were given to understand is that the contract was terminated, and a refund of all advances received until the termination was sought and obtained. We cannot forget the role of STS in the turnkey sector, which - as we have seen - involves significant risks for the company due to the broad liability that the company must shoulder in these contracts, because they provide for the implementation and delivery of the entire project. Therefore, it is important that Ansaldo STS retain a substantial amount of liquidity on its balance sheet to ensure that it is able to manage these risks. Taking into account this market and the environmental, industrial and corporate context, we should also note with satisfaction the progress that management is making in improving the company's ability to invest in the future. We also noted that in 2017, investments in research and development increased from 36.7 million to 41.3 million, especially in investments in CBTC and in the new automation products platform, which is ready for the development of digital technology. We are very pleased that the Company is expanding its capabilities in order to be ready and certain that the projects and orders that the company wins can be delivered on time in the best possible. We have noted with great satisfaction - and we thank the management for this - that the level of staff has increased from 3,951 to 4,228. So we have a Company that in this country is taking people on and not laying them off. We firmly believe that, in order to continue to grow and remain a market leader, STS must have access to adequate financial resources to seize the opportunities for acquisitions of other companies, in order to reinforce its soundness, including any acquisitions that could arise from the proposed Alstom-Siemens merger. I don't know, perhaps some divestments will be imposed due to antitrust issues, so we strongly urge Ansaldo STS to ascertain whether any opportunities could thus arise. Such acquisitions could in fact provide Ansaldo with attractive opportunities for growth in markets that would otherwise be difficult to enter. We therefore believe that the payment of a significant dividend would clearly reduce the company's ability to manage the risks of its projects on a stand-alone basis, and to invest in growth through one or both of its research and development projects, and any possible company acquisitions. In this regard I would like to invite the directors, if possible - it was mentioned in relation to non-organic growth - whether we could have some information on these possible opportunities for joint ventures, possible acquisitions, and the markets involved. I’ll stop here and I reserve the right of reply.”

The Chairman thanked Mr. RAIMONDO PREMONTE for his contribution.

At 1:00 p.m. the Chairman suspended the proceedings in order to prepare the responses to the shareholders questions.
At 1:55 p.m. the Chairman declared the resumption of business.
Answering the questions of the shareholders, the Chairman pointed out as follows:
“I will resume with the responses to the questions that have been asked. Starting with those asked by Mr. Braghero. He asked why with an increase in the order book last year, there was a reduction in revenues and profits. Now, we are talking about the financial statements of the Italian company, not the consolidated financial statements. In the financial statements of the Italian company, revenues rose from EUR 830 million to EUR 825 million in 2017, essentially due to the fact that the final stage of some contracts had been reached. At the group level, on the other hand, revenues increased by 2.5%. He asked about the net recruitment of 150 new personnel. The reference is still to the financial statements of the Italian public limited company - the increase was of around 90 people who were hired to support the development of the group's foreign operations, and around 63 people who were internalised, who worked under contract, but who the company decided to bring on board due to operational requirements. And of course those costs were already there, as outsourced personnel. He asked about the slump in dividends from foreign companies to the parent company during 2017: it should be noted that in the 2016 financial statements, dividends were distributed not only for the current year, but also for preceding years. So the basis of

comparison for 2017 is not the same as for 2016. In 2016, we repatriated dividends that had accumulated as a result of profits from previous years. He asked about the permanent establishment in Romania. We do have a branch. The branch has no employees, it remained open despite the fact that we no longer have any business there, because the contract we had in Romania has concluded, but we have a dispute pending with the client. So we have to keep the branch open until the dispute is resolved. He asked about the mention of the Amber-Elliott case in the financial statement, with reference to the date of 6 February. It's a misprint, because actually that reference should not have been there, and it's not in the consolidated statement. However, remember that this is a lawsuit brought by Amber, which challenged the resolution to bring a liability action against Mr. Bivona. The proceedings were joined with the lawsuit brought by Elliott. The oral hearing was scheduled for 6 February, then postponed until 20 March. The next hearing has been set for 16 January 2019 for admission of preliminary evidence.

With regard to the last question about an article published in the “Il Sole 24 ore” newspaper last year, that was an initiative to publish a supplement in the ‘Sole’ newspaper to represent the companies around the world. It's something that many firms do quite frequently. Our Company does it rarely, but a decision was taken to join the initiative, because it was about high technology. With respect to the question on orders in 2017, essentially half were in Italy; the figure was less in the past, and in particular which contributions Hitachi makes to Ansaldo STS in terms of acquisitions. It is clear that, as you know, our business is one that requires a fairly long process before we win an order. In 2017 we won the Baltimore order together with Hitachi Rail Italy. Various initiatives are under way around the world to win new orders. But obviously it takes time, and so the joint activities with Hitachi to win new orders for Ansaldo STS are continuing. He then asked a question on Baltimore, namely what the expected profitability is; we predict a profitability on the order of around 14%, which is in line with the gross profit of the business segment. Therefore it's at the level of gross profit that we envisage for turnkey projects, i.e. for projects of this type. He then asked how Stockholm happened. First of all, I’d like to remind you that the Stockholm project dates back to 2009, so it is a project that has a rather long life. Throughout this period, from 2009 to 2017, the project continued with some delays, but there were no difficulties in the relationship with the client. The relationship was good, the work was progressing, so much so that as of 30 June 2017, when the company was obliged to meet some specific commitments, they were all met. So from an objective standpoint, they were all met. There was an important change in the client's management. The project objectives were reviewed the client. This happened in the summer, so the first notion we had that something was not right was after the summer, it was around September, so we are talking about a precipitation of events in the latter part of the year, obviously with the result that you are aware of. As Mr. Corsi said, that's our interpretation of events. In the arbitration proceedings we will see what stance the counterparty adopts.

A last question on what was raised by Mr. Premonte. I confirm that the company is obviously always on the look-out, because it is part of the normal operations of the company to assess whether there are opportunities to grow, not only in terms of organic growth, but also in terms of external growth. There are some innovative areas that have been sketched out in Mr. Barr's contribution that the company is looking at, because the sector is also consolidating in terms of products offered around new digital technologies, so the company is assessing where the product portfolio can be strengthened. And certainly we look carefully at developments around us, not necessarily in terms of acquisitions but obviously also in terms of any agreements and partnerships that we can make with third parties to improve our offer."

Answering Mr. Braghero's question concerning the red line order and the company's conduct, Mr. ANTONIO ZECCA addressed the meeting and stated as follows:

"From the standpoint of the Board of Statutory Auditors, we should point out that an assessment of industrial, operational and management aspects is beyond the scope of our duties. On the other hand, as regards the aspects most closely linked to compliance with the law and articles of association, we have performed all the verifications we deemed necessary, and no censurable conduct has emerged. Thank you."

Replying to the answers provided by the Chairman, Mr. MARCO TARICCO stated that:

"On the profitability of Baltimore: when he says a gross profit of 14%, what does gross profit mean? I think in terms of Ebit, to reconnect a bit to the discussion regarding the consolidated numbers, if an equivalent number can be known."

In order to answer, the Chairman gave the floor to Mr. RENATO GALLO, CFO of the Company, who declared as follows:

"Clearly when you read the company's Ebit and its Ros, you read an average value. You know very well, as has been explained, there are different business segments, and different companies if you like; so it's a matrix. And you will remember that a few years ago - four or five years ago - we even had a breakdown by segment, then the turnkey and signalling. The turnkey business has structural costs, which are different to signalling costs, which mainly concern the research part. Therefore of our EUR 40 million of research expenses, most is signalling, because it is there that we have to produce the product and then sell it on the market; as was mentioned, CBTC, digitalisation and so on. Therefore saying that this is the 14% on average of the turnkey orders, to which we can associate this order, which is in America, looking at it from a consolidated standpoint, we could remove the structure cost. All that is needed is a simple calculation: we are at around 9% but, if we divided it roughly, the structure accounts for more than the signalling part and it accounts for less than the systems part. And therefore we could say gross profit of 14 minus 6 of structure, it would be a Ebit of around 8-9%, which is the standard that we have. But careful: this is my assessment right now, somehow splitting the systems part from the signalling part. Thank you."

The Chairman thanked Mr. RENATO GALLO. Replying to the answers of the Chairman, Mr. RAIMONDO PREMONTE took the floor and stated the following:

"Thank you Mr. Chairman for the specifications and indications you have given. I would also like to say in addition to my previous contribution that, while it is certainly in the financial interest of Hitachi as the majority shareholder to receive a distribution of dividends from Ansaldo STS, it is even more in the interest of Hitachi, as mentioned earlier, and we believe it should be in the interest of all shareholders in the company, to provide the company with an opportunity to protect, consolidate and develop its business to the maximum extent possible, for the benefit of the company in the long term, not in the short term. Therefore, for the reasons explained during my previous contribution to this meeting, Hitachi is very concerned that without access to sufficient funds for investment, the company will not be able to continue to compete and grow in this very competitive market. It is true that Ansaldo STS benefits from important synergies as part of the Hitachi group, but I would also remind you that the company is an independent company and organisation which must maintain or increase its resources if it is to invest in its future. As we have seen, and as the Chief Executive Officer has clearly and precisely explained to us, the competitors of Ansaldo STS continue to consolidate and to invest aggressively in the sector - both rail in general, but also and above all in railway system technologies. In this context, although we believe that the Board of Directors’ proposal to distribute a dividend of €0.15 per transaction is in line with the company's practice, Hitachi believes that this approach is not in line with the ambitions that STS must have in order to expand more aggressively and maintain its global leadership. We also thank the Chairman for his comments regarding the possible opportunity, and therefore urge the Board to continue this investment policy, in an even more aggressive way, to grow and increase its business. Therefore it would be desirable that resources necessary for such investments were be available. With this in mind, we therefore encourage Ansaldo STS to pursue these opportunities further. Let me state right away that we intend to vote against the distribution of any dividend. Thank you.”

Replying to the answers of the Chairman, Mr. CARLO MARIA BRAGHERO took the floor and pointed out as follows:

“Some detailed questions and then a serious question. You haven't told me anything about the justifications given by the absent directors. You haven’t explained to me why the Auditors’ report is not in the financial statements file. The explanation of this advertisement is absolutely insufficient; its title is “Andy Barr, the man who drives trains from space". I will let you assess whether this is an advertisement in the interest of Ansaldo STS.

Then the last question: in fact, after the previous intervention of Mr. Premonte, I expected the conclusion he reached. A conclusion that ultimately has two aspects. Aspect number one: the controlling shareholder distrusts the Board of Directors that it appointed, because obviously when the Board of Directors appointed by Hitachi makes a proposal, the shareholder who has appointed it says: "I'm not happy, I am voting against". So your dignity means that you would have to resign, for the sake of consistency. But there is another aspect of consistency that is even more fun: our chairman, Mr. Dormer is also a Global CEO of Hitachi, maybe global, certainly European. So he who has mandated the delegate is now saying, on the contrary, that he has made the decision as Chairman of our company. We are really at the paroxysm. Thank you."

The Chairman thanked Mr. CARLO MARIA BRAGHERO.

Replying to the answers of the Chairman, Mr. MARIO TARICCO addressed the meeting and stated the following:

"I'm not saying that this decision by the controlling shareholder Hitachi to vote against the dividend is a surprise. But it does seem to me that we have arrived at a really farcical situation. This is the second year in a row that the board of directors has made a proposal, and it appears - as Mr. Brahero has just said, that the Board has been given a vote of no confidence. This seems to me a really unfortunate situation. In conclusion, just reach an agreement if you decide not to vote for the dividend, so the directors appointed by Hitachi make a proposal that you know in advance and we can avoid coming to the meeting and having to witness these spectacles. Moreover, I must say to distribute €30 million in dividends, when the cash at hand at the end of the year is almost €360 million, I don't think it changes the equation even if one has to make acquisitions. If big acquisitions are to be made, at most the shareholders can be asked for money, and the shareholders can assess the requests from time to time. Thank you."

The Chairman:

- as all the contributions had concluded, called for a vote on the proposed resolution at sub-point 1.1 of the first item on the agenda, which he firstly read out;
- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;
- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the staff to provide updated data on those in attendance and invited those entitled to vote not to leave the meeting until the voting procedure had been finished;
- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy;

- invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 108,588,526 had voted, representing 67.361% of the shareholders entitled to vote, for the proposal to approve the financial statements for the year ending 31 December 2017, as well as the Board of Directors’, the Board of Statutory Auditors’ and the External Auditing Firm’s Reports and 2017 Non-Financial Report, with no. 1,254,567 votes against, representing 0.778% of the share-holders entitled to vote and 51,359,798 abstaining representing 31.860% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman’s request, to the meeting’s minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the proposal to approve the financial statements had been approved by a majority of the share-holders attending the meeting.

The Chairman:

- called for a vote on the proposed resolution at sub-point 1.2 of the first item on the agenda;

- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;

- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the staff to provide updated data on those in attendance and invited those entitled to vote not to leave the meeting until the voting procedure had been finished;

- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy;

The Chairman invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 59,658,119 had voted, representing 37.008% of the shareholders entitled to vote, for the proposal to allocate the annual net income, with no. 101,544,702 votes against, representing 62.992% of the share-holders entitled to vote and 70 abstaining representing 0.000% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman's request, to the meeting's minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the proposal to allocate the annual net income had not been approved and therefore the entire profit for the year was carried forward.

The Chairman moved on to the second item on the agenda:

"2. First section of the Report on Remuneration. Related and consequent resolutions. "

The Chairman reminded that the issue had been examined in the Report on Remuneration approved by the Board of Directors on 14 March 2018, after obtaining the approval of the Nomination and Remuneration Committee, and it had been handed to those present and made available to the public in accordance with the provisions and terms of the law in force.

The Chairman reminded that, pursuant to Art. 123-*ter*, para-graph 6, of Consolidated Law on Finance, those in attendance were called to decide in favour or against the first section of the Remuneration Report, provided for under Art. 123-*ter*, paragraph 3, which illustrated the Company's policy on remuneration for the Company's governing bodies, the General Manager and Managers with Strategic Responsibilities, as well as the procedures used to adopt and implement this policy.

The Chairman reminded the shareholders that pursuant to Art. 123-*ter*, paragraph 6, of Consolidated Law on Finance, the resolution that the Shareholders' meeting was called to take would not, however, be binding.

The Chairman then proposed the following resolution on the second item on the agenda, which was, in all respects, consistent with that contained in the Board of Directors' Report to the shareholders' meeting:

" Ansaldo STS S.p.A. Ordinary Shareholders' Meeting,

- after having examined and discussed the section of the report on remuneration foreseen by Article 123-*ter*, paragraph 3, of Legislative Decree No. 58/1998, which was approved by the Board of Directors upon the Nomination and Remuneration Committee so proposing, which contains the description of the Company's policy on remuneration for members of Boards of Directors, the General Manager and Managers with Strategic Responsibilities, and the procedures used for adopting and implementing this policy and which was made available to the public in the manner and time required by law;
- considered that the aforementioned section of the remuneration report and the policy described therein are compliant with the provisions of the applicable legislation on the remuneration of members of the Board, the General Manager and Managers with Strategic Responsibilities,

resolves

- to adopt the first section of the report on remuneration provided for under Article 123-*ter*, paragraph 3, of Legislative Decree. No. 58/1998, which was approved by the Board of Directors on 14 March 2018 and which illustrates the Company's policy on the remuneration of members of Boards of Directors, the General Manager and Managers with Strategic Responsibilities, as well as the procedures used for adopting and implementing this policy.”

The Chairman opened the discussion, reserving himself the right to reply to any questions once all those so requesting had taken the floor, inviting those who wished to speak to kindly bring to the meeting’s secretary the application form for making a request to speak in connection with the meeting’s agenda item, which had been handed out at registration.

No one asking to speak, the Chairman put to vote the proposal of resolution previously read.

The Chairman:

- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;
- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the staff to provide updated data on those in attendance and invited those entitled to vote not to leave the meeting until the voting procedure had been finished;
- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy;

The Chairman invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 104,502,230 had voted, representing 64.827% of the shareholders entitled to vote, for the proposal of the second item on the agenda regarding the Remuneration,pursuant to Article 123-*ter*, paragraph 6, Consolidated Law on Finance, with no. 5,410,403 votes against, representing 3.356% of the shareholders entitled to vote and 51,290,258 abstaining representing 31.817% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman's request, to the meeting's minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the above mentioned proposal of resolution had been approved by a majority of the shareholders attending the meeting.

The Chairman moved on to the third item on the agenda:

"3.Authorization to purchase and dispose of own shares. Related and consequent resolutions."

The Chairman reminded that the topic had been discussed in the Board of Director’s report drafted pursuant to Art. 73 of the Issuers’ Regulations, published according to the terms and conditions prescribed by law and handed to those intending to speak.

The Chairman submitted to the meeting the following proposal of resolution regarding the third item on the agenda, entirely compliant with that contained in the Report of the Board of Directors in the meeting:

“The ordinary General Meeting of Ansaldo STS S.p.A.,

- having examined the proposal of the Board of Directors;
- having considered the provisions of Arts. 2357 and 2357-*ter* of the Civil Code, 132 of Legislative Decree No. 58/1998 and 144-*bis* of the Issuers Regulation, as well as any other applicable laws,

resolves

1. to authorise the purchase, in one or more transactions, for a period of eighteen (18) months from the date of this resolution, of ordinary shares of Ansaldo STS S.p.A. in accordance with the procedures specified below:

- the maximum number of shares to be purchased is equal to No. 251,000 ordinary shares, corresponding to 0.125% of the share capital;
- the purchases must be made at price conditions conforming to the provisions of Article 3, Paragraph 2 of Delegated Regulation (EU) No. 2016/1052 of the European Commission of 8 March 2016 and in

any event in accordance with the conditions and limits established by Consob on accepted market practices, where applicable;

- the purchases must be made in accordance with the procedures under Article 144-*bis*, Paragraph 1, point b) of the Issuers Regulations;

2. to authorise the disposal of own shares, in one or more transactions, without time limits, in the manner considered most appropriate in the interest of the Company and in accordance with applicable legislation, in accordance with the procedures specified below:

- shares purchased may be disposed of also before reaching the maximum quantity of purchases which this resolutions relates to;
- shares relating to share incentive plans will be allocated free-of-charge to the beneficiaries of the plans in accordance with the procedures and on the terms specified by the regulations on such plans;

3. to grant to the Board of Directors, the Chairman and the Chief Executive Officer on its behalf, acting independently, all the broadest powers necessary to give concrete and complete implementation to the resolutions referred to in the above points and to notify the market in relation to them, in accordance with applicable legislation.”

The Chairman opened the discussion, reserving himself the right to reply to any questions once all those so requesting had taken the floor, inviting those who wished to speak to kindly bring to the meeting’s secretary the application form for making a request to speak in connection with the meeting’s agenda item, which had been handed out at registration.

No one asking to speak, the Chairman put to vote the proposal of resolution previously read.

The Chairman:

- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;
- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the staff to provide updated data on those in attendance and invited those entitled to vote not to leave the meeting until the voting procedure had been finished;
- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy;

The Chairman invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 108,654,063 had voted, representing 67.402% of the shareholders entitled to vote, for the proposal of the third item on the agenda "Authorisation to purchase and dispose of own shares. Related and consequent resolutions.", with no. 1,258,570 votes against, representing 0.781% of the shareholders entitled to vote and 51,290,258 abstaining representing 31.817% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman's request, to the meeting's minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the proposal concerning the authorisation to purchase and dispose of own shares had been approved by a majority of the shareholders attending the meeting.

The Chairman moved on to the fourth item on the agenda:

"4. Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S.p.A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions."

The Chairman reminded that the issue was dealt with in the explanatory report of the Board of Directors which also contained the reasoned proposal of the Board of Statutory Auditors, documentation which had been distributed to those present and made available to the public in the manner and under the terms established by applicable legislation.

The Chairman also reminded that by resolution of the shareholders' meeting of 19 January 2017, a mandate for the statutory audit of the financial statements and consolidated financial statements of Ansaldo STS was granted to the auditing company Ernst & Young, for the financial years 2016-2024.

The Chairman pointed out that by letter dated 21 February 2018, Ernst & Young announced that because of the recent regulatory changes and the issue of new international accounting standards that had introduced and/or imposed new requirements on the statutory auditor or that required it to carry out more complex audit activities, the conditions existed for the emergence of circumstances that required an increase in time, a change in the mix of personnel and the intervention of specialist staff in addition to those budgeted for audit services. For these reasons, Ernst & Young proposed to increase its remuneration for the audit work to be performed for the period 2017-2024.

The Chairman then submitted the following proposed resolution on this agenda item, in accordance with that contained in the report of the Board of Directors to the shareholders' meeting which adopts the reasoned proposal of the Board of Statutory Auditors to the shareholders meeting:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A.,

- having regard to the offer presented by Ernst & Young S.p.A. for the supplement to the compensation of the auditing activities for the financial years 2017-2024;

- evaluated the reasoned proposal from the Board of Statutory

Auditors drafted in accordance with Article 13 of Legislative Decree no. 39/2010;

- in view of the independent auditing mandate of Ansaldo STS financial and consolidated statements for the financial years 2016-2024 as awarded by the Ordinary Shareholders' Meeting of 19 January 2017, and taking into account the determination of the related compensation;
- in the light of the increase of the auditing activities mandated to Ernst & Young S.p.A.,

resolves

1. in accordance with the terms and requests for supplement formulated by EY S.p.A., to update the established terms and the relevant fees for the audit mandate, granted by the Shareholders' Meeting held on 19 January 2017 for the period 2016-2024; with all the other clauses of the original audit mandate remaining unchanged;
2. to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."

The Chairman opened the discussion, reserving himself the right to reply to any questions once all those so requesting had taken the floor, inviting those who wished to speak to kindly bring to the meeting's secretary the application form for making a request to speak in connection with the meeting’s agenda item, which had been handed out at registration.

No one asking to speak, the Chairman put to vote the proposal of resolution previously read.

The Chairman:

- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;
- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the staff to provide updated data on those in attendance and invited those entitled to vote not to leave the meeting until the voting procedure had been finished;
- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy;

The Chairman invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 159,948,144 had voted, representing 99.222% of the shareholders entitled to vote, for the proposal of the fourth item on the agenda "Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S.p.A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.", with no. 1,254,567 votes against, representing 0.778% of the shareholders entitled to vote and 180 abstaining representing 0.000% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman's request, to the meeting's minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the above mentioned proposal had been approved by a majority of the shareholders attending the meeting.

The Chairman moved on to the sole item of the extraordinary part on the agenda:

"Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions."

The Chairman referred to the declarations made at the start of the proceedings and he reminded that pursuant to applicable legislation, the quorum for approval of the proposal indicated in this item of the agenda was 2/3 of the registered capital represented at the Shareholders' Meeting.

The Chairman declared also as represented above, that with 62 entitled persons, attending in person or by proxy, representing

161,202,891 ordinary shares or 80.601% of the 200,000,000 (two hundred million) ordinary shares that make up the registered capital, the meeting was validly convened in an extraordinary session and at first call, as provided by law and the Articles of Association, and therefore might discuss and pass resolutions on the only item on the agenda for the extraordinary part.
The Chairman reminded that the issue had been examined in the explanatory report approved by the Board of Directors on 14 March 2018, handed to those present and made available to the public in accordance with the provisions and terms of the law in force.
Then the Chairman gave the floor to the Chairman of the Board of Statutory Auditors Mr. ANTONIO ZECCA, who asked to intervene and stated as follows:
"Good afternoon. As regards the Board of Statutory Auditors, two points for consideration: the first is that this change in the reporting date of the financial statements would entail a requirement to produce a financial statement for 15 months in the first year, the year of change, but the impact of this would not be particularly misleading or otherwise difficult to understand in terms of the dynamics of the financial statement, because the first quarter, by definition, is not, from what we have noticed to be the normal timing of revenues, a particularly significant quarter in terms of contribution. Then returning to what was also part of our intervention, in 2408 of the Italian Civil Code, there would certainly be an alignment with the reporting requirements

for the group company that exercises management and coordination, and this could probably reduce complexity and achieve savings."

The Chairman thanked the Chairman of the Board of Statutory Auditors Mr. ANTONIO ZECCA for his contribution and pointed out that the amendments to the Articles of Association proposed above did not grant the right of withdrawal to shareholders who did not participate in its approval, since they did not come within the cases of withdrawal cases identified in article 2437 of the Italian Civil Code.

The Chairman then submitted the following proposed resolution on this agenda item, in accordance with that contained in the report of the Board of Directors to the shareholders' meeting:

"The Extraordinary Shareholders' Meeting of Ansaldo STS S.p.A., after examining the explanatory report of the Board of Directors, and acknowledging the opinion of the Board of Statutory Auditors,

resolves

- to amend Article 29.1 of the By-laws as formulated in the right column of the table with parallel text in the explanatory report produced by the Board of Directors pursuant to Article 72, paragraph 1-*bis* of Consob Resolution No. 11971 of 14 May 1999, with the result that the financial year commencing on 1 January 2018 shall end on 31 March 2019;
- to amend Article 3.1 of the By-laws as formulated in the right column of the table with parallel text in the explanatory report produced by the Board of Directors pursuant to Article 72, paragraph 1-*bis* of Consob Resolution No. 11971 of 14 May 1999;

- to approve the new text of the By-laws, updated and coordinated to incorporate the amendments resolved as indicated in the preceding points;
- to grant a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer, including separately and if necessary through special representatives, to fulfil all requirements and formalities in any way related to or arising from this resolution, and to introduce any amendments to this resolution that may be necessary for the purposes of registration with the Company Register".

The Chairman opened the discussion, reserving himself the right to reply to any questions once all those so requesting had taken the floor and, in order to enable himself to moderate the discussion more effectively, he invited those who wished to speak to kindly bring to the meeting's secretary the application form for making a request to speak in connection with the meeting's agenda item, which had been handed out at registration.

Mr. RAIMONDO PREMONTE took then the floor and declared the following:

"Thank you Mr. Chairman, I will be very brief because I believe that both the explanatory report of the Board of Directors and that indicated by the Board of Statutory Auditors through the words of the Chairman are absolutely clear and indicative of the usefulness of this resolution for the Company and not for the shareholders and therefore vote in favour. I will just take this opportunity, because an article published this morning in the "Il

Sole 24 ore” newspaper stated, if I was not mistaken, that "Ansaldo STS becomes more Japanese if this resolution is passed". I would simply like to reiterate what the Chairman of the Board of Statutory Auditors has stated: this change is indisputably an advantage for the Company and not for Hitachi. As part of the group Hitachi Ltd, that is listed on the Tokyo stock exchange, Ansaldo STS is bound by certain obligations, as the Chairman of the Board of Statutory auditors indicated in an absolutely perfect manner. Therefore, as we have understood from the report, they involve a series of complications, both in terms of reporting and, essentially, in terms of the use of resources and costs. Therefore Hitachi Rail Italy investment strongly hopes that today's shareholders' meeting will reach the quorum required for approval of this proposal, in order to give the company the opportunity to enjoy these benefits. Thank you.”

Mr. CARLO MARIA BREGHERO took the floor and pointed out as follows:

“The appeal made by the majority shareholder is nice: when it suits it, it asks for agreement, when it doesn't suit, it votes on its own. Because let me point out to you - I don't know if you've all noticed - that on the distribution of the dividend, it was the only one against. We are not a cooperative, so obviously its vote is worth more than the others, but it is significant that its vote was the only vote against. Here the question is not only in the terms in which it was described, because it is true that Ansaldo STS is a Hitachi group company, but it is also true that it is only at 51%. Maybe the other 49% still has some rights! And moving the closure of the financial year does not only mean to moving it in Ansaldo STS, but it means to move it in all its subsidiaries. How many are there? A few dozen, I imagine. So they are all costs that we have to bear, with what in return? The counter item - I’m pointing this out, maybe you have seen it on your own, I apologise - normally the Ansaldo STS meeting takes place in May. May is the fifth months after the close of the financial year. If we move the close to March, the fifth month after the close of the year is August. So will we come here with our flip flops and bermudas to approve the financial statements? You cannot be serious about this. So if Hitachi wants to do what it pleases, just buy it all, no? It's very simple. How many companies have left the stock exchange? So then, buy everything and then do what you want, but as long as there are minority shareholders, I believe that 31 December, as Italian practice and custom, should remain. Thank you.”

The shareholders BLUEBELL PARTNERS, ELLIOTT INTERNATIONAL L.P. and THE LIVERPOOL LIMITED PARTNERSHIP asked the Chairman to suspend the proceedings in order to allow them consulting each other before voting.

The Chairman accepted the request of those shareholders and suspended the meeting at 2:45 p.m.

At 2:55 p.m. the Chairman declared the resumption of business, asking the shareholders that had asked the suspension whether they had indications to communicate concerning their consultation. Those shareholders answered negatively.

Replying Mr. CARLO MARIA BRAGHERO’s speech, the Chairman pointed out as follows:

“Just a comment on the indication of the shareholder, with regard to the costs of this operation. Obviously, it's clear that there are annual savings. Clearly by shifting the end of the year, the operations that were planned for December will be shifted to March. It’s difficult to assess how much this might involve, but the cost is obviously not significant.”

No one more asking to speak, the Chairman put to vote the proposal of resolution previously read.

The Chairman:

- once again asked participants to declare any non-entitlement to vote pursuant to law or the Articles of Association;
- invited those who did not wish to be counted for the purpose of calculating the majority to leave the room and, to this end, to record that they had done so.

Before voting, the Chairman:

- asked the support staff to provide him with up to date attendance figures and the quorum necessary to approve the proposal which is the subject of this agenda item and which, he reminded the shareholders, must be at least two thirds of the registered capital represented at the meeting and he invited those entitled to vote not to leave the meeting until the voting procedure had been finished;

- announced that 62 shareholders entitled to vote representing 161,202,891 shares, amounting to 80.601% of the 200,000,000 shares making up the share capital were personally in attendance or by proxy so that the quorum for adopting a resolution at that meeting was 107,468,594 shares.

The Chairman invited those in attendance to cast their vote by using the televoter, typing in one of the following keys:

in favour

against

abstain

and immediately afterwards the "ok" button.

The Chairman then declared the voting open.

Once the shareholders had finished voting, the Chairman declared the vote closed and reported the results: 158,969,454 had voted, representing 98.615% of the shareholders entitled to vote, for the proposal of the sole item on the agenda of the Extraordinary Meeting “Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.”, with no. 2,233,357 votes against, representing 1.385% of the shareholders entitled to vote and 80 abstaining representing 0.000% of the shareholders entitled to vote and without any non-voter, all of which would be recorded in the voting record to be attached, at the Chairman’s request, to the meeting’s minutes, together with a list of those voting and the individual statements of vote.

The Chairman declared that the above mentioned proposal had been approved by a majority of the shareholders attending the meeting.

The shareholders Bluebell Partners, Elliott International L.P. and The Liverpool Limited Partnership asked the Chairman to read again the voting results of the sole item of the extraordinary meeting.

The Chairman accepted the request and he read again the voting results.

The Chairman then acknowledged that all the items on the meeting's agenda had been dealt with and, as no one had sought further leave to speak, he declared the meeting closed at 3:00 p.m. hours, thanking to all for attending.

*****

The following documents are attached:

- under letter "A": list of those attending the shareholders' meeting;
- under letter "B": folder containing the Company Ansaldo STS S.p.A. financial statements for the year ending 31 December 2017, the consolidated financial statements for the same financial year, which is also accompanied by the schedule of the financial statements of non-EU foreign subsidiaries, as well as related Management Reports of the Board of Directors, of the External Audit Firm and of the Board of Statutory Auditors;
- Under letter "C": 2017 Non-financial Statement and related Report of the Audit Firm;
- Under letter "D": Board of Directors' report on "Corporate Governance" system and compliance with Corporate Governance Code by Companies listed for 2017 financial year;

- under letter “E”: Board of Directors’ report on Remuneration drafted pursuant to Article 125-*ter* of Legislative Decree No. 58 dated 24 February 1998;
- Under letter “F”: Explanatory reports drafted by the Board of Directors on the items on the agenda of the ordinary and extraordinary session;
- Under the letter "G": the folder containing the slides related to the Company’s management report distribute to the attendances;
- Under the letter "H": the folder containing the voting and list of movements of those attending shareholders’ meeting;
- Under the letter "I": Articles of Association updated with the amendments to articles 29.1 and 3.1.

* * * * *

These minutes have been signed by me, Notary, at 1 p.m.

These minutes have been drafted by a person appointed by me and it have been completed handwritten by me, Notary, and consist of ninety-eight pages and twenty-five pages and part of the ninety-nine page.

SIGNED: PAOLO TORRENTE Notary

Attachment "A"

Ansaldo STS
A Hitachi Group Company

10 May 2018

List of participants   Time: 11:05

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
ASTENGO GIACOMO	Accountholder	ASTENGO GIACOMO	ASTENGO GIACOMO			100	0.00%
BRAGHERO CARLO MARIA	Accountholder	BRAGHERO CARLO MARIA	BRAGHERO CARLO MARIA			10	0.00%
CARADONNA GIANFRANCO MARIA	Accountholder	CARADONNA GIANFRANCO MARIA	CARADONNA GIANFRANCO MARIA			1	0.00%
BALDELLI SONIA	Delegate	ALASKA PERMANENT FUND CORPORATION				50,367	0.03%
BALDELLI SONIA	Delegate	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001				316,735	0.16%
BALDELLI SONIA	Delegate	ARROWGRASS MASTER FUND LTD 001				665,294	0.33%
BALDELLI SONIA	Delegate	BNYMTCIL MK DIVGRTFD	BNYMTCIL MK DIVGRTFD			26,040	0.01%
BALDELLI SONIA	Delegate	CG CAYMAN FUND LIMITED	CG CAYMAN FUND LIMITED			23	0.00%
BALDELLI SONIA	Delegate	CITADEL ADVISORS LLC	CITADEL ADVISORS LLC			4,311	0.00%
BALDELLI SONIA	Delegate	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)			2,673	0.00%
BALDELLI SONIA	Delegate	CLINTON EQUITY STRATEGIES MASTER FUND LTD				47	0.00%
BALDELLI SONIA	Delegate	COMPASS HTV LLC	COMPASS HTV LLC			906	0.00%
BALDELLI SONIA	Delegate	COMPASS OFFSHORE HTV PCC LIMITED.	LIMITED.			681	0.00%
BALDELLI SONIA	Delegate	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND				5,099	0.00%
BALDELLI SONIA	Delegate	EURIZON AZIONI ITALIA	EURIZON AZIONI ITALIA			160,000	0.08%
BALDELLI SONIA	Delegate	EURIZON AZIONI PMI ITALIA	EURIZON AZIONI PMI ITALIA			888,857	0.44%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20				136,496	0.07%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30				69,762	0.03%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40				440,150	0.22%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70				131,129	0.07%
BALDELLI SONIA	Delegate	EURIZON PIR ITALIA AZIONI	EURIZON PIR ITALIA AZIONI			13,538	0.01%
BALDELLI SONIA	Delegate	FCP REGARD SEL.ACT EURO.	FCP REGARD SEL.ACT EURO.			69,540	0.03%
BALDELLI SONIA	Delegate	FLEXSHARES MORNINGSTAR	FLEXSHARES MORNINGSTAR			2,145	0.00%

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants Time: 11:05

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
		DEVELOPED MARKETS	DEVELOPED MARKETS				
BALDELLI SONIA	Delegate	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST			132	0.00%
BALDELLI SONIA	Delegate	GOVERNMENT OF NORWAY	GOVERNMENT OF NORWAY			1,304,446	0.65%
BALDELLI SONIA	Delegate	ISHARES GLOBAL INFRASTRUCTURE ETF	ISHARES GLOBAL INFRASTRUCTURE ETF			410,350	0.21%
BALDELLI SONIA	Delegate	ISHARES VII PLC	ISHARES VII PLC			22,153	0.01%
BALDELLI SONIA	Delegate	LBPAM RESPONSABLE ACTIONS ENVT	LBPAM RESPONSABLE ACTIONS ENVT			215,224	0.11%
BALDELLI SONIA	Delegate	LITESPEED MASTER FUND LTD	LITESPEED MASTER FUND LTD			1,254,567	0.63%
BALDELLI SONIA	Delegate	MACKENZIE DIVERSIFIED ALTERNATIVES FUND	MACKENZIE DIVERSIFIED ALTERNATIVES FUND			9,163	0.00%
BALDELLI SONIA	Delegate	MARYLAND STATE RETIREMENT & PENSION SYSTEM	MARYLAND STATE RETIREMENT & PENSION SYSTEM			1,062	0.00%
BALDELLI SONIA	Delegate	MERRILL LYNCH PROFESSIONAL CLEARING CORP	MERRILL LYNCH PROFESSIONAL CLEARING CORP			16,181	0.01%
BALDELLI SONIA	Delegate	MERRILL LYNCH PROFESSIONAL CLEARING CORP	MERRILL LYNCH PROFESSIONAL CLEARING CORP			962,599	0.48%
BALDELLI SONIA	Delegate	MUF - LYXOR FTSE ITALIA MID	MUF - LYXOR FTSE ITALIA MID			947,007	0.47%
BALDELLI SONIA	Delegate	MUL - LYXOR ITALIA EQUITY PIR	MUL - LYXOR ITALIA EQUITY PIR			9,663	0.00%
BALDELLI SONIA	Delegate	NATIONAL GRID UK PENSION SCHEME	NATIONAL GRID UK PENSION SCHEME			2,197	0.00%
BALDELLI SONIA	Delegate	OMERS ADMINISTRATION CORPORATION FUND	OMERS ADMINISTRATION CORPORATION FUND			17,900	0.01%
BALDELLI SONIA	Delegate	PARAMETRIC INTERNATIONAL EQUITY FUND	PARAMETRIC INTERNATIONAL EQUITY FUND			6,279	0.00%
BALDELLI SONIA	Delegate	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF			46,162	0.02%
BALDELLI SONIA	Delegate	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND			21,929	0.01%
BALDELLI SONIA	Delegate	SPDR S&P GLOBAL INFRASTRUCTURE ETF	SPDR S&P GLOBAL INFRASTRUCTURE ETF			35,490	0.02%
BALDELLI SONIA	Delegate	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT			1,093	0.00%

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants Time: 11:05

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
		RETIREMENT PL	RETIREMENT PL				
BALDELLI SONIA	Delegate	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL			23,086	0.01%
BALDELLI SONIA	Delegate	SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND			1,033	0.00%
BALDELLI SONIA	Delegate	SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY			1,072	0.00%
BALDELLI SONIA	Delegate	STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS			4,708	0.00%
BALDELLI SONIA	Delegate	STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND			56,634	0.03%
BALDELLI SONIA	Delegate	TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO			2,606	0.00%
BALDELLI SONIA	Delegate	UBS (US) GROUP TRUST	UBS (US) GROUP TRUST			4,003	0.00%
BALDELLI SONIA	Delegate	VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND			1,390	0.00%
BALDELLI SONIA	Delegate	WISDOMTREE EUROPE LOCAL RECOVERY FUND	WISDOMTREE EUROPE LOCAL RECOVERY FUND			5,979	0.00%
COCIRIO STEFANO	Delegate	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED			2,587,349	1.29%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P	ELLIOTT INTERNATIONAL L.P			18,169,966	9.08%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P.	ELLIOTT INTERNATIONAL L.P.			6,643,127	3.32%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED			6,488,475	3.24%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL LP	ELLIOTT INTERNATIONAL LP			1,258,250	0.63%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			3,126,178	1.56%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			8,830,034	4.42%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD			1,041,854	0.52%
PRATELLI MATTEO MARIA		THE LIVERPOOL LIMITED	THE LIVERPOOL LIMITED			2,552,818	1.28%

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants   Time: 11:05

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
	Delegate	PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD	PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD				
PREMONTE RAIMONDO	Delegate	HITACHI RAIL ITALY INVESTMENTS	HITACHI RAIL ITALY INVESTMENTS			101,544,702	50.77%
SCIANNACA BRUNO	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			592,117	0.30%
TARICCO MARCO	Delegate	BLUEBELL PARTNERS	BLUEBELL PARTNERS			10	0.00%

TOTAL PARTICIPANTS n° 63 entitled to vote representing no. 161,202,892 ordinary shares

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants Time: 14:17

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
ASTENGO GIACOMO	Accountholder	ASTENGO GIACOMO	ASTENGO GIACOMO			100	0.00%
BRAGHERO CARLO MARIA	Accountholder	BRAGHERO CARLO MARIA	BRAGHERO CARLO MARIA			10	0.00%
BALDELLI SONIA	Delegate	ALASKA PERMANENT FUND CORPORATION	ALASKA PERMANENT FUND CORPORATION			50,367	0.03%
BALDELLI SONIA	Delegate	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001			316,735	0.16%
BALDELLI SONIA	Delegate	ARROWGRASS MASTER FUND LTD 001	ARROWGRASS MASTER FUND LTD 001			665,294	0.33%
BALDELLI SONIA	Delegate	BNYMTCIL MK DIVGRTFD	BNYMTCIL MK DIVGRTFD			26,040	0.01%
BALDELLI SONIA	Delegate	CG CAYMAN FUND LIMITED	CG CAYMAN FUND LIMITED			23	0.00%
BALDELLI SONIA	Delegate	CITADEL ADVISORS LLC	CITADEL ADVISORS LLC			4,311	0.00%
BALDELLI SONIA	Delegate	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)			2,673	0.00%
BALDELLI SONIA	Delegate	CLINTON EQUITY STRATEGIES MASTER FUND LTD	CLINTON EQUITY STRATEGIES MASTER FUND LTD			47	0.00%
BALDELLI SONIA	Delegate	COMPASS HTV LLC	COMPASS HTV LLC			906	0.00%
BALDELLI SONIA	Delegate	COMPASS OFFSHORE HTV PCC LIMITED.	COMPASS OFFSHORE HTV PCC LIMITED.			681	0.00%
BALDELLI SONIA	Delegate	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND			5,099	0.00%
BALDELLI SONIA	Delegate	EURIZON AZIONI ITALIA	EURIZON AZIONI ITALIA			160,000	0.08%
BALDELLI SONIA	Delegate	EURIZON AZIONI PMI ITALIA	EURIZON AZIONI PMI ITALIA			888,857	0.44%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20			136,496	0.07%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30			69,762	0.03%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40			440,150	0.22%
BALDELLI SONIA	Delegate	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70			131,129	0.07%
BALDELLI SONIA	Delegate	EURIZON PIR ITALIA AZIONI	EURIZON PIR ITALIA AZIONI			13,538	0.01%
BALDELLI SONIA	Delegate	FCP REGARD SEL.ACT EURO.	FCP REGARD SEL.ACT EURO.			69,540	0.03%
BALDELLI SONIA	Delegate	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS			2,145	0.00%
BALDELLI SONIA	Delegate	FORD MOTOR COMPANY OF	FORD MOTOR COMPANY OF			132	0.00%

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants Time: 14:17

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
		CANADA, LIMITED PENSION TRUST	CANADA, LIMITED PENSION TRUST				
BALDELLI SONIA	Delegate	GOVERNMENT OF NORWAY	GOVERNMENT OF NORWAY			1,304,446	0.65%
BALDELLI SONIA	Delegate	ISHARES GLOBAL INFRASTRUCTURE ETF	ISHARES GLOBAL INFRASTRUCTURE ETF			410,350	0.21%
BALDELLI SONIA	Delegate	ISHARES VII PLC	ISHARES VII PLC			22,153	0.01%
BALDELLI SONIA	Delegate	LBPAM RESPONSABLE ACTIONS ENVT	LBPAM RESPONSABLE ACTIONS ENVT			215,224	0.11%
BALDELLI SONIA	Delegate	LITESPEED MASTER FUND LTD	LITESPEED MASTER FUND LTD			1,254,567	0.63%
BALDELLI SONIA	Delegate	MACKENZIE DIVERSIFIED ALTERNATIVES FUND	MACKENZIE DIVERSIFIED ALTERNATIVES FUND			9,163	0.00%
BALDELLI SONIA	Delegate	MARYLAND STATE RETIREMENT & PENSION SYSTEM	MARYLAND STATE RETIREMENT & PENSION SYSTEM			1,062	0.00%
BALDELLI SONIA	Delegate	MERRILL LYNCH PROFESSIONAL CLEARING CORP	MERRILL LYNCH PROFESSIONAL CLEARING CORP			16,181	0.01%
BALDELLI SONIA	Delegate	MERRILL LYNCH PROFESSIONAL CLEARING CORP	MERRILL LYNCH PROFESSIONAL CLEARING CORP			962,599	0.48%
BALDELLI SONIA	Delegate	MUF - LYXOR FTSE ITALIA MID	MUF - LYXOR FTSE ITALIA MID			947,007	0.47%
BALDELLI SONIA	Delegate	MUL - LYXOR ITALIA EQUITY PIR	MUL - LYXOR ITALIA EQUITY PIR			9,663	0.00%
BALDELLI SONIA	Delegate	NATIONAL GRID UK PENSION SCHEME	NATIONAL GRID UK PENSION SCHEME			2,197	0.00%
BALDELLI SONIA	Delegate	OMERS ADMINISTRATION CORPORATION FUND	OMERS ADMINISTRATION CORPORATION FUND			17,900	0.01%
BALDELLI SONIA	Delegate	PARAMETRIC INTERNATIONAL EQUITY FUND	PARAMETRIC INTERNATIONAL EQUITY FUND			6,279	0.00%
BALDELLI SONIA	Delegate	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF			46,162	0.02%
BALDELLI SONIA	Delegate	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND			21,929	0.01%
BALDELLI SONIA	Delegate	SPDR S&P GLOBAL INFRASTRUCTURE ETF	SPDR S&P GLOBAL INFRASTRUCTURE ETF			35,490	0.02%
BALDELLI SONIA	Delegate	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL			1,093	0.00%
BALDELLI SONIA	Delegate	SS BK AND TRUST COMPANY INV	SS BK AND TRUST COMPANY INV			23,086	0.01%

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

List of participants   Time: 14:17

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
		FUNDS FOR TAXEXEMPT RETIREMENT PL	FUNDS FOR TAXEXEMPT RETIREMENT PL				
BALDELLI SONIA	Delegate	SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND			1,033	0.00%
BALDELLI SONIA	Delegate	SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY			1,072	0.00%
BALDELLI SONIA	Delegate	STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS			4,708	0.00%
BALDELLI SONIA	Delegate	STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND			56,634	0.03%
BALDELLI SONIA	Delegate	TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO			2,606	0.00%
BALDELLI SONIA	Delegate	UBS (US) GROUP TRUST	UBS (US) GROUP TRUST			4,003	0.00%
BALDELLI SONIA	Delegate	VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND			1,390	0.00%
BALDELLI SONIA	Delegate	WISDOMTREE EUROPE LOCAL RECOVERY FUND	WISDOMTREE EUROPE LOCAL RECOVERY FUND			5,979	0.00%
COCIRIO STEFANO	Delegate	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED			2,587,349	1.29%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P	ELLIOTT INTERNATIONAL L.P			18,169,966	9.08%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P.	ELLIOTT INTERNATIONAL L.P.			6,643,127	3.32%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED			6,488,475	3.24%
PRATELLI MATTEO MARIA	Delegate	ELLIOTT INTERNATIONAL LP	ELLIOTT INTERNATIONAL LP			1,258,250	0.63%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			3,126,178	1.56%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			8,830,034	4.42%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD			1,041,854	0.52%
PRATELLI MATTEO MARIA	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) LTD			2,552,818	1.28%

10 May 2018

Ansaldo STS

A Hitachi Group Company

List of participants Time: 14:17

Name	Type	Entitled person	Owner securities	Agent	Encumbrance	Shares	%
PREMONTE RAIMONDO	Delegate	HITACHI RAIL ITALY INVESTMENTS	HITACHI RAIL ITALY INVESTMENTS			101,544,702	50.77%
SCIANNACA BRUNO	Delegate	THE LIVERPOOL LIMITED PARTNERSHIP	THE LIVERPOOL LIMITED PARTNERSHIP			592,117	0.30%
TARICCO MARCO	Delegate	BLUEBELL PARTNERS	BLUEBELL PARTNERS			10	0.00%

TOTAL PARTICIPANTS n° 62 entitled to vote representing no. 161,202,891 ordinary shares

Attachment “B”

Ansaldo STS A Hitachi Group Company

DRAFT FINANCIAL STATEMENTS

Ansaldo STS S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 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

COMPANY BODIES AND COMMITTEES

BOARD OF DIRECTORS
(elected by the shareholders on 13 May 2016 for the 2016 - 2018 three-year period)

ALISTAIR DORMER (1)
Chairperson

ALBERTO DE BENEDICTIS (2) (3) (4)
Deputy chairperson *

ANDREW THOMAS BARR (1) Chief executive officer and general manager

ROSA CIPRIOTTI (4)

MICHELE ALBERTO FABIANO CRISOSTOMO ** (4)

MARIO GARRAFFO (2) (3) (4)

FABIO LABRUNA (4)

KATHERINE JANE MINGAY (1)

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

FRANCESCO GIANNI***
Board secretary

BOARD OF STATUTORY AUDITORS
(for the 2017 - 2019 three-year period)

ANTONIO ZECCA
Chairperson

GIOVANNI NACCARATO

ALESSANDRA STABILINI

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

VALERIA GALARDI

CRISTIANO PROSERPIO

ALESSANDRO SPERANZA

INDEPENDENT AUDITORS
(for the 2016 - 2024 period)

EY S.p.A. ****

(1) Member of the executive committee (i.e. Bid Committee)
(2) Member of the risk and control committee
(3) Member of the appointments and remuneration committee
(4) Member meeting independence requirements

* Position held by Katherine Jane Mingay from 13 May 2016 to 28 October 2016. Alberto De Benedictis was appointed deputy chairperson by the board of directors during the meeting of 28 October 2016.
** Michele Alberto Fabiano Crisostomo was appointed director of Ansaldo STS S.p.A. by the shareholders' meeting of 19 January 2017, to replace Giuseppe Bivona who, pursuant to art. 2393 of the Italian Civil Code, was removed from the position of company director.
*** Appointed on 16 May 2016 to replace Filippo Corsi.
**** Following the resignation of KPMG S.p.A. on 14 November 2016, the shareholders' meeting of 19 January 2017 appointed the independent auditors EY S.p.A. to audit the company's accounts for the years 2016-2024.

DIRECTORS' REPORT AT 31 DECEMBER 2017

Dear shareholders

The profit for 2017 totalled €72.0 million, including dividends from subsidiaries and associates of €36.5 million, compared to €145.9 million in 2016, which included dividends totalling €112.7 million.
Operating profit came to €52.9 million compared to €60.7 million last year.
Equity amounted to €532.2 million compared to €475.3 million for 2016.

The company's financial performance can essentially be said to be positive, both in terms of commercial acquisitions and operating performance, despite particular and unforeseen events, as also occurred in 2016. In particular there was the project in Sweden, for which the Italian company is a subsupplier, in which the customer, claiming default by the Swedish subsidiary, unilaterally terminated the contract and requested reimbursement of advances paid, plus penalties and compensation for damages. Though challenging such conduct, through the Swedish subsidiary the company signed an agreement for the reimbursement of advances, plus interest, against the return of all bonds previously released to the customer. In the meantime, all possible initiatives are being assessed for defending the company's rights and payment for the work completed.

KEY PERFORMANCE INDICATORS OF THE YEAR

The key performance indicators table below presents the key data relating to the company's financial position and results of operations:

(€'000)	*31.12.2017*	*31.12.2016*
New orders *	939,947	735,067
Order backlog *	5,113,506	5,056,649
Revenue	824,813	829,992
Turnover	952,155	898,709
Gross profit	116,865	122,018
Gross profit %	*14.2%*	*14.7%*
Operating profit (EBIT) *	52,866	60,707
ROS *	*6.4%*	*7.3%*
Profit for the year	71,988	145,857
Net financial position	(231,520)	(160,251)
Net cash flows *	71,269	102,624
EVA *	10,291	17,319
Headcount	1,857	1,704
Research and development*	21,019	19,157

* for a definition of the performance indicators shown, please refer to the note: *Non-GAAP alternative performance indicators and other indicators*.

New orders for the year, increasing the Order Backlog (please refer to the note *Non-Gaap Alternative Performance Indicators and other indicators* for the definition of "*Order Backlog*") totalled around €939.9 million (roughly €735.1 million in 2016).

For the Italian market in particular note the project for the high speed Verona-Vicenza line as part of the IRICAV DUE consortium (the concession holder), after CIPE approval was obtained for the first functional section for around €336.1 million, the framework agreement with RFI for technical support and maintenance of the Ansaldo STS systems operating on the RFI network (€100.0 million), the contract signed with Hitachi Rail Italy for the supply of on-board devices on Caravaggio trains (€62.6 million) and the supply to RFI of ACC and ACC-M signalling systems (€40.0 million).

The order backlog totalled €5,113.5 million at 31 December 2017 (€5,056.6 million at the end of 2016).

Revenue increased to around €824.8 million, down by around €5.2 million from €830.0 million in 2016. In particular, as activities progressed on the projects acquired in the past few years, including the Copenhagen Cityringen metro line and Line 3 of the Riyadh metro, along with resumption of works on the Thessaloniki metro, a decrease was recorded after the final phase was reached in certain major contracts due to works completion, including the high speed Milan-Verona line (Treviglio-Brescia), Line 5 of the Milan metro and a number of ACC technology projects for RFI.

Operating profit came to €52.9 million, down €7.8 million on the €60.7 million recorded It was penalised by lower profit margins achieved on contracts completed during the year and by amounts set aside for developments in Northern Europe (€9.6 million), whereas in the previous year it included significant provisions relating to the outcome of the arbitration case in Libya (€8.1 million) and the departure of certain strategic personnel from the group (€2.4 million). The decrease for the year can be summarised as caused by a different and unfavourable mix of contracts worked in the two periods, stronger Marketing & Sales and Research & Development activities, partially offset by a stronger positive balance of net operating income.

The Profit for the year of €72.0 million was lower than in 2016 (€145.9 million), mainly due to the decrease in value of dividends collected from subsidiaries and associates (€36.5 million compared to €112.7 million in 2016), included under net financial income and expense.

The company's net financial position was €231.6 million (€160.3 million at the end of 2016) and net cash inflows came to €71.3 million (€102.6 million in 2016) including, in particular, the collection of dividends from subsidiaries and associates of €36.5 million (€112.7 million in 2016). It should be remembered that no dividends were paid to shareholders in 2017 (€36.0 million in 2016).

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The company's reclassified schedules showing its financial position and results of operations are presented below.

Income statement

Reclassified schedules are presented by nature and function for 2017 and the previous year, in order to provide full disclosure on Ansaldo STS S.p.A.'s ("ASTS" or "Ansaldo STS") financial position and results of operations.

(€'000)	*31.12.2017*	*31.12.2016*
Revenue	824,813	829,992
Purchases and personnel expense (*)	(773,489)	(772,468)
Change in work-in-progress, semi-finished products and finished goods	(1,352)	620
Amortisation, depreciation and impairment losses	(12,648)	(12,247)
Other net operating income (**)	15,542	14,810
Operating profit (EBIT)	**52,866**	**60,707**
Net financial income	34,605	101,256
Income taxes	(15,482)	(16,106)
Profit for the year before discontinued operations	**71,988**	**145,857**
Profit (loss) from discontinued operations		
Profit for the year	**71,988**	**145,857**

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

2017 revenue totalled €824,813 thousand, down €5,179 thousand on 2016 (-0.6%). The volumes achieved on the Italian market came to €274,828 thousand (€307,683 thousand in 2016) and €549,985 thousand on the foreign market (€522,309 thousand in 2016).

Total purchases and personnel expense increased by €1,021 thousand.

EBIT came to €52,866 thousand (6.4% as a percentage of revenue), compared to €60,707 thousand (7.3% as a percentage of revenue) in 2016.

Net financial income (€34,605 thousand) decreased compared to 2016 (€66,651 thousand), substantially due to the collection of dividends from subsidiaries and associates of €36,532 thousand in 2017 (€112,660 thousand in 2016).

Income taxes equalled €15,482 thousand (1.9% as a percentage of revenue) compared to €16,106 thousand (1.9% as a percentage of revenue) in 2016; as a percentage of pre-tax profit, they came to 17.7% (2016: 9.9%). The change in the percentage is due essentially to the arithmetic effect of the weight of dividends.

Profit for the year totalled €71,988 thousand (8.7% as a percentage of revenue), compared to €145,857 thousand (17.6% as a percentage of revenue) in 2016.

The income statement reclassified by function is as follows:

(€'000)	*31.12.2017*	*31.12.2016*
Revenue	824,813	829,992
Operating expense	(707,948)	(707,974)
Gross operating profit	116,865	122,018
Gross operating profit as a % of revenue	*14.2%*	*14.7%*
Overheads	(70,225)	(64,061)
Net operating income	6,226	2,750
Operating profit (EBIT)	**52,866**	**60,707**

Total revenue was down by €5,179 thousand. In particular, the reduction recorded on the Italian market was due to the completion of certain contracts, partially offset by the increase in foreign revenue.

Total average profitability was down slightly on the previous year due to the different mix and profitability of contracts in the two years compared.

Overheads increased by €6,164 thousand in absolute terms due to increased sales activities (€3,713 thousand) and research and development (€1,862 thousand).

Net operating income amounts to €6,226 thousand (2016: €2,750 thousand); the increase can be attributed substantially at the recognition of income correlated with transactions during the year with customers and with costs recorded in 2016 following the resignation of strategic figures within the company.

Statement of financial position

The company's statement of financial position as at 31 December 2017 and corresponding previous year figures are set out below:

(€'000)	*31.12.2017*	*31.12.2016*
Non-current assets	307,846	304,485
Non-current liabilities	(29,713)	(31,021)
	278,133	**273,464**
Inventories	79,808	95,279
Contract work in progress (net)	164,881	178,438
Trade receivables	635,131	606,054
Trade payables	(352,542)	(398,666)
Progress payments and advances from customers (net)	(509,998)	(427,932)
Working capital	**17,279**	**53,174**
Provisions for risks and charges - current portion	(3,860)	(2,105)
Other current assets (liabilities), net (*)	9,119	(9,460)
Net working capital	**22,538**	**41,609**
Net invested capital	300,670	315,073
Equity	**532,191**	**475,323**
Net financial position	**(231,520)**	**(160,251)**

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

The net amount of non-current assets and liabilities (€278,133 thousand) increased by €4,669 thousand compared to the previous year.

Net working capital totalled €22,538 thousand, down by €19,071 thousand compared to 2016 (€41,609 thousand). The change is largely due to the reduction in total inventories (note the change in advances from customers), only partially offset by the decrease in trade payables, the increase in trade receivables and the higher balance of other current assets and liabilities.

The €56,868 thousand increase in equity mainly follows the recognition of profit for the year of €71,988 thousand and the decline in the translation reserve, net of the tax effect, for €12,530 thousand.

Net financial position

The company's net financial position at 31 December 2017 and 2016 is set out below:

(€'000)	***31.12.2017***	***31.12.2016***
Current loans and borrowings	413	1,771
Cash and cash equivalents	(184,463)	(202,996)
Bank loans and borrowings	**(184,050)**	**(201,225)**
Related party loan assets	(63,254)	(22,791)
Other loan assets	(28,443)	(28,443)
Loan assets	**(91,697)**	**(51,234)**
Related party loans and borrowings	44,227	92,208
Other loans and borrowings	0	0
Loans and borrowings	**44,227**	**92,208**
Net financial position	**(231,520)**	**(160,251)**

The company's net financial position of €231,520 thousand at 31 December 2017 compares with €160,251 thousand at the previous year end.

Specifically, the loan assets of €91,697 thousand at 31 December 2017 (31 December 2016: €51,234 thousand) represent a short-term loan granted to the associate S.P. M4 S.c.p.a. and joint current accounts with the subsidiaries Ansaldo STS Malaysia SDN BHD and Ansaldo STS UK LTD (with the latter fully impaired).

Loan assets include the euro equivalent amount of the Libyan dinar advances received in Libya and deposited in a local bank (€28,443 thousand).

The reduction in related party loans and borrowings with respect to the previous year (€47,981 thousand) is attributable primarily to dividends distributed by certain subsidiaries and collected by the Parent.

The company's reclassified statement of cash flows for 2017 is presented below, with corresponding prior year figures.

(€'000)	*31.12.2017*		*31.12.2016*	
Opening cash and cash equivalents	**202,996**		**178,636**	
Profit for the year	71,988		145,857	
Amortisation, depreciation and impairment losses	12,648		12,247	
Income taxes	15,482		16,105	
Accruals to provisions	1,969		646	
Italian post-employment benefits	657		519	
Defined benefit plans and stock grant plans	1,209		3,922	
Financial expense, net of impairment losses on equity investments measured at cost	(34,605)		(101,256)	
Gross cash flows from operating activities	**69,348**		**78,040**	
Changes in other operating assets and liabilities	(58,762)		(15,041)	
Funds From Operations		**10,586**		**62,999**
Change in operating working capital	35,894		(30,608)	
Cash flows generated from operating activities	**46,480**		**32,391**	
Cash flows used in ordinary investing activities	(5,639)		(2,760)	
Free Operating Cash Flow		**40,841**		**29,631**
Strategic transactions	(3,128)		(2,099)	
Dividends received from ASTS group companies	33,556		111,092	
Cash flows generated from investing activities	**24,789**		**106,233**	
Dividends paid	-		(36,000)	
Cash flows used in other financing activities	(89,802)		(78,264)	
Cash flows used in financing activities	**(89,802)**		**(114,264)**	
Net increase (decrease) in cash and cash equivalents	(18,533)		24,360	
Closing cash and cash equivalents	**184,463**		**202,996**	

The Free Operating Cash Flow performance increased in 2017. Of note in 2016 was the outlay to the customer Russo as a result of conclusion of the arbitration proceedings on the Libya project for a total of €37.4 million.

The decrease in cash flows from investing activities, the result of lower dividends from group companies, was offset by the reduction in loans and borrowings from those companies and the loan asset granted to Ansaldo STS Sweden to meet the demands of the Swedish customer AB Storstockholms Lokaltrafik ("SL") resulting from the dispute fully described in the section "Litigation".

NON-GAAP ALTERNATIVE PERFORMANCE INDICATORS AND OTHER INDICATORS

Non-GAAP alternative performance indicators

Ansaldo STS's management also assesses the performance of the company and the business units using certain indicators that are not defined by the IFRS, also used as financial targets in internal and external presentations.

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

- **Operating profit (EBIT)**: represents an indicator for the assessment of operating performance and is equal to 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 profit or loss of equity-accounted investees".

- **Free Operating Cash Flow (FOCF)**: the sum of cash flows generated from (used in) operating activities and cash flows generated from (used in) investments in and disinvestments of property, plant and equipment, intangible assets and equity investments, net of cash flows for acquisitions or disposals of equity investments which qualify as "strategic transactions" given their nature or materiality. The method used to calculate the FOCF for the current and previous years is shown in the reclassified statement of cash flows in the "Net financial position" section.

- **Funds from operations (FFO)**: the cash flows generated from (used in) operating activities, net of changes in working capital. The method used to calculate the FFO for the current and previous years is shown in the reclassified statement of cash flows in the "Net financial position" section.

- **Economic value added (EVA)**: the difference between operating profit net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the weighted average cost of capital (WACC).

- **Net working capital:** includes trade receivables and payables, inventories and work in progress, advances from customers and provision for risks.

- **Net invested capital**: the sum of non-current assets, non-current liabilities and net working capital.
- **Net cash flows**: the change in the statement of cash flows for the current and previous years.
- **Net financial position or debt**: the calculation method used complies with paragraph 127 of CESR recommendation 05-054b, implementing EC regulation 809/2004.
- **Return on Sales (ROS)**: the ratio of operating profit to revenue.
- **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. These types of costs are generally not capitalised given the fast-changing nature of the production sector in which Ansaldo STS operates.

Other indicators

- **New orders**: the sum of the contracts agreed with customers during the year that meet the contractual requirements to be recorded in the orders book.
- **Order backlog**: the difference between new orders and revenue for the year (including the change in contract work in progress). This difference is added to the backlog for the previous year.
- **Headcount**: the number of employees recorded in the relevant register on the reporting date.

SALES PERFORMANCE

New orders acquired in 2017 approximated €940 million (2016: €735 million).
Specifically, the key events of the year by geographical segment are described below:

ITALY

The orders acquired during the period amount to roughly €762 million. In the railway sector these mainly relate to the project for the high speed Verona-Vicenza line as part of the IRICAV DUE consortium for around €336 million, the framework agreement with RFI for technical support and maintenance of the Ansaldo STS systems operating on the RFI network (€100 million), the contract signed with Hitachi Rail Italy for the supply of on-board devices on Caravaggio trains (€63 million) and the supply to RFI of ACC and ACC-M signalling systems (€40 million).
As regards the Mass Transit sector, note the variations to Line 6 of the Naples metro (€24 million) and to the Alifana Line (€16 million).

REST OF EUROPE

New orders approximate €85 million, recorded in Denmark. These refer to the southern extension of the Cityringen in Copenhagen for approximately €60 million, plus other agreed variations - including Operation & Maintenance - for a total of €82 million and one variation relating to the Aarhus tramway.

NORTH AFRICA AND THE MIDDLE EAST

The orders in this area amount to around €24 million, mainly relating to the variations on contracts for line 3 of the Riyadh metro (€19 million) and for the maintenance of the Princess Noura University line (€5 million).

AMERICAS

Note that €10 million relate to variations for the Honolulu metro.

ASIA - ASIA PACIFIC

New orders for the period amounted to around €3 million, mainly from the subsidiary Ansaldo STS Railway System Trading (Beijing) for about €2 million.

Order backlog

The company's order backlog at 31 December 2017 totalled €5,114 million, compared to €5,057 million at the previous year end and mainly refer to: the Copenhagen metro (approximately 12.5%); the Honolulu metro (roughly 15.5%); the Lima metro (9.9%); the Riyadh metro (6.8%); the concessions to build the Naples and Genoa metros (around 4.9%); the Brescia and Milan automated metros (approximately 3.7%); the Taipei and Sanying metros (5.9%); the Thessaloniki metro (2.9%); Line C of the Rome metro (1.8%); the Rome-Florence direct line project (roughly 1.3%); high-speed railway contracts in Italy (approximately 10.6%) and components and services (around 2.4%).

The total value of the backlog includes €427.3 million (8.4%) related to the project in Libya, which is still halted due to the socio-political situation in the country.

PRODUCTION PERFORMANCE

Revenue totalled €825 million (2016: €830 million).

The main events by geographical segment are presented below:

ITALY

RAILWAYS:

Production mainly related to the project for the technological upgrade of the Turin-Padua line, for which phases 3.2.1, 1.4 and 1.2.2 were activated as scheduled.

As part of the ACCM Genoa projects (Multistation Central Automated Systems), January saw the inauguration of the new SCCM (Multistation Command and Control System) Control Room in Teglia, and in March and July activation phases 2B and 2C for the Voltri area were completed.

As regards the Florence-Rome direct line project, the design and procurement activities have progressed.

As part of the Ventimiglia ACC projects, December saw the activation of phase 1B relating to the ACC systems in Ventimiglia and Bordighera.

MAINTENANCE & SERVICE AND SPARE PARTS:

Activities in the components area mainly concentrated on the supply of spare parts to RFI (conventional and high speed networks), the production of circuit boards for Hitachi Rail Italy S.p.A. and component supplies.

The service segment 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 works and system installations on the Mergellina-Municipio line continued on schedule. The Municipality of Naples approved the variation projects for completion of the interim stations of Arco Mirelli and Chiaia and therefore civil works could recommence.

ROME METRO LINE C:

Excavation works for construction of the T3 line (from San Giovanni to Fori Imperiali) are progressing slowly due to archaeological findings, whilst rollout activities have continued for the

San Giovanni station. In particular, integration testing was completed in December and pre-startup activities have commenced.
The economic/financial disputes of Metro C with the customer are still under way and there were no significant updates during the year.

MILAN METRO LINE 5:

The project relating to Milan metro line 5 has been completed, the entire line is operating and the management is currently focused on the guarantee phase. 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 during the period. Initial access to the line was granted and installation activities began in the Expo section.
A new works schedule is awaiting approval and envisages partial opening of the line and overall extension of the contract timing.

GENOA METRO:

At the end of February the Dinegro depot was completed on schedule and delivered to the customer. The vehicle rollout activities continue: the last train has been delivered and is currently at pre-startup stage.

ALIFANA:

The ongoing dispute between the Concessionaires Consortia of works involving the Company and the customer Metro Campania Nord Est ended in February 2017 with the parties signing of a settlement agreement, after which Metro Campania Nord Est deposited its first payments and scheduled the next. Lastly, note the opening of work sites at 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 preliminary documentation for rollout of the ETCS Level 1 system for Multistations 01 to 05 was released.
In relation to the Ankara metro, Line 3 (M3, in March) and Line 4 (M4, in October) went into operation with the CBTC system, whilst work continues to reach similar goals on the other lines.
As regards the Gebze Kosekoy project, the line has been operational since April 2017 and an agreement is being formalised with the customer for settlement of the variations and of claims arising in relation to the project.

GREECE:

With reference to the project to construct the Thessaloniki metro, design and procurement activities continue in relation to the technological systems and installation work has begun.
Extension of the project timing was made formal, now envisaging works completion by the end of 2020. The arbitration proceedings can be said to be nearing conclusion.

DENMARK:

Planning work on the Copenhagen Cityringen metro line continued in Denmark.
As regards construction of the tramway in Aarhus, the urban section of the line went into operation in December whilst installation activities and testing continue on the suburban sections.

SWEDEN:

As regards the Red Line project for the Stockholm metro, for which the company acts as subsupplier to the subsidiary Ansaldo STS Sweden AB, June saw the completion of the installation activities on the first functional section (the Trial Line) using the CBTC system.
However, in the last quarter of the year the customer first requested reimbursement of part of the advances paid on the project due to failure to reach an agreement on the installation scheduling with variations. As envisaged in the contract, Ansaldo STS Sweden AB reimbursed part of the advances requested for about €34 million (plus VAT and interest).
The customer later served notice of cancellation of the contract, requesting reimbursement of the remaining advances plus compensation for damages.

The company challenged both the unilateral termination of the contract and the request for reimbursement of the advances and compensation for damages, considering them unfounded. An agreement was signed envisaging, on the one hand, reimbursement of the residual advances received (about €24 million plus interest), but on the other hand the return of all bonds previously released by the customer.
Reference should be made to the “Litigation” section for further details.

Note that, for the company, at 31 December 2017 the Red Line project had gross work in progress for €2.4 million and an allowance for impairment of around €9.6 million allocated following assessment of the risk deriving from the existing contractual termination dispute described above.

AMERICAS

USA:

In Hawaii, activities for the construction of the Honolulu metro have progressed in terms of design and production activities and mobilisation of the construction team. Furthermore, dynamic testing began in October. Delays are in any event reported in completing the civil works.

PERU:

The phase 1A design has been approved and the design for phase 1B for the construction of Lines 2 and 4 of the Lima metro is now pending approval; in the meantime, the civil works are still affected by the delays caused by the difficulties in acquiring the areas to be expropriated and consequently also having an impact on works covered by the scope of Ansaldo STS work. In this respect, note that depot works have commenced at 3 stations, with around 5km of tunnel completed. In addition, 20 trains and various materials and machines relating to the railway works have been produced and shipped to the location.
Arbitration proceedings have been requested through the ICSID (International Center for Settlement of Investment Disputes) in Washington by the concession holder against the contracting party, with a view to obtaining recognition of expense relating to these delays and to changes in the construction sequence, as well as works not included in the technical bid.

NORTH AFRICA AND THE MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, activities continue on the Riyadh Metro Line 3 and installation activities in the functional section have commenced. The integration tests conducted in Canada for the Ansaldo STS on-board system installed on the vehicle manufactured by Bombardier were completed with satisfactory results.

Also note the delay in assigning the O&M contract for the Riyadh PNU, pending which a temporary extension to the current maintenance contract has been defined.

In a consortium with other partners, Ansaldo STS is competing in the tender for the management and maintenance of the Riyadh metro.

LIBYA:

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

ASIA PACIFIC:

TAIWAN:

Activities continued for the construction of the Taipei Metro Circular Line. The delays in civil works heavily impacted the metro construction times, and this postponement is currently under discussion with the customer. The installation activities have continued, of note among which is completion of the 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 San-Ying metro line, acquired in the first half of 2016.

INDIA:

With regard to the Calcutta metro, an agreement has been finalised with the customer for a variation in the scope of work (from DTG technology to CBTC). The design and production activities continue according to schedule.

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

Lastly, the executive design for the project relating to Line 1 of the Navi Mumbai metro has been completed and is pending approval by the customer. Materials procurement and site delivery are, however, in progress.

INVESTMENTS

Investments in property, plant and equipment and intangible assets and deferred expense recognised in 2017 approximated €9.8 million.

They may be analysed as follows:

- Buildings €0.1 million
- Plant €0.4 million
- Equipment €1.9 million
- Other assets €4.1 million
- Licences and software €1.4 million
- Capitalised development expense €1.9 million

The Satellite and Rail Telecom project launched in 2012 continued in 2017. This is a development plan to include satellite technologies in the new railway signalling systems. Costs of €1.9 million were incurred during the year and capitalised as development expense for which the company received grants of €0.6 million. The project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

KEY RISKS AND UNCERTAINTIES

The risks described below stem from a consideration of the features of Ansaldo STS S.p.A.'s market and business, together with the key findings of the updated risk assessment process. Risk assessment aims at identifying and evaluating the main risks that could have an impact on achieving objectives, for those processes identified as relevant, and the related mitigating actions, as well as defining additional actions to be taken to further reduce the risk or improve process performance.

Ansaldo STS S.p.A.'s risk assessment process is based on the Committee of Sponsoring Organisations of the Treadway Commission's internationally-recognised Enterprise Risk Management framework (COSO report) and seeks to integrate risk assessment into the processes of planning, pursuing corporate and internal control targets in order to create value while properly managing risks and mitigation plans, in addition to exploiting any opportunities.

The key risks and uncertainties faced by Ansaldo STS S.p.A. are outlined below following the classification adopted by the company (strategic, operational, financial and IT risks). Risks may exist that have not yet been identified or that are deemed immaterial but which could nonetheless impact company operations.

Strategic risks

A) Changes in the macroeconomic and market context

The Ansaldo STS market of operations is characterised by volatility in the acquisition of contacts, due partly to the fact that projects tend to grow in size and scope and there is an increasingly consolidated trend towards the standardisation of products and technological solutions, especially in the signalling business unit.

The factors that could have a significant impact the company's operations include public spending on infrastructure and low raw materials prices which diminish the spending power of customers.

The economic and geopolitical instability arising from external factors such as Brexit, financial and monetary volatility, increased geopolitical tension, terrorism, uncertainty as regards national and international leadership and potential international trade restrictions could seriously compromise global growth. This in combination with the weakness of Italy's role in the global

economy and the slowdown in economic growth in Ansaldo STS's areas of operation could have a negative impact on the confidence level and economic stability.
This scenario could translate into new orders with a lower profit margin, cancellations or delayed acquisition of contracts, payment delays, less favourable contractual conditions with a resulting negative impact on profit and loss of competitiveness on the market.

Furthermore, with the worsening of contractual and financial terms in new contracts, along with the increased complexity of the contracts themselves that involve greater risks and, among these, due to reduced customer funding sources, there is greater recourse to Project Financing. This market situation could negatively impact the company's competitive edge and performance, e.g., difficulties in obtaining new contracts, contracting margins on new orders and exposure to less advantageous contractual terms.

The company's strategy may not be immediately updated and adjusted in response to these many variables and uncertainties in the macroeconomic and market context, negatively impacting its competitiveness and performance.
A key element of the company's strategy is to optimise its operating structure by standardising the solutions and products offered and greater efficiency/optimisation in the use of resources during project implementation.

B) *Innovation: a competitive factor*

The company's business units feature a high level of technological innovation and this represents an important competitive factor.
Developments in technical standards that are not promptly adopted by the company could have a negative effect on competitiveness and market shares. Ansaldo STS's ability to anticipate technological changes and implement an efficient investment policy is therefore paramount. If it fails to accurately assess innovation requirements, the contents of innovation and development projects, their benefits and related priorities, the company runs the risk of delays in the availability of new products and technical solutions, instability of new products, additional development costs on projects and lost sales.
Processes to update the product portfolio and regularly assess products' technical competitiveness are in place to mitigate these risks and ensure greater optimisation when making bids.

Rapid technological developments conflicting with contractual obligations that impose long-term availability of spare parts generate a risk of obsolescence. There are specific processes in place to ensure its effective management.

Operational risks

C) Reliance on public customers and complex long-term contracts

Ansaldo STS operations are highly dependent on public customers and, particularly in the turnkey systems business, on complex long-term contracts of a significant amount.
Delays, amendments, revisions or cancellations of one or more significant contracts acquired could negatively impact Ansaldo STS's operations and its financial position and results of operations.

Assessing long-term contracts using the percentage of completion method requires the estimates of costs to complete the activities, project risks (technical, legal, tax and commercial) and contract progress. These estimates are based on assumptions related to the impact of future events which, by their very nature and given the complexity of the projects underway, may not occur as envisaged, thus negatively impacting the project's financial and economic performance. Indeed, there is often an element of uncertainty related to third-party performance of civil works for transportation infrastructure and the company cannot always cover the related impacts on programs with contractual clauses.

Market diversification and monitoring of country and compliance risk, structured project review processes involving senior management, the regular review and adjustment of contract and programme estimates and the adoption of risk management processes both at the time the bid is made and throughout project implementation, as well as lifecycle management processes involving the regular comparison of physical and accounting progress are in place to mitigate these risks.

D) Budgeting and project planning

Ineffective project planning and control processes, weak project technical management and contractual requirements open to differing interpretation could mean the project team cannot implement the project within the set budget and timeframes, especially complex projects. These risks could cause delays in identifying issues during project roll-out and related remedial actions as well as inaccurate reporting and planning, with a consequent negative impact on the company's financial position and results of operations.

To mitigate this risk, there are formalised and monitored processes to check physical and accounting progress and risk management, clear allocation of responsibilities within the project team, managerial review of project performance, review of the estimates during the bidding and project phases and an independent review carried out by the risk management department.

E) Third parties (subcontractors and subsuppliers)

Ansaldo STS makes considerable use of subcontractors to supply subsystems or assembly and installation services and of subsuppliers for goods or services in its business. The company's ability to fulfil its obligations to customers therefore relies on both subcontractors and subsuppliers properly fulfilling their contractual obligations. A breach thereby could in turn cause a breach by Ansaldo STS, negatively impacting its reputation and, unless it is possible to obtain compensation from the subcontractors and subsuppliers, the company's financial position and results of operations.

Moreover, particularly in the turnkey projects business, the company also carries out contracts in conjunction with other operators. In these cases, each operator generally has joint and several responsibility vis-à-vis the customer for the completion of the entire contract. In the event of a breach or damage caused to the customer by an operator, Ansaldo STS could be called on to replace the operator causing the breach or damage, and to compensate the damage caused to the customer in full, without prejudice to the company's right of recourse vis-à-vis the defaulting operator. If the right of recourse against the operator responsible for the breach or damage is ineffective or protracted, this could negatively impact the company's operations as well as its financial position and results of operations.

The preliminary assessment and consequent qualification of suppliers, subcontractors and subsuppliers, particularly in new markets, may be inadequate, with negative impacts on the competitive nature of the technical solutions offered and on project performance.

To mitigate these risks, the group has processes in place to select and evaluate suppliers, subcontractors and subsuppliers, it defines, agrees and manages appropriate contractual and joint venture clauses, it has risk management processes and it requests specific guarantees, where applicable.

F) Management of requirements and relevant technical references

A different interpretation of unstable or incomplete requirements with specific shortcomings could have a negative impact on product compliance, on compliance with the budget and deadlines, on project performance and on customer satisfaction.
Ineffective configuration management due to difficulties in product/component traceability could result in poor spare parts, repairs and maintenance management.

To mitigate this risk, the group has requirement and configuration management processes in place to ensure quality, compliance with deadlines and efficiency in projects and development management. It has rolled out special projects to monitor the proper implementation of these processes during projects.

Furthermore, if Ansaldo STS does not have adequate market and operating references for products, this could lead to lost sales and non-compliant project implementation, damage to reputation and the application of penalties, negatively impacting the company's competitiveness and its financial position and results of operations. Such risk is carefully assessed when the bid is being prepared. It is managed through processes designed to ensure adequate interaction between the engineering unit, which communicates the customers' requirements, the portfolio unit, which assesses the market's technical requirements and possible technical solutions, and the development unit, as well as via the development and monitoring of the product development roadmap.

G) Liability to customers or third parties for product defects or delivery delays

Technological complexity and tight delivery times for company products and systems could leave Ansaldo STS liable for delays in or failure to supply contractually-agreed products or services, for their non-compliance with customer requirements (for instance, due to design or construction faults) and for breaches of and/or delays in roll-out, the provision of post-sales services and product maintenance and servicing. Moreover, many products and systems supplied by the company are subject to certifications and approval, including by third-party bodies.
Such liability could be directly attributable to Ansaldo STS or to third-party operators such as subsuppliers or subcontractors. These risks could negatively impact the company's operations, its financial position and results of operations and its reputation, and could also result in the company incurring costs to repair faulty products or their withdrawal from the market in extreme cases. Even if adequate insurance is in place, the sum insured could be exceeded or the

premiums could be raised following a claim, negatively impacting the company's financial position and results of operations.
To mitigate these risks, the company agrees specific insurance coverage and carefully supervises its engineering, validation and returns monitoring processes.

H) *Legal disputes and Governance*

The complexity of dealings with third parties (customers and subcontractors/subsuppliers) as well as specific business risks expose Ansaldo STS to a significant risk of legal disputes. Legal disputes could also relate to the awarding of bids. The settlement of disputes could be complex and take a long time, leading to delays in completing projects and negative impacts on the company's operations and its financial position and results of operations.
To mitigate this risk, there are risk management processes in place during both the bid and management stages, disputes are monitored closely, contractual clauses are examined carefully with the legal department, and a prudent approach is adopted in recognising specific items under contract costs and provisions for risks.
In addition, as the company operates within a complex international environment, it could be exposed to trade compliance risks. The lack of awareness or underestimation of trade compliance risk could negatively impact the company's reputation and profitability.
To mitigate this risk, the company has initiated a process of mapping and evaluating the controls in place and those to be implemented, which is currently in the completion phase.

An unfavourable news report due to incorrect interpretation of corporate governance decisions and financial data could have a negative impact on reputation and result in dispute-related costs.

I) Human resource management

Ansaldo STS supplies products and systems featuring cutting-edge technology on a global scale and to do so, it requires human resources with specific expertise, which can be difficult to procure on the labour market.
To mitigate this risk, human resource management policies reflect the business needs. Ansaldo STS also has an integrated human resource management and development system under which regular checks of expertise and performance are carried out and relevant training initiatives identified, as well as enabling the best possible allocation of resources.

J) Health, safety and environmental compliance

The company has to comply with health, safety and environmental legislation in the various countries in which it operates. Failure to comply with such legislation as a result of operating processes which are not adequately monitored or due to an inadequate evaluation of such requirements and necessary measures, could expose Ansaldo STS to risks having significant impacts on its operations, its financial position and results of operations and its reputation.
To mitigate this risk, Ansaldo STS adopts health, safety and environmental management systems ensuring rigorous compliance with legislation in accordance with best practices, subject to internal and external monitoring and integrated with the security processes monitored by an independent internal unit.

Policies and procedures have also been set to ensure a consistent approach throughout the company's various entities.

Financial risks

K) Ability to finance a high level of current assets and obtain guarantees

To carry out contracts, Ansaldo STS requires:
- adequate funding of current assets;
- bank and/or insurance guarantees issued to the customer in the various project stages (bid bond, advance payment bond, performance bond, retention money bond and warranty bond) and/or guarantees issued by the parent (parent company guarantees).

Current assets are usually funded by customer advances and progress payments.

The company's ability to obtain guarantees at good rates depends on the evaluation of its financial position and results of operations, which is usually based on various indices including an analysis of its financial position, analysis of the contract risk and experience and competitive positioning in the reference sector.

Difficulty in negotiating suitable financial terms for new contracts, payment delays and/or suspension and deterioration of existing terms of payments, or the inability or greater difficulty in obtaining guarantees at good rates, would negatively impact the company's operations and its financial position and results of operations.

To mitigate these risks, the company has commercial and contract management policies focussed on financial aspects, centralised treasury management which optimises its cash flows; its financial position is solid and the contract parameters are assessed right from the time of the bid stage.

In the present economic and market context, due to new contracts which have less favourable financial terms, working capital is monitored closely and specific initiatives are in place to mitigate its impact.

IT risks

L) IT systems

IT systems are a vital part of Ansaldo STS's operating structure and their management must be in line with the company's strategic objectives. IT solutions that do not match business needs, or upgrades thereof that do not meet users' needs, or inefficient system or outsourcer management, could compromise the efficiency and effectiveness of company operations.

Moreover, the unavailability or interruption of IT services or network and data loss or damage (including sensitive data or intellectual property), also as a result of hacking, could compromise company operations.

To mitigate this risk, the IT policies took into account the organisational and process change initiatives. Moreover, the company has a governance system based on best practices and follows structured and monitored processes for hardware and software management, including cyber-security aspects.

RESEARCH AND DEVELOPMENT

Research and development expense taken to profit or loss for the year ended 31 December 2017 totalled €23.3 million (€21.1 million in 2016), against grants approximating €2.3 million (€1.9 million in the previous year).

The stronger investments were concentrated on the range of on-board systems to adapt to ERTMS standards and to improve CBTC application performance. In addition, the project was launched for the new automation products platform ready for the digital technology developments.

As regards projects funded by the Italian Ministry of Research, note the following:

- Tesys Rail, to define strategies for the energy optimisation of rail traffic;
- PON3, through the Campania district DATTILO (High technology district for transport and logistics) and the Campania laboratory TOP IN (Optoelectronic technologies for industry):
  - ✓ MODISTA, which dealt with innovative solutions for the monitoring and preventative diagnosis of infrastructure and vehicle fleets in order to increase the levels of availability, efficiency and safety. This project terminated at the end of June;
  - ✓ OPTOFER for the application of innovative optoelectronic technologies for railway infrastructure monitoring and diagnosis. This project terminated at the end of the first quarter;
  - ✓ FERSAT, which studied a railway signalling system suitable for urban environments based on the innovative use of satellite technologies and their integration with existing technologies. This project terminated at the end of June;
  - ✓ NEMBO for the study and experimentation of highly-efficient innovative embedded systems for railway applications. This project terminated at the end of the third quarter.

Of note among the projects financed by the European Commission are:

- NGTC, aimed at developing future rail and urban traffic control systems. Ansaldo STS headed up the work package related to satellite positioning and actively participated in definition of the IP Communications. This project terminated in the first quarter;
- MANTIS, financed by the ECSEL Joint Undertaking (a public private body which provides European Commission grants for embedded system innovation) and the Ministry for Research, which aims to increase knowledge regarding the decision-making process for railway system maintenance;
- IN2RAIL, linked to the Shif2Rail initiative which is aimed at optimising railway infrastructure reducing construction and maintenance costs and increasing capacity.

The following projects are in progress since last year as a broad part of the SHIFT2RAIL, Europeaen programme related to the railway inter-operability:

- CONNECTA, CONtributing to Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes, which aims to contribute to the next generation of TCMS architecture and components with wireless functionality, as well as the next generation of electronic braking systems;
- X2RAIL1, Start-up activities for Advanced Signalling and Automation System, which aims to respond to the long-term requirements of a future flexible and intelligent traffic management system;
- IN2SMART, Intelligent maintenance systems and strategies to provide a holistic, innovative solution for the maintenance of railway assets;
- ATTRACTIVE, Advanced Travel Companion & Tracking Services, which aims to improve the travel experience of passengers using railway transport systems through the development of an integrated solution;
- FR8RAIL, Development of functional requirements for sustainable and attractive European rail freight, with a focus on facing the main challenges to the development of sustainable and attractive rail freight in Europe;
- PLASA, Smart Planning and Safety for a safer and more robust European railway sector, which intends to improve the customer experience and the robustness of the European railway sector. The objectives are, on one hand, to improve the planning activities of the various railway system operators through railway simulation and, on the other hand, to provide a methodology for managing railway system safety based on a risk assessment;

- IMPACT1, Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains – Phase 1, for the creation of an integrated sub-system which allows for the representation of all Shift2Rail innovations;
- ARCC, Start-up activities for freight automation, essentially relating to freight traffic matters.

The following projects were added to the aforementioned programme at the beginning of September:

- IN2STEMPO, *Innovative Solutions in Future Stations, Energy Metering and Power Supply,* for the definition of smart energy metering solutions for the system and future solutions for the stations;
- CONNECTIVE, *Connecting and Analysing the Digital Transport Ecosystem,* which will define a new level of interaction and access to services and data on the transport systems in a distributed multimodal environment;
- FR8HUB, *Real-time information applications and energy efficient solutions for rail freight,* which aims to increase the percentages of freight traffic by rail through greater transport system efficiency, with particular reference to terminals, junctions and hubs;
- IMPACT-2, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains–Phase 2,* the aim of which is to assess and increase the effects on mobility and on the environment of the technology solutions and developments made as part of the Shift2rail programme;
- X2RAIL-2, *Enhancing railway signalling systems based on train satellite positioning; on-board safe train Integrity; formal methods approach and standard interfaces, enhancing Traffic Management System functions,* which aims to promote signalling innovation (introduction of satellite technology and *Train Integrity*), supervision (*Traffic Management evolution*) and development process management (introduction of *Formal Methods*).

Note that certain satellite technology projects are also financed by the European Commission. Specifically, the aim of the ERSAT EAV project, coordinated by Ansaldo STS, is to adopt and customise satellite technologies for railway signalling, notably with respect to checking that the EGNSS/EGNOS technology and the new Galileo services can be used in ERTMS signalling. In addition, the verifications were conducted on the accuracy of the open and modular architecture of the Ansaldo augmentation system. Demonstrations of the proper functioning of the trial site

were later arranged in Sardinia as part of national workshops. ERSAT EAV was completed at the end of April.
Again in the satellite environment, activities are in progress for the STARS project, whilst RHINOS terminated at the end of October. Both projects are part of the European GNSS Agency (GSA) research programme, Horizon 2020.

For STARS in particular, important research activities were completed relating to the definition of methodologies and tools required to calculate the ground truth (temporal and spatial reference) with respect to which performance measurements can subsequently be taken. In addition, measurement activities continued at the Sardinia and Pontremolese trial sites in order to acquire Signal In Space (RF signal) and observation data relating to GPS, EGNOS and Galileo in different railway environmental conditions. The development of EGNSS services were also defined to satisfy performance and safety requirements for railways and to identify any impact on the ERTMS/ETCS systems.

For RHINOS, the phase of defining a functional architecture of an ERTMS system was completed, based on future satellite technology. This technology is suitable for the most stringent requirements, such as track discrimination, high availability and integrity. The results of these activities were discussed at the international workshop held at Stanford University.

Still part of the satellite environment but funded by the ESA (European Space Agency), the following projects were launched in the last quarter of 2017:

- DB4RAIL (*Digital Beamforming for RAIL*), which will develop a digital beamforming platform within the context of ERTMS and implement an advanced GNSS antenna and signal processing techniques to increase immunity from intentional electromagnetic interference (EMI);
- SAT4TRAIN, with aims to develop an economically efficient *Multi Link Communication Platform* (MLCP) to replace the GSM-R system which is destined to become obsolete in the next few years;
- SIM4RAIL, has the purpose of specifying and developing highly controllable laboratory tools for bench testing and to support the development of PNT technologies for railway signalling applications, including the virtual beacon detection system based on GNSS on the ERTMS system).

Development activities also took place on the following projects, which do not receive external funding:

- MacroLok Interlocking Platform (RBC and the “FAST” tools suite)
- Automation v2.0
- OnBoard (ALA)

In detail, the activities continued include: the evolutionary development activities on the Interlocking MacroLok platform, seeking to improve and expand the functions offered by the platform so as to satisfy global market demand; those on the RBC programme (on the MacroLok platform), which aim to adapt the Generic Application, the more advanced ERTMS and generic product standards; those relating to development of the new “FAST” tools suite (on the MacroLok platform), dedicated to system design and configuration.

Note in particular that activities began on the new multiyear programme “Automation v2.0”, committing resources both in Italy and the USA. The new development aims to standardise the hardware/middleware to increase platform efficiency, develop a new infrastructure to host future “value added services” and create a new user interface. The aim of Automation v2.0 is to better satisfy demand and keep up with new digitization trends.

As concerns Onboard, activities continued for the resolution of obsolescence issues on the Italian platform (ALA), with the design of a new microprocessor card which borrows from the architecture and components of other developments already made by Ansaldo STS with a view to standardising HW solutions.

HUMAN RESOURCES

HEADCOUNT

The headcount in 2017 came to 1,857, against 1,704 in 2016. The breakdown is as follows: 64 managers, 349 junior managers, 1,400 white collars and 44 blue collars; 292 employees work in branches operating abroad.

The 153 employees increase on 2016 was the result of 228 new hires and 75 employees leaving the company.

New employees included:

- 33 new employees, hired with open-ended contracts;
- 7 employees, hired with a fixed-term contract;
- 53 employees, previously hired with temporary work contracts or from related sectors;
- 135 employees hired at branches on the basis of contracts acquired.

Outgoing personnel was as follows:

- 22 resignations;
- 3 employees for other reasons (death, transfers, dismissals, end of trial period);
- 50 branch employees.

TRAINING

1,330 employees took part in training courses during the year for a total of 25,500 hours, equal to an average per capita of approximately 20 hours.

The key initiatives were as follows:

Technical-specialist training:

- Project Management Programme - SME;
- Finance course;
- Specialist courses in railway techniques.

Managerial and Soft Skills training:

- Talent training path;
- Effective communications courses;
- Time management in complex businesses;

- E-learning courses (e.g., assertive communications, interpersonal skills, creative thinking).

Compliance training:

- Safety training courses (the “365 SafetyDays 365 SafetYes” campaigns) for building site and office personnel. These courses include both classroom learning and e-learning methods.

Language training:

- English project offering traditional classroom, video call and e-learning courses;
- Non-English language training for employees working in certain areas.

In addition, the collective labour agreement for the category has imposed a training obligation upon the company of 24 hours pro capita for all employees, starting from 2017 and for the next three years. This contractual provision was used to strengthen the areas for improvement in certain cross-business areas associated with communications and self-development perceived by employees in Italy in the results of the survey launched in September 2017.

For this purpose, e-learning courses were made available on the company Intranet for a total of 13 hours and 30 minutes.

INDUSTRIAL RELATIONS

The company met with the trade unions in July 2017 to provide greater disclosure on its position. During the meeting, the current situation, company performance, the backlog, the headcount and personnel expense were described.

In addition, the 2017 hiring plan focusing primarily on the strengthening and in-sourcing of skills was presented, based mainly on the hiring of resources from staffing providers (temporary staff/staff leasing and personnel from external firms).

Thanks to this plan, the company was able to reduce external consulting contracts.

During the same meeting, the efficiency and profitability targets for the 2017 Performance bonus were defined and the actual results of the 2016 Performance bonus were presented, which entailed the disbursement of 103% of the bonus along with the July 2017 salary payments.

The company welfare plan, launched in 2017 in compliance with the collective labour agreement for the industry through a dedicated portal where every employee can select goods or services from among those offered, was presented at the same meeting.

The welfare contribution made available to personnel for 2017 was approximately €100 per employee.

Incentive plans

The Ansaldo STS group developed and regulated:
- a medium-term stock grant plan;
- a long-term cash incentive plan (LTIP).

These plans form part of a series of short-, medium- and long-term incentive plans and represent a considerable portion of Ansaldo STS management's total remuneration.
They are designed to link a significant portion of managers' remuneration to the achievement and improvement of financial ratios, as well as strategic objectives that are especially important for Ansaldo STS group's creation of value.

Stock grant plans

2014-2016 stock grant plan

On 20 February 2014, the board of directors based of the proposal of the remuneration committee of 17 February 2014, which was subsequently passed by the shareholders on 15 April 2014, approved a three-year stock grant plan. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share index).
Like the previous plan, the 2014-2016 stock grant plan complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011, and confirms:

- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

The group formally checked that the objectives underlying the granting of the portion related to 2016 were achieved.

All three objectives assigned of EVA, FOCF and share performance compared to the FTSE IT All-Share index were met for 2016. The tolerance band principle was applied in order to successfully meet the EVA objective. Accordingly, in compliance with the plan regulation, 94.5% of the shares initially earmarked were assigned to the beneficiaries.

The total shares due to the 33 current beneficiaries numbered 394,182. As a result of the three-year vesting period, the shares will actually be delivered in April 2019.

2017-2019 stock grant plan

On 24 March 2017, the Board of Directors, based of the proposal of the remuneration committee of 23 March 2017, which was subsequently passed by the shareholders on 11 May 2017, approved a three-year stock grant plan, addressed to the CEO, key managers and other executives (or equivalent categories) of Ansaldo STS considered key resources by the Company. The objectives of the Plan are the same as those of the previous 2014-2016 Plan (EVA, FOCF and share performance compared to the FTSE Italia All-Share index).

Like the previous plan, the 2017-2019 stock grant plan complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011, and confirms:

- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

LTIPs

2014-2016 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS S.p.A..

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group's profit for the year which, as it was not reached, meant that no incentives were earned. Accordingly, checking that the 2016 objectives were met was immaterial even though the company did check them for documentary completeness.

In May 2017, in accordance with the annual vesting period and related accrual, 50% of the 2015 tranche was disbursed.

2015-2017 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS.

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group's profit for the year.

As the access threshold and the two performance objectives (Invested Capital and ROS%) were met, 100% of the amounts due will be paid to the beneficiaries. As a result of the annual vesting period, the cash will actually be paid in May 2018.

In May 2017, in accordance with the decisions made in board of directors resolution of 3 November 2015, the share disbursed for the 2015 tranche was equal to that disbursed for 2014, i.e. 100%.

2016-2018 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS S.p.A..

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives, with an access threshold identified as the group's profit for the year.

As neither objective was reached (new orders and working capital), the beneficiaries will receive no cash payment.

INVESTMENTS IN ANSALDO STS S.P.A. OR IN ITS SUBSIDIARIES

Following the amendments made by CONSOB (the Italian commission for listed companies and the stock exchange) with resolution no. 18049 of 23 December 2011 to the Regulation adopted with resolution no. 11971 of 14 May 1999 (the "Issuer Regulation"), information on investments held in the issuer or companies controlled thereby by members of management bodies, general managers and key managers, as well as their spouses, unless legally separated, and minor children, directly or via subsidiaries, trustees or nominees referred to in the repealed article 79 of such regulation is now presented in compliance with the provisions of article 84-*quater*.4 of the regulation, in the remuneration report prepared pursuant to article 123-*ter* of Italian Legislative decree no. 58/98 and in compliance with schedule 7-*bis* of annex 3A to the Issuer Regulation. The remuneration report is made available to the public as provided for by law and regulations.

COMPANY FACILITIES

The company's facilities are located as follows:

GENOA	**VIA MANTOVANI 3-5 - 16151**	**Registered offices**
NAPLES	**VIA ARGINE 425 - 80147**	**Branch**

The company has permanent foreign establishments in Bucharest (Romania), Athens and Thessaloniki (Greece), Tunis (Tunisia), Copenhagen (Denmark), Taipei (Taiwan), Ankara (Turkey), Riyadh (Saudi Arabia), Tripoli (Libya), Kolkata, Mumbai and Noida (India - project office), Abu Dhabi (United Arab Emirates) and Lima (Peru).
The company also forms part of a joint arrangement in Honolulu (Hawaii).

FINANCIAL DISCLOSURE

Financial market transactions

The primary objective of Ansaldo STS is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information for the market in a timely and transparent manner and ensuring that the company is presented properly. The Investor Relations Department, reporting directly to the Chief Financial Officer, liaises constantly with analysts and investors in order to grasp market disclosure requirements and accurately tailor communications from senior management.
The regular surveys carried out with stakeholders have always confirmed the overall positive impression of the Investor Relations team's operations, recognised as the main point of contact between the company and the financial community.
Total share coverage remained basically the same as last year, with 10 investment banks; in particular, only 5 of them maintained active involvement after the conclusion of the takeover bid by Hitachi on the Ansaldo STS share capital and the entry into the shareholding structure of the US Elliott fund, while the other 5, despite the fact that they did not officially stop their coverage, maintained a more detached attitude pending future developments.
A number of investment banks provide periodic industry studies and competitor analyses which the Investor Relations Department collects, studies and disseminates internally, along with official market announcements.
On a quarterly basis before the financial results are issued, the Investor Relations Department requests brokers assigned to the parent's share for their latest forecasts on its key financial

indicators. This is an accurate update of sell-side analysts' perception, which is discussed and considered by management.

With regard to communication activities, the annual communications plan is used to plan and develop Investor Relations activities. The aim is to disseminate and communicate the company's market analyses, policies and strategies.

With the same resources and quality of its activities compared to the previous year, the Investor Relations Department continued to monitor and analyse the market and the competition in reporting period, in order to support management.

In addition to the usual daily focus on and weekly collection of market "rumours" (IR NEWS), the department periodically analyses and updates the performance of competitors, markets and main business sector analyses.

The website, which contains a section specifically dedicated to all Investor Relations topics, remains the main instrument for the collection and disclosure of financial information to stakeholders.

Share performance

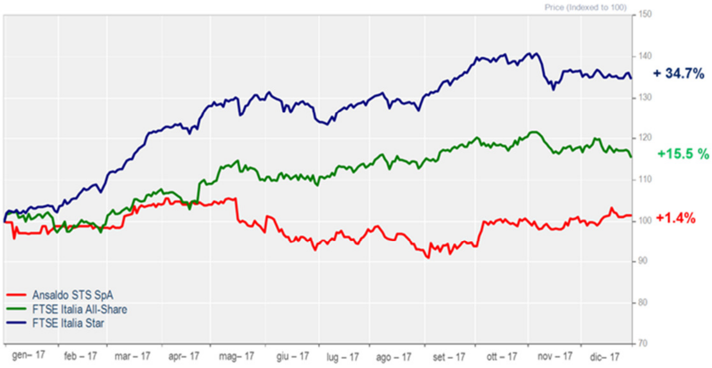
The official share price in the **31 December 2016** to **31 December 2017** period rose from €11.84 to €12.00, therefore recording a slight increase of 1.4%.

The share's high for the year and all-time company record of €12.50 was recorded on 5 April 2017 and its low for the year of €10.78 on 4 September 2017.

An average of 112,750 shares were traded daily in the year, compared to 201,762 in 2016. The decline in volumes is a direct consequence of the reduced float.

The FTSE Italia All-Share index gained 15.5% during the year while the FTSE Italia STAR index gained 34.7%.

Share performance compared to the main indices (base 100)



Key shareholders at 31 December 2017

Considering the communications sent to CONSOB and received by the parent as required by Italian Legislative Decree no. 25 of 15 February 2016, which entered into force on 18 March 2016, in implementation of directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013, which amended art. 120, paragraph 2 of the Consolidated finance act, the table below gives a list of the investors which hold more than 3% of Ansaldo STS S.p.A.'s share capital at 31 December 2017:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50,772
PAUL E. SINGER (as general partner, directly and indirectly, of the Limited Partnership Elliott International and The Liverpool Limited Partnership)	51,330,030	25,665
UBS	10,068,228	5,034
LITESPEED MASTERFUND	7,532,322	3,766

Key data per share

Earnings per share

(€)	2017	2016
Basic and diluted EPS	**0.32**	0.39
Dividend per share	**0.15***	-

*proposed to the shareholders

The amount proposed to the shareholders to be distributed as dividends on the 2017 profit totalled €30,000 thousand (the shareholders' meeting had decided not to distribute a dividend for 2016).

LITIGATION

In general, the following should be noted:

1. Tecnocostruzioni Costruzioni Generali S.p.A. versus Ansaldo STS S.p.A.

Tecnocostruzioni S.p.A, as a member of the joint venture engaged by Ansaldo Trasporti S.p.A. (now Ansaldo STS S.p.A.) to carry out the civil works for Line 6 of the Naples metro (formerly "L.T.R."), initiated legal proceedings to confirm an alleged breach by the company of a commitment undertaken in 1998, vis-à-vis the joint venture, to terminate the agreement entered into with ANM and the Naples municipality due to the delayed payment of the final agreed instalment. The compensation claimed equals €17.4 million, plus interest and cost-of-living adjustments.

The Naples Court's ruling was published in October 2006, rejecting Tecnocostruzioni's claim and dividing court fees between the parties. Tecnocostruzioni appealed this ruling before the Naples Court of Appeals with a claim form served to Ansaldo Trasporti Sistemi Ferroviari S.p.A. (now Ansaldo STS S.p.A.) in December 2007.

In October 2011, the Naples Court of Appeals disallowed Tecnocostruzioni's appeal, handing down its ruling at the end of December; Tecnocostruzioni appealed to the Court of Cassation in February 2012. Ansaldo STS appeared before the court. At the discussions hearing held in July 2017, the case was deferred for decision pending the filing of statements by Ansaldo STS. By order filed with the clerk of court on 13 October 2017, the Court of Cassation rejected the Tecnocostruzioni appeal, also ordering their payment of proceedings costs. These proceedings are therefore considered closed.

2. Metro C Società Consortile per Azioni versus Roma Metropolitane S.r.l.

In 2007, the contractor of the works, design and construction of the new line "C" of the Rome metro (Metro C consortium, 14% held by Ansaldo STS S.p.A.), served the customer (Roma Metropolitane S.r.l.), with a request for arbitration concerning the additional fees and time required following delays in validating the T4 and T5 section executive designs.

Pending the conclusion of the arbitration, a compromise committee was set up, which at the end of 2011, proposed an outline agreement with redesign of the work plan and reformulation of the claims on a lump-sum, all-inclusive basis, in the amount of €230 million. In December 2012, CIPE (Interministerial economic planning committee) granted Roma Metropolitane the amounts necessary to financially cover the settlement agreement between Roma Metropolitane and Metro C; this resolution took effect and came into operation with its publication in the Italian Official

Journal in June 2013. Instead of implementing the provisions of the settlement agreement, the newly-installed municipal council challenged the contents. The situation became more tense and Metro C was forced to suspend/slow works given the enormous financial difficulties produced by the persistent failure to pay. In September 2013, Metro C and Roma Metropolitane signed the "Implementing Deed for CIPE resolution no. 127 of 11 December 2012 and resulting adjustment of the Contract of 12 October 2006" which, inter alia, recalculated the deadlines for the completion of the functional stages following the variations made during the work, ruled that Metro C was due €230 million plus €90 million for general contractor costs and VAT for the higher costs claimed, excluding any amounts related to additional claims, provided that Metro C waived all claims recognised at the deed date and that Roma Metropolitane would renounce appealing the partial award.

As the amounts certified and invoiced as per the Implementing deed were not paid (mainly the general contractor costs), in January 2014 Metro C was forced to notify Roma Metropolitane of the order of the court for the total amount of approximately €269 million plus VAT. Roma Metropolitane opposed such court order, requesting authorisation to summon the financing bodies, which was granted by the appeal judge at the first hearing held in September 2014. Accordingly, a second hearing was scheduled, where Metro C was not granted the provisional seizure of the amounts not yet paid by Roma Metropolitane to date, in addition to accrued interest.

At the subsequent hearing in September 2016, the Parties presented their conclusions and the Judge assigned a deadline for the submission of final statements and reply briefs, with the resulting reservation of judgment in the case.

At the end of 2015, as the amount provided for in the Implementing deed had not been paid nor the amounts invoiced for work regularly performed and certified, Metro C sued Roma Metropolitane S.r.l. and the Rome municipality, challenging a number of instances of non-compliance in the period from September 2013 to October 2015. It also requested payments of various amounts including the outstanding receivables of approximately €350 million.

The hearing was held in September 2016 to discuss the claim pursuant to article 186-ter of the Italian penal code; the Court assigned a deadline to Roma Metropolitane for any observations on the new calculations carried out by Metro C.

At the hearing on 31 October 2017, Roma Metropolitane filed documents relating to works progress report no. 4 for the add-on agreement of July 2014 relating to maintenance. The lawyers raised objection to this late filing but the court accepted the documents in question, assigning Metro C a deadline to file their own documentary evidence in good time before the new hearing to define conclusions set for the end of November 2017. At that hearing, the decision on the case was adjourned to early 2018, establishing legal deadlines for the filing of conclusions and reply briefs.

Also note that the judicial authority intervened for analyses and the acquisition of documentation as part of the investigations initiated in relation to the construction of Line C of the Rome Metro, in particular in the relationships between the company and the client relating to the use of the system of reserves and the associated settlement agreements.

3. *Ansaldo STS versus Ente Autonomo Volturno S.r.l. - EAV (merging entity of Metro Campania NordEst S.r.l.)*

In 2011, Ansaldo STS produced two orders of the court against Metro Campania Nord Est (now EAV), as part of the Alifana project, for unpaid invoices approximating €31 million. EAV opposed the orders on various grounds.

With respect to the first injunction order challenged, relating to the works on the Piscinola-Teverola section, in September 2011 the Judge rejected the request to suspend enforceability and Ansaldo STS collected the first initial payment in December.

At the end of July 2016, the ruling was issued rejecting the opposing party's claims with respect to the nullity of the concession relationship and the connected contract riders, sentencing the counterparty to pay the amounts due. However, the judge accepted the requests of the opposing party on the claimed lack of jurisdiction of the ordinary judge, in relation to certain invoices, in favour of the administrative judge.

At the same time, a series of decisions challenging the injunction orders for payment obtained due to non-payment by the contracting party arose between EAV and the temporary consortium established to complete the works (AS.CO.S.A Ferroviaria s.c.a.r.l.).

Given the unpaid creditor claims, in February 2017 the parties reached a settlement agreement to close the credit positions involved in the transaction and associated with the injunction orders challenged as indicated in the agreement.

Furthermore, at the end of December 2017, EAV and Ansaldo signed a further settlement agreement in relation to additional debit/credit positions.

The aforementioned sums in favour of Ansaldo also cover the injunction orders challenged and mentioned previously, which by agreement closed the positions due to inertia or waiver by the parties following payment of the agreed amount.

4. *Ansaldo STS versus Naples Municipality*

With respect to the court order filed by the company against the Municipality of Naples in 2011 for the collection of outstanding receivables, the municipality submitted a formal opposition. Following the acceptance of Ansaldo claims, the Municipality of Naples appealed against the decision, requesting cancellation of the supplementary proceedings papers and rejection of the claims filed by Ansaldo. As negotiations were under way for an amicable settlement, the case was postponed to mid-2018.

In the meantime, the parties came to an agreement to settle the Ansaldo claims.

5. *Ansaldo STS – Collapse of a building in Via Riviera di Chiaia*

The company is involved in the criminal proceeding following the accident of 4 March 2013 where a building located in Via Riviera di Chiaia 72, Naples, partially collapsed, allegedly due to the works underway to construct the Arco Mirelli station for Line 6 of the Naples metro. In this project, the company is the operator appointed by the Naples municipality.

The alleged crimes are those assumed when recorded in the criminal records registry, i.e. articles 676 and 434 of the Italian Penal code: "*Destruction of buildings or other constructions*" and "*Collapse of constructions or other malicious disasters*".

In 2015 and until the first hearing before the Judge for the Preliminary Hearing, the company's defendants were called for spontaneous questioning. Based on the results of this questioning and the findings of the preliminary investigations, two employees were committed for trial while the motion to dismiss the case for the third employee is pending. During the preliminary hearing of June 2015, certain third parties joined the proceeding as civil parties seeking damages, including the Naples municipality. The Judge for the Preliminary Hearing set another hearing for December 2015, during which the company was held liable for compensation for pecuniary and moral damage to the civil parties. Following the request for the exclusion of ASTS as the civilly liable party and the integration of the notices to the civil parties, a series of scheduled hearings were held for the relative measures, as a result of which the exclusion of ASTS as the civilly liable party was declared and the requests for the admission of the requested evidence were handled. After the examination by experts appointed during the initial phase of the proceedings, the later hearings in 2016 and 2017 were subject to a number of adjournments and hearing of the admitted witnesses is now being scheduled.

With respect to the civil proceedings related to the collapse of the buildings, 32 cases for claims for damages, 1 for prior technical ascertainment and 1 for expected damages were pending in 2017.

6. AIASA JV - Attiko Metro arbitration

In January 2014, the AIASA joint venture (of which Ansaldo STS holds 22%) issued an arbitration request to the Greek company ATTIKO METRO S.A. and the Greek Ministry for Infrastructure and Transport.

The aim is to request payment of greater expense and/or curtailments on some progress reports and/or extra costs incurred by the AIASA joint venture in completing the contract for the design and construction of the Thessaloniki metro. Given the considerable number of issues under arbitration, and for a more efficient settlement of the dispute, six different arbitration panels were set up, each resolving on a certain group of claims made by the joint venture against ATTIKO METRO. In this respect, note in particular the arbitration panel decision of December 2014 on “Dispute 66” which ruled that the current work schedule discretionally set by the customer is illegitimate. In light of such award, the JV informed the customer Attiko Metro that the contract was terminated as its term had expired now that the discretional extension had expired.

Subsequently, the JV and the customer tried to define a contractual solution in order to resume the work.

To date the Parties have essentially finalised most of the disputes covered by the 6 different arbitration proceedings and the initial payments are in progress.

7. ASTS /Alstom Consortium - Société Nationale des Chemins de Fer Tunisiens arbitration

An arbitration panel was set up in May 2014 to resolve the dispute between the Ansaldo STS – Alstom consortium and Société Nationale des Chemins de Fer Tunisiens (SNCFT), in relation to the claim for compensation of greater expense and higher costs incurred by the consortium due to the technical variations and additional works requested by the customer in the technological upgrading of the railway line from Tunis Ville to Borj Cédria.

The parties formally set up the arbitration panel that will rule in accordance with the procedural rules of the International Chamber of Commerce (ICC) and pursuant to applicable French law.

The arbitration panel issued its final award in September 2016 in favour of the Ansaldo STS - Alstom consortium; with reference to the party ASTS, sums were recognised for damages due to delays and variations in the amount of roughly €2.5 million, plus interest, outstanding invoices and legal costs.

In December 2017, SNCFT filed an appeal for annulment of the arbitration award, instigating the related proceedings before the Paris Court of Appeal. It is expected for the first half of 2018SNCFT’s filing of its introductory brief, triggering the deadlines for Ansaldo to file its own defence briefs. After this the appointed Court of Appeal will establish the dates for filing of additional defence statements. The first hearing should be scheduled within a year.

8. Ansaldo STS S.p.A. - Metro C S.p.A. arbitration

In December 2014, the procedure to form the arbitration panel for the dispute introduced by Ansaldo STS versus Metro C S.p.A. commenced. It involved the company's request for greater expense and extra costs (for delays in the delivery of areas, archaeological finds and requests for variations from the customer) incurred due to delays which led to longer times to complete the contracts for the system engineering, construction of the sub systems for the automated train controls and on-board communications. Following the appointment of a court-appointed expert and the filing of the relative report, the arbitration panel has set the deadlines for the parties to submit their briefs, reserving any decision to after that time. The discussions hearing was held in May 2017, as a result of which the arbitration panel gave Ansaldo STS a deadline of June 2017 for the filing of additional technical briefs and a July deadline to Metro C for their reply. After filing of the briefs, the arbitration panel set a hearing date in October 2017 for discussion of the judicial inquiries. As a result of that hearing, by order issued in November 2017, the arbitration panel ordered Metro C to submit a number of documents and, by a further order in December 2017, granted a deadline of early 2018 for comments on documents submitted by the parties.

9. Alstom Ferroviaria S.p.A. – Ansaldo STS S.p.A. / RFI

In 2016, proceedings began before the Puglia Regional Administrative Court in Bari, lodged by Alstom Ferroviaria S.p.A., which requested the cancellation of the measures awarding tender no. DAC1.2015.0008, for a contractual value of roughly €15.0 million, relating to the design and implementation of a line ACC-M system located in Bari Lamasinata and for the line systems in the Foggia-Bari section. The applicant requested the cancellation, after precautionary suspension, of the awards in favour of ASTS by way of succession. Following the ruling of the Puglia Regional Administrative Court in Bari no. 1210 of 20/10/2016 accepting Alstom's petition against the acts of the tender carried out by RFI, an appeal was lodged before the Council of State. The hearing for discussion of the suspension was held on 4 May 2017. Ruling no. 3640/2017 was filed on 24 July 2017, confirming the first instance decision. These proceedings are therefore considered closed.

10. ISAF SA – Ansaldo STS S.p.A.

In the second half of 2016, the company ISAF SA submitted an application for arbitration to the International Chamber of Commerce, Bucharest, Romania. The arbitration regards the Consortium formed by ISAF and ASTS in relation to the "Rehabilitation of the section Campina-Predeal on the railway line Bucharest – Brasov, Lot 4" project. It regards a demand for compensation for damages of up to around €5.0 million from ISAF SA in relation to non-payments in its favour by the customer, allegedly attributable to delays and/or omissions of ASTS. The arbitration proceedings were suspended pending the resolution of the separate arbitration between ISAF SA and the customer concerning the demand for compensation for damages caused by the above-mentioned non-payments in its favour and the relative delays and/or omissions. If it loses, ISAF SA would continue with the arbitration against ASTS, as it deems it liable for the damages suffered. Following the successful conclusion of the arbitration proceedings against the customer, which constituted a precondition, in November 2017 ISAF informed the ICC that it did not wish to pursue the suspended arbitration proceedings against Ansaldo.

11. Stockholm Red Line.

With regard to the "System Delivery Agreement" signed on 3 November 2010 between Ansaldo STS Sweden (a 100% subsidiary of Ansaldo STS S.p.A.) and AB Storstockholms Lokaltrafik ("customer") for updating of the signalling system of one of the lines of the Stockholm metro, i.e. the "Red Line" (for a total value of around €127 million), in October 2017 the customer requested reimbursement of the advances paid for roughly €35 million, plus VAT and interest. Then on 7 November 2017 it served notice of its unilateral termination of the contract, claiming default by Ansaldo STS Sweden ("company") and requesting the reimbursement of residual advances paid (around €24 million, plus VAT and interest), as well as the application of penalties and compensation for damages estimated at a total of €17 million. The company challenged both the unilateral termination of the contract and the request for reimbursement of the advances and compensation for damages, considering them unfounded. On 20 December 2017, the Parties signed an agreement for the return to Ansaldo STS Sweden of all bonds previously released to the customer, against the reimbursement of residual advances paid by the customer for a total of around €31 million (VAT and interest included). Based on this agreement, the company paid the aforementioned amount on 25 January 2018, at the same time receiving the return of all bonds by the customer. This payment, and likewise the previous amounts paid to the customer for €45 million (VAT and interest included), was made by the company, reserving the right to re-enact all measures without prejudice to its own rights and pending legal conclusion of the dispute.

The company is assessing all possible legal options to defend its rights, including the right to receive full payment for all works carried out to date as well as compensation for damages incurred, “also” due to the unilateral termination of the contract by the customer. In this respect note that, amongst other things, a report by a well-known international expert on such matters has been sent to the customer. The report analyses the contractual delay challenged, from which preliminary liability of the customer emerges for having caused the delay beyond the originally agreed work schedule, consequently resulting in postponement of the planned deadline for final acceptance from 30 September 2014 (contractual date) to at least 4 June 2021. Pending conclusion of this dispute, Ansaldo STS Sweden and AB Storstockholms Lokaltrafik have agreed upon provisional activities to be implemented from January 2018.

Other minor legal proceedings

The company has accrued a provision for risks to cover any minor liabilities arising from legal proceedings underway related to contracts performed. The provision which reflects the risks and charges of legal proceedings underway approximated €1 million.

At the reporting date, the company believes the amounts accrued in the provision for risks and charges and those accrued for each contract within the allowance for write-down, in order to cover any liabilities generated by pending or potential litigation, are adequate on the whole for the charges estimated by the company which are deemed probable.

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

The Ansaldo STS shares have been listed on the Star segment of the markets organised and managed by Borsa Italiana S.p.A. since 29 March 2006.

They were 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 in the FTSE MIB index from 7 April 2015 until 20 December 2015. Since 21 December 2015, the shares have been included in the FTSE Italia Mid Cap index again.

With the approval of the board of directors given on 19 December 2006, Ansaldo STS adopted the Code of conduct endorsed by Borsa Italiana S.p.A. in March 2006 and came into line with its requirements during 2007.

Borsa Italiana S.p.A.'s corporate governance committee adopted a new Code of conduct in December 2011. On 18 December 2012, Ansaldo STS's board of directors resolved to comply with the principles of this new code and to update its own governance systems to comply with them. The committee adopted a new version of such code in July 2014 and, furthermore, in July 2015; Ansaldo STS's corporate governance system basically complies with the latest version.

Detailed disclosure on the parent's corporate governance structure is provided in the section of the directors' report covering corporate governance and the adoption of the Code of conduct for listed companies related to 2017, approved by the board of directors on 14 March 2018, published at the same time as this annual report.

The shareholders' meeting held on 13 May 2016 determined that there would be nine directors and appointed the new board for 2016-2018. In particular, the meeting appointed the following as new directors of Ansaldo STS S.p.A.: Alistair Dormer (chairperson), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Subsequently, at its meeting on 16 May 2016, the board of directors appointed Katherine Jane Mingay as deputy chairperson of the board of directors.

On 24 May 2016, the board of directors appointed Andrew Thomas Barr as Chief Executive Officer and General Manager of Ansaldo STS S.p.A.

Lastly, following the resignation of Katherine Jane Mingay from the role of deputy chairperson of Ansaldo STS S.p.A. on 21 October 2016 effective immediately, during its meeting on 28

October 2016 the board of directors appointed Alberto de Benedictis as deputy chairperson of the board of directors.

During the meeting held on 28 October 2016, the board of directors resolved by majority to establish an executive committee (the bid committee). The committee was vested with the power to evaluate and approve bids for the acquisition of contracts for public and private sector customers exceeding €150 million and within the limit of €350 million per transaction. The executive committee consists of chairperson Alistair Dormer, chief executive officer Andrew Thomas Barr and director Katherine Jane Mingay.

Note that the ordinary shareholders' meeting of 19 January 2017 resolved to take corporate liability action pursuant to art. 2393 of the Italian Civil Code against Giuseppe Bivona who, as a result, was immediately removed from office. At the same meeting, the shareholders' meeting appointed Michele Alberto Fabiano Crisostomo as new company director, replacing Giuseppe Bivona. Mr. Crisostomo will remain in office until expiry of the current Board's term of office.

The members of the Board of Statutory Auditors appointed for the period 2017-2019 by the shareholders on 11 May 2017 are: Antonio Zecca (chairperson), Giovanni Naccarato (statutory auditor) and Alessandra Stabilini (statutory auditor), with Valeria Galardi, Cristiano Proserpio and Alessandro Speranza as substitute statutory auditors.

On 16 May 2016, the board of directors appointed Francesco Gianni as Board secretary.

On 16 May 2016, the board of directors appointed the members of the risk and control committee (Alberto de Benedictis – chairperson, Mario Garraffo and Katharine Rosalind Painter) and the appointments and remuneration committee (Katharine Rosalind Painter– chairperson, Alberto de Benedictis and Mario Garraffo).

On 27 February, with effect from 1 March 2017 and with opinion in favour from the Board of Statutory Auditors, the Board appointed Renato Gallo to replace Roberto Carassai as Manager in charge of financial reporting pursuant to art. 154-bis of Italian Legislative Decree no. 58/1998 and, ad interim, as Chief Financial Officer of the Company. Then on 28 March 2017 the Company confirmed the appointment of Renato Gallo as Chief Financial Officer of Ansaldo STS.

At its meeting of 15 June 2017 the board of directors accepted the declarations submitted by the independent directors (Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis, Mario Garraffo and Michele Alberto Fabiano Crisostomo) and confirmed that they continue to meet the independence requirements pursuant to current regulations and to the Code of conduct. An the meeting held on 24 May 2016, pursuant to principle 7.P.3 of the Code of conduct, the company's board of directors appointed the CEO, Andrew Thomas Barr, as director

in charge of the internal control and risk management system. During the same meeting, the board of directors also confirmed the assignment of the internal audit function to the external company Protiviti S.r.l., and Giacomo Galli, managing director and country leader of that company as internal audit manager. Later, the board meeting of 24 March 2017 confirmed Protiviti as the entity responsible ad interim for internal audit until 30 September 2017. Lastly, note that on 28 July 2017 the board appointed Andrea Crespi, a former consultant of Protiviti, as the new Internal Audit Manager with effect from 1 October 2017.
On 24 May 2016, the board of directors also confirmed Nicoletta Garaventa and Alberto Quagli as chairperson and external member, respectively, of the company's supervisory body, as well as Filippo Corsi, general counsel of Ansaldo STS, as the internal member of the supervisory body.

Pursuant to the Code of conduct, during the meeting of the Board of Statutory Auditors, held on 5 July 2017, the statutory auditors Antonio Zecca, Giovanni Naccarato and Alessandra Stabilini also confirmed that they meet the independence requirements pursuant to current legislation and stated thereby at the time of their appointment.

With respect to the independent auditors appointed to perform the legally-required audit of Ansaldo STS S.p.A.'s financial statements note that, in their meeting of 19 January 2017, the shareholders awarded the audit engagement for the 2016-2024 period to EY S.p.A..

Then on 24 March 2017 the board of directors approved the parent's remuneration policy for the year 2017, in compliance with the recommendations of article 6 of the Code of conduct, on the basis of the proposal prepared by the appointments and remuneration committee dated 23 March 2017.
On 24 March 2017, after discussion with the appointments and remuneration committee, the board of directors also approved the remuneration report prepared by the company pursuant to article 123-*ter* of the Consolidated Finance Act and article 84-*quater* of the Issuer Regulation.
Finally, pursuant to article 123-*ter*, paragraph 6 of the Consolidated Finance Act, the ordinary shareholders' meeting held on 11 May 2017, approved the first section of the above-mentioned report required by article 123-*ter*, paragraph 3 of the Consolidated Finance Act, which describes the company's remuneration policy for its officers and key managers, and the procedure followed to implement and describe this policy.

Pursuant to articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer Regulation, we note that, on 28 January 2013, in compliance with articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer Regulation, the Board of directors of Ansaldo STS S.p.A. 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.

The disputes regarding corporate and governance aspects can be summarised as follows. In relation to that already reported for the dispute between Ansaldo STS S.p.A. and Giuseppe Bivona, with writ of summons served on 15 May 2017 and as follow-up to the resolution of 19 January 2017, the company exercised liability action against the former director, Mr. Bivona. The company requests i) ascertainment of liability of Mr. Bivona for breach of his duties as director of Ansaldo STS and for conduct harmful to the company's reputation, as well as ii) compensation for the damages suffered. The first hearing will be held in March 2018.

In relation to the dispute Amber Capital Italia SGR S.p.A. ("Amber Fund"), Elliott Funds/Litespeed Management versus Ansaldo STS S.p.A., it should be remembered that by separate writs of summons the Amber Fund, on the one hand, and the Elliott Funds and Litespeed Management on the other, challenged the shareholders' meeting resolution of 19 January 2017 to take liability action against the former director, Bivona.

As part of this dispute, the Amber Fund also requested the appointment of a special receiver, but the Court of Genoa rejected the claim by order (of 24 May 2017) which was not challenged by the legal deadline. Amber was ordered to reimburse all proceedings costs.

Through separate appeals, the Amber Fund, Elliott Funds and Litespeed Management requested suspension of the effects of the decision challenged. Following the hearing to discuss the injunction appeal, the Court of Genoa rejected the appeal by order of 7 July 2017, announcing lack of grounds both for *fumus boni iuris* and *periculum*.

The two cases were combined and will continue through the next hearing set for February 2018. In that it relates to organisational aspects of the company, i.e. the validity of a resolution relating to a director and his termination, no specific economic or asset-related effect on the Company can be calculated per se for this dispute.

With regard to the dispute Elliott International L.P., The Liverpool Limited Partnership, Elliott Associates, L.P. ("Elliott Funds") versus Ansaldo STS S.p.A. an versus Hitachi Rail Investments S.r.l., note that by writ of summons served on 14 July 2016 the Elliott Funds challenged the

Shareholders Meeting resolutions of 13 May 2016 appointing the board of directors and its chairperson and requested an injunction order to suspend the resolutions challenged.
On 18 July 2016 the Elliott Funds submitted a petition for the appointment of a special receiver. The procedure for appointment of a special receiver lapsed on final rejection of the Elliott Funds claim by the Genoa Court of Appeal, by order dated 6 September 2016, which accepted the company's petition and revoked the order of the Court of Genoa issued on 11 August 2016 appointing a special receiver.
The injunction proceedings concluded by order dated 9 November 2016, by which the Court of Genoa rejected the request of the Elliott Funds to suspend the shareholders meeting resolutions challenged, due to its lack of all legal standing.

The hearing on the merits ended with the decision of 28 July 2017 by which the Court of Genoa rejected the Elliott Funds claims.

By writ of summons served in October 2017, the Elliott Funds challenged the Court of Genoa's first instance decision. The preliminary hearing will be held in May 2018.

In that it relates to organisational aspects of the company, i.e. the validity of the appointment of a board of directors, no specific economic or asset-related effect on the Company can be calculated per se for this dispute.

By petition pursuant to art. 700 of the Italian Code of Civil Procedure, served upon the company on 10 April 2017, director Labruna asked the Court of Genoa to adopt an urgent measure to obtain integration of the agenda for the next meeting of the board of directors as well as a series of documents of special interest.
The decision of the sole judge of the Court of Genoa rejected the claim by order dated 24 April 2017 as lacking *fumus* and ordered the petitioner to pay all proceedings costs. After director Labruna proposed a complaint against the monocratic decision, the Court of Genoa pronounced as a united bench, rejecting the complaint and again ordering the petitioner to pay all proceedings costs.

The key corporate governance tools that the company has implemented in compliance with the most recent legislative and regulatory requirements, as well as by the Code of conduct and national and international best practices, are as follows:

- By-laws;
- Code of ethics;
- Organisational, management and control model pursuant to Legislative decree no. 231/01;
- Shareholders' meeting regulations;
- Board of directors' regulations;
- Executive committee (i.e. bid committee) regulations;
- Risk and control committee regulations;
- Appointments and remuneration committee regulations;
- Related party transactions - Procedure adopted pursuant to article 4 of CONSOB regulation no. 17221 of 12 March 2010 as amended;
- Procedure for the handling and disclosure of inside and relevant information and for the setup and updating of the Insider List;
- Internal Dealing code of conduct.

For further details on the parent's corporate governance, reference should be made to the "Corporate governance report", comprising all disclosure required by article 123-*bis* of the Consolidated finance act, available on the company's website www.ansaldo-sts.com.

STATEMENT PURSUANT TO ARTICLE 2.6.2.8/9 OF THE REGULATIONS FOR MARKETS ORGANISED AND MANAGED BY BORSA ITALIANA S.P.A.

The company's board of directors confirms compliance with the conditions referred to in articles 15, letters a), b) and c), point i) and 16 of the Regulation implementing Italian Legislative decree no. 58 of 24 February 1998 on markets, adopted by Consob with resolution no. 20249 of 28 December 2017.

DATA PROTECTION DOCUMENT

Pursuant to paragraph 26 of the Technical requirements governing minimum security measures, which forms Annex B to Italian Legislative decree no. 196 of 30 June 2003 (personal data protection code), Ansaldo STS S.p.A. has drawn up a Data protection document for the processing of personal data.

This document contains the information required by paragraph 19 of Annex B and describes the security measures implemented by the company to minimise the risk of destruction or loss, including accidental, of personal data, unauthorised access or unapproved processing, or processing that does not comply with the purposes for which it was gathered.

THE ENVIRONMENT

Ansaldo STS S.p.A. has pursued sustainability in recent years in the belief that respecting environmental and social values leads to the creation of long-term value for the business. In its Sustainability report, the group transparently discloses its values, strategies, policies and decisions in terms of economic, environmental and social sustainability, in accordance with the new Global Reporting Initiative criteria and corresponding to complete application of requirements of the GRI Guidelines. The new GRI-G4 Guidelines place increasing attention on detecting and analysing stakeholder expectations, identifying issues of most importance to the Group and its stakeholders through the materiality matrix which forms the basis for the Sustainability Report preparation process.

In full compliance with ruling legislation, the law, the code of ethics, 231 Model, policies and all health, safety and environmental (HSE) regulations, Ansaldo STS pursues sustainable management of social and environmental matters linked to the services in all its business areas.

Ansaldo STS S.p.A.'s commitment to "sustainable development" has seen it focus on:

- quality of life;
- ensuring the protection of natural resources;
- ensuring the safeguarding and protection of the environment and the adoption of environmental sustainability principles and values;
- avoiding permanent environmental damage.

Environmental protection is part of the company's social responsibility and is key to our business strategy promoting growth in the group's value over the long term.

From an environmental point of view, Ansaldo STS S.p.A. is involved:

- as a producer, committed to pursuing environmental protection policies not only by just complying with existing laws, regulations and directives but by pursuing ongoing improvement in the environmental impact of its products and production processes;
- as a supplier of railway operators, in the knowledge that offering increasingly evolved, safe and reliable railway traffic control and automation products promotes the rapid development of the most environmentally-friendly transport system available today.

Strategic orientation and management approach

The company has implemented an Integrated Management System (IMS) for environment, safety and quality issues. It has set policies and procedures to ensure the controlled management of the processes and workplace safety and environmental protection activities. The integrated management model steers and coordinates the procedures, outlining short and long-term guidelines and principles, stimulating interiorisation of the sustainability and environmental and safety strategies.

Through a constant process of action, monitoring and assessment, Ansaldo has achieved environmental benefits associated with its business activities, particularly as regards the rational use of resources and the reduction in CO_2 emissions.

It has defined local policies in relation to the environment, safety and instructions in order to achieve the following objectives:

- ensuring the best available technologies are used and international best practices adopted in order to continuously improve operating management, the rational and efficient use of energy, the prevention of pollution and the reduction of the environmental impact related to the use of fossil fuels;
- ensuring liquid waste, gas emissions and waste from assets in running conditions and activities performed are controlled, gradually reduced and kept at a minimum;
- ensuring compliance with legal requirements applicable to its processes in the various countries in which the subsidiaries operate, by formalising procedures that increase awareness of the applicable legislative framework;
- identifying significant direct and indirect environmental issues in order to reduce and control the related impact, both as relates to the companies and its suppliers and partners;
- defining key indicators with a view to facilitating the assessment of performance;
- defining roles, duties and responsibilities within the scope of activities.

Ansaldo STS S.p.A. follows the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing its management systems. Certification is regarded as key to developing an entrenched environmental awareness and has been obtained for the Tito production site. In 2017 Ansaldo STS launched the migration process to the new UNI EN ISO 14001:2015 standard which, compared to the previous version, promotes deep rooting of the Management System into company activities, extending the improvement strategies to a much broader view of environmental sustainability. In this context, Ansaldo STS has begun a procedure to integrate the sustainability principles into its business.

Innovation and the promotion of good practices

The environmental management system adopted by Ansaldo STS S.p.A. is applied to the following:

- PRODUCTION FACILITIES for products used in safety, control and monitoring systems supplied by Ansaldo STS S.p.A..
- OFFICES (non-production sites) mainly for signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection;
- WORK SITES for activities carried out directly by Ansaldo STS in relation to management and coordination, surveillance and control of production, commissioning and roll-out of plant and delivery to the customer. With respect to environmental issues as a result of such activities, Ansaldo STS operates in accordance with operating control procedures, based on an initial environmental analysis of the work to be performed at the site, prepared and agreed with the subcontractors, followed by an environmental monitoring plan to continuously ensure legal compliance and that all steps are taken to limit the environmental impact that the opening of any site inevitably entails.

Ansaldo STS is also committed to providing the best and safest products and the best system solutions, using the best design methodologies and procedures and the best possible manufacturing methods and processes, in line with its aim of reducing energy consumption and both direct and indirect environmental impact.

Energy efficiency

Ansaldo STS's search for energy efficiency is broken down into the following macro-areas:

- Support for the design of turnkey systems through holistic hardware-in-the-loop type simulators intended to provide a transport system that uses energy efficiently;
- “Operation-rail & driverless”, the focus of which is seeking out the optimal speed profile, taking into account scheduling and driving conduct;
- “Energy saving technologies”, with a focus on trackside recovery systems, geothermal heat pumps and simulators for the optimal sizing of supercapacitor battery systems.

These areas are developed in the MERLIN (Management of Energy in Railway Systems), OSIRIS (Optimal Strategy to Innovate and Reduce energy consumption In urban rail Systems) and SFERE (Sistemi FERroviari: eco-sostenibilità e risparmio Energetico [Railway Systems: eco-sustainability and energy savings]) projects.

Eco-design

Partially due to certain new contracts, Ansaldo STS is focusing more closely on eco-design aspects, also in relation to customer environmental requirements, regarding for example:

- Analysis of conformity with the REACH – Registration, Evaluation and Authorisation of Chemicals regulation (an integrated chemical substance registration, evaluation, authorisation and restriction system established by the European Union);
- Analysis of material reuse and recyclability;
- Life Cycle Assessment (LCA).

LED technology

For some years now Ansaldo STS has been manufacturing safety semaphore systems in its Tito Scalo plant using LED technology. This innovation has a positive impact on energy consumption, maintenance management and the disposal of materials after maintenance works. It is sufficient to think that in the past lamps were changed every 4 months on average, while LEDs operate continuously for at least 10 years.

Commitment to fight climate change

Ansaldo STS is committed to progressively reducing CO_2 emissions in all areas of operations. The activities and initiatives to deal with climate change are undertaken within the context of a global-level carbon management strategy. This entails definition of an emission reduction objective.

The following principles underpin Ansaldo STS group’s climate strategy:

1. a global approach in developing mechanisms that take into account the commitment of all Ansaldo STS group facilities;
2. reasonable and feasible long-term objectives in order to establish a clear and realistic vision of the steps to be taken;
3. support in developing advanced technological solutions.

Communication, training and education

The company's specific training programme is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.

Ansaldo STS S.p.A.'s training and educational programmes are designed to increase awareness of:

- the importance of complying with the environmental policy and the environmental management system procedures and requirements;
- actual or potential significant environmental impacts of activities and the environmental benefits that each individual can pursue;
- roles and responsibilities in order to comply with the environmental policy and environmental management system procedures and requirements, including the preparation of contingency and response plans;
- the potential consequences of deviating from the operating procedures;
- the potential offered by the effective implementation of a combined quality, environment and safety policy for Ansaldo STS's business development.

Subsequent environmental management system training sessions are held for personnel based on the specific corporate processes and related environmental aspects relevant to their activity.

Records are kept of all training provided to personnel in its facilities.

General environment-related information

The operations of Ansaldo STS S.p.A.'s subsidiaries mainly comprise office-based activities which ensure full control in terms of direct and indirect environmental aspects. The operations of several production facilities are fully compliant with the concepts of environmental protection and are among those which have been certified or for which the certification process is underway.

Ansaldo STS monitors the environmental aspects of its business with a view to enhancing local resources and reducing interference with the ecosystems to a minimum.

Management of water resources

Ansaldo STS remains committed to the rational use of water resources, also through training and sensitisation on this issue. Water consumption is purely for sanitary uses and is monitored and subject to regular sampling. Ansaldo STS S.p.A. has rolled out water-saving initiatives in recent years, such as the installation of automatic sensor taps.

Generation and management of special waste

The activities carried out at the facilities involve the generation of non-toxic special waste, mainly paper and cardboard and plastic packaging. This is handled by companies authorised for its transport and recycling. Hazardous special waste generated by maintenance activities is disposed of by the global service companies contracted by Ansaldo STS S.p.A.

Energy consumption, CO2 emissions, emission trading and other emissions

Energy consumption mainly stems from heating, lighting and utility power; it is monitored and is in line with consumption levels reported for similar businesses.
Ansaldo STS has obtained RECS (Renewable Energy Certificate System) certification for the consumption of electrical energy at its Italian facilities. These 1 MWh certificates attest the use of renewable resources.

Management of dangerous substances

Dangerous substances used in group processes are handled in full respect of the environment by adopting all possible precautions.

DISCLOSURE ON MANAGEMENT AND COORDINATION AND RELATED PARTY TRANSACTIONS

On 2 November 2015, Finmeccanica S.p.A. executed the sale of its entire investment in Ansaldo STS to Hitachi Rail Italy Investments S.r.l., wholly controlled by Hitachi Ltd.

Pursuant to article 2497-bis of the Italian Civil Code, we note that, as ascertained on 21 December 2015 by the company's directors, the company is managed and controlled by Hitachi Ltd.

Key figures from the most recently-approved financial statements of Hitachi Ltd. are presented in the table under note 39.

Pursuant to article 2497-*bis*, final paragraph, of the Italian Civil Code, the following tables present the relationships between the company exercising management and coordination activity and the other companies subject to such activity in 2017 and the previous year.

The other companies subject to management and coordination by Hitachi Ltd. are those included in the consolidated financial statements of Hitachi Ltd., pursuant to article 2497-sexies of the Italian Civil Code. They include, as well as Hitachi Ltd. itself, all the subsidiaries of Ansaldo STS and Hitachi Ltd..

This disclosure is also required by article 2428.3.2 of the Italian Civil Code, together with that related to the subsidiaries and associates and companies subject to the control thereof.

The tables presented in notes 10 and 26 of the notes to the financial statements also disclose details of the companies that are related parties in Hitachi Ltd.'s consolidated financial statements due to the total investments held by the Hitachi Ltd. Group companies in Ansaldo STS companies. Moreover, note 38 presents total and individual directors', statutory auditors' and key managers' fees.

Disclosure on transactions with the company exercising management and coordination activities and other companies subject thereto, together with disclosure on the amount of related party transactions in Hitachi Ltd.'s consolidated financial statements and directors, statutory auditors' and key managers' fees, represent the related party disclosure required by IAS 24 "Related party disclosures".

(€'000) FINANCIAL ASSETS AT 31 DECEMBER 2017	Loan assets	Trade receivables	Other current financial assets	Total
Ultimate parents	-	114	-	114
Subsidiaries	63,022	42,532	-	105,554
Associates	232	11,251	17	11,500
Consortia	-	41,399	4	41,403
Total	**63,254**	**95,296**	**21**	**158,571**
% of the total corresponding financial statements caption	**69%**	**15%**	**0.04%**	

(€'000) FINANCIAL LIABILITIES AT 31 DECEMBER 2017	Loans and borrowings	Trade payables	Other current financial liabilities	Total
Ultimate parents	-	2	-	2
Subsidiaries	44,227	22,736	3	66,966
Associates	-	27,448	371	27,819
Consortia	-	2,083	36	2,119
Total	**44,227**	**52,269**	**410**	**96,906**
% of the total corresponding financial statements caption	**99%**	**15%**	**1%**	

(€'000) AT 31 DECEMBER 2017	Revenue	Other operating income	Costs	Recovery of costs	Other operating expense	Financial income	Financial expense
Ultimate parents	786	-	512	-	-	-	-
Subsidiaries	25,421	9,388	41,629	1,500	-	38,121	1,159
Associates	17,906	1,344	85,405	-	-	10	-
Consortia	45,142	129	2,869	169	-	-	-
Total	**89,255**	**10,861**	**130,415**	**1,669**	**0**	**38,131**	**1,159**
% of the total corresponding financial statements caption	**11%**	**55%**	**20%**		**0.0%**	**74%**	**7%**

(€'000)	Loan assets	Trade receivables	Other current financial assets	Total
FINANCIAL ASSETS AT 31 DECEMBER 2016				
Ultimate parents	-	467	-	467
Subsidiaries	22,524	37,321	-	59,846
Associates	267	10,331	-	10,598
Consortia	-	48,916	4	48,920
Total	**22,791**	**97,035**	**4**	**119,831**
% of the total corresponding financial statements caption	**44%**	**16%**	**0.01%**	

(€'000)	Loans and borrowings	Trade payables	Other current financial liabilities	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2016				
Ultimate parents	-	-	-	-
Subsidiaries	92,208	20,952	3	113,163
Associates	-	16,334	371	16,705
Consortia	-	3,103	36	3,139
Total	**92,208**	**40,389**	**410**	**133,007**
% of the total corresponding financial statements caption	**98%**	**10%**	**0.7%**	

(€'000) **AT 31 DECEMBER 2016**	Revenue	Other operating income	Costs	Recovery of costs	Other operating expense	Financial income	Financial expense
Ultimate parents	492	-	567	11	-	-	-
Subsidiaries	29,460	10,723	52,904	1,322	-	112,922	270
Associates	31,584	1,300	61,213	16	4	1,568	-
Consortia	60,798	-	2,887	48	-	-	-
Total	**122,334**	**12,023**	**117,571**	**1,397**	**4**	**114,490**	**270**
% of the total corresponding financial statements caption	**15%**	**66%**	**18%**		**0.1%**	**96%**	**1%**

In 2017, the Company entered into transactions with Hitachi Ltd.; in particular, revenue amounts to €786 thousand and relate to services provided for a project in Vietnam, while costs, amounting to €504 thousand, relate primarily to information technology activities.

Transactions with subsidiaries are as follows:

<u>financial</u>

Financial income includes dividends collected from the subsidiaries totalling €36,522 thousand.
Ansaldo STS S.p.A. has joint current accounts with its subsidiaries to settle trading and non-trading items with Ansaldo STS group companies. Financial income and expense presented in the table and which arise from such transactions totalled €549 thousand in income and €1,159 thousand in expense.
The balance of the joint current accounts with the subsidiaries at 31 December 2017 consists of credit balances due from Ansaldo STS Malaysia (€15,584 thousand), from Ansaldo STS USA Inc. (€2,976 thousand) and Ansaldo STS Sweden AB (€44,462 thousand), and debit balances due to Ansaldo STS France (€31,982 thousand) and Ansaldo STS Australia (€12.244 thousand). The terms applied to the current accounts with Ansaldo STS group companies are presented below.

For those contracts expressed in Euros:

- the debit interest rate applied by the parent to the subsidiary on each debit balance on the current account is the 1-month EURIBOR + 100 basis points;
- the credit interest rate applied by the parent to the subsidiary on each credit balance on the current account is the 1-month EURIBOR - 25 basis points.

For contracts expressed in foreign currency:

- the debit interest rate applied by the parent to the subsidiary on each debit balance on the current account is the 1-month LIBOR for the relevant currency + 100 basis points;
- the credit interest rate applied by the parent to the subsidiary on each credit balance on the current account is the 1-month LIBOR for the relevant currency - 25 basis points.

<u>trading and other</u>

- trading transactions with subsidiaries include the supply of spare parts and subsupplies by the subsidiary Ansaldo STS France;

- important contracts are in place with the subsidiary Ansaldo STS USA International Co. for the Aarhus, Milan, Riyadh, Copenhagen metro, Lima metro, Taipei, Thessaloniki and Ankara projects;
- operating income from Ansaldo STS Australia, Ansaldo STS France, Ansaldo Railway System Trading (Beijing), Ansaldo STS Sweden, Ansaldo STS Spain and Ansaldo STS Germany mainly relate to subcontracts or supplies to fulfil specific contracts signed by foreign subsidiaries;
- other operating income mainly relates to recharges for services provided by Ansaldo STS S.p.A. to all ASTS group companies under the general service agreement for a total of €8,385 thousand;
- recovery of expense mainly relates to the recharge of costs of €581 thousand to use the "Ansaldo" trademark and of €594 thousand for the supply of an international centralised videoconference service.

Transactions with other related companies mainly relate to trading activities, for sales of systems, components or spare parts and to purchase materials. These include the contracts with Metro Service AS for the Copenhagen contract and Hitachi Rail Italy S.p.A. (AnsaldoBreda S.p.A. until 2 November 2015) for the vehicle supply contracts for the Genoa and Copenhagen metro projects.

The most significant of the non-trading transactions with related parties include the lease instalment and recharge for the management and use of shared services in the Naples facilities by Hitachi Rail Italy S.p.A.. The 2017 lease payment amounts to €894 thousand, and the charge for shared services is equal to €1,999 thousand.

Consortia are set up to carry out works; specifically, Saturno consortium was set up to carry out works related to the high-speed railway and the MM4 consortium was established for the Milan metro line 4.

During the year, no atypical and/or unusual transactions as defined in Communication DEM/6064293 of 28 July 2006 were carried out.

DISCLOSURE ON FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Reference should be made to the relevant section of the notes to the financial statements for disclosure on financial instruments and financial risks pursuant to article 2428.2.6-bis of the Italian Civil Code, which also complies with the requirements of IFRS 7 “Financial instruments: disclosures”.

KEY EVENTS OF AND AFTER THE REPORTING PERIOD

On 19 January 2017, the ordinary shareholders' meeting of Ansaldo STS S.p.A., acknowledging the resignation of KPMG S.p.A. on 14 November 2016, appointed EY S.p.A. to audit the company’s accounts for the years 2016-2024.
On the basis of a request to supplement the agenda submitted on 29 December 2016 and pursuant to art. 126-bis of the Consolidated finance act by the shareholder Hitachi Rail Italy Investments s.r.l., the meeting also resolved to lodge a corporate action for liability pursuant to art. 2393 of the Italian Civil Code against director Giuseppe Bivona who, as a result, was removed from office. Therefore, as set forth in relevant legislation and the by-laws, the shareholders’ meeting appointed Michele Alberto Fabiano Crisostomo as company director, as he was the first unelected candidate on the non-controlling shareholder list submitted jointly on 21 April 2016 by the non-controlling shareholders Elliott Associates L.P., Elliott International L.P. and The Liverpool Limited Partnership (“Elliott Funds”); when the list was submitted, the candidate had declared that he met the independence requirements laid out by relevant legislation and the Code of conduct for listed companies promoted by Borsa Italiana S.p.A.. The Elliott shareholders declared during the meeting that the office was accepted and that the independence requirements were fulfilled.

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 CO2 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 Metroselskabet for the development of a Proof of Concept (prototype) for the new Dynamic Headway Solution created from Hitachi technology for the Copenhagen metro lines M1 and M2.

The Dynamic Headway Solution will be developed using Ansaldo STS railway control systems and the Hitachi technological digitization IoT (Internet of Things), characterised by its sensor detection of passenger flow on the platforms to analyse passenger needs. And on the basis of this mobility demand, the number of carriages available can be optimised automatically, responding dynamically to sudden changes in the number of users present.

This technology is particularly useful if there is an increase in the demand for vehicles during metro operations. A dynamic solution that will help to resolve potential congestion even before the repercussions on passengers are felt, thereby also increasing passengers’ level of satisfaction. For the operator, this solution that is highly reactive and adapts the numbers of trains to actual demand in real time, equates to an opportunity to reduce energy costs and operating costs, so improving service operations.

In July, Hitachi Ansaldo Baltimore Rail Partners LLC, a company established by Hitachi Rail Italy S.p.A. and Ansaldo STS USA, Inc. (the US subsidiary of Ansaldo STS S.p.A.), was awarded a contract by Maryland Transit Administration (MTA) valued at USD 400.5 million for the Baltimore metro. The contract is for the supply of new trains and the Communication Based Train Control (CBTC) system for the Baltimore Metro Subway Link.

As regards replacement of the existing signalling system with Ansaldo STS's innovative CBTC system, the value is around USD 148 million.

At the end of December, the CIPE approved the final project for the high speed Verona-Vicenza junction line and authorised the start of construction works on the first functional section of the high speed/high capacity Verona-Padua line. Ansaldo STS participates in this project's implementation through its involvement in the Iricav Due consortium (investors: Astaldi 37.49%, Salini Impregilo 34.10%, Ansaldo STS 17.05%, Società Italiana per Condotte d'Acqua 11.35%, Fintecna 0.01%), the concession holder. The value of Ansaldo STS's portion of the work equals roughly €336 million.

OUTLOOK

2018 will continue to see progress on the contracts acquired in the past few years with a related increase in revenue.

PROPOSAL TO THE SHAREHOLDERS

Dear shareholders

We present the 2017 financial statements for your approval.

The financial statements show profit for the year of €71,988,273.75.

Pursuant to article 2433 of the Italian Civil Code, the shareholders are also required to resolve on the allocation of the profit for the year shown in the statutory financial statements.

In this regard the company's board of directors formulated a proposal for the allocation of the profit for the year and dividend distribution included in the relevant report required by article 125-*ter* of Legislative decree no. 58 of 24 February 1998 ("TUF"), as amended, made available to the public in the manner and within the timeframe provided for by enacted legislation.

This proposal envisages: (i) the distribution of a €0.15 dividend, gross of withholdings, to shareholders, for each of the shares with a nominal amount of €0.50, currently outstanding and bearing the right to dividends; (ii) the carry forward of the remaining amount.

It does not provide for any accrual to the legal reserve as it amounts to €20,000,000.00, equal to 20% of the share capital, which represents the maximum amount provided for by article 2430 of the Italian Civil Code.

Specifically, the above proposal provided for the allocation of the profit for the year in the amount of €30,000,000.00 to shareholders in the form of a dividend of €0.15, gross of withholdings, for each of the 200,000,000 shares currently outstanding and bearing the right to dividends, and for the retention of the remaining amount of €41,988,273.75.

The total amount of the dividend proposed for distribution corresponds to 30% of the share capital, roughly 42% of the profit for the year of Ansaldo STS S.p.A. and around 46% of the group's profit for 2017, which amounts to €64,975,423.46.

For further information about detachment, dividend payment date and the relevant record date pursuant to article 83-*quater* of the Consolidated Finance Act, please refer to the above-mentioned report formulated by the company's board of directors pursuant to article 125-*ter* of the Consolidated Finance Act.

****

Dear shareholders

We invite you to approve the following resolution:

"In their ordinary meeting, the shareholders of Ansaldo STS S.p.A.,

- having read the directors' report,

- the report of the board of statutory auditors,

- the financial statements at 31 December 2017,

- and having acknowledged the report of the independent auditors, EY S.p.A.

resolve

to approve the directors' report and the financial statements at 31 December 2017."

Genoa, 14 March 2018

On behalf of the board of directors
The Chairperson

Alistair Dormer

FINANCIAL STATEMENTS AT 31 DECEMBER 2017

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2017 AND NOTES THERETO

INCOME STATEMENT

in euros	*Notes*	*31 December 2017*	*of which, related parties*	*31 December 2016*	*of which, related parties*
Revenue	*27*	824,812,698	89,255,438	829,991,777	122,334,367
Other operating income	*28*	19,896,947	10,861,434	18,327,633	12,023,183
Purchases	*29*	(298,186,293)	(46,355,793)	(275,734,297)	(49,115,871)
Services	*29*	(336,481,811)	(82,390,654)	(356,683,508)	(67,058,233)
Personnel expense	*30*	(143,874,350)	1,552,407	(144,064,413)	897,999
Amortisation, depreciation and impairment losses	*32*	(12,648,146)	-	(12,246,977)	-
Other operating expense	*28*	(2,167,959)	-	(4,203,676)	(4,386)
Changes in finished goods, work-in-progress and semi-finished products	*31*	(1,352,111)	-	620,482	-
(-) Internal work capitalised	*33*	2,866,860	-	4,700,268	-
Operating profit		**52,865,835**		**60,707,289**	
Financial income	*34*	51,805,598	38,130,991	121,097,521	114,489,712
Financial expense	*34*	(17,200,798)	(1,159,484)	(19,842,036)	(270,423)
Profit before taxes and discontinued operations		**87,470,635**		**161,962,774**	
Income taxes	*35*	(15,482,361)	-	(16,105,536)	-
Profit (loss) from discontinued operations					
Profit for the year		**71,988,274**		**145,857,238**	

STATEMENT OF COMPREHENSIVE INCOME

in euros	*Notes*	*31 December 2017*	*31 December 2016*
Profit for the year		71,988,274	145,857,238
Items that will not be reclassified to profit or loss:			
- Actuarial gains (losses) on defined benefit plans	*19*	(937,780)	(37,009)
- Income tax	*35*	265,767	11,783
		(672,013)	(25,226)
Items that will or may be reclassified to profit or loss:			
- Change in fair value of cash flow hedges	*19*	(1,728,196)	(1,129,428)
- Foreign operations – foreign currency translation differences	*19*	(16,487,244)	114,715
- Income tax	*35*	4,371,705	394,817
		(13,843,735)	(619,896)
Other comprehensive income (expense), net of taxes		**(14,515,748)**	**(645,122)**
Comprehensive income for the year		**57,472,526**	**145,212,116**

STATEMENT OF FINANCIAL POSITION

in euros	*Notes*	*31 December 2017*	*of which, related parties*	*31 December 2016*	*of which, related parties*
Non-current assets					
Intangible assets	*7*	8,612,437	-	10,061,520	-
Property, plant and equipment	*8*	63,658,097	-	62,792,005	-
Equity investments	*9*	172,767,354	-	169,786,813	-
Loans and receivables	*11*	27,829,703	25,627,020	27,634,202	25,521,827
Deferred tax assets	*35*	21,183,927	-	18,120,644	-
Other non-current assets	*11*	13,794,504	-	16,090,169	-
		307,846,022		**304,485,353**	
Current assets					
Inventories	*12*	79,808,188	-	95,279,408	-
Contract work in progress	*13*	164,880,567	-	178,438,024	-
Trade receivables	*14*	635,130,714	95,295,820	606,054,373	97,035,403
Tax assets	*15*	18,656,575	-	17,446,617	-
Loan assets	*14*	91,696,989	63,253,984	51,233,847	22,790,842
Derivatives	*16*	10,991,761	-	9,801,950	-
Other current assets	*17*	54,995,258	21,186	57,280,535	4,334
Cash and cash equivalents	*18*	184,462,987	-	202,995,688	-
		1,240,623,037		**1,218,530,442**	
Total assets		**1,548,469,058**		**1,523,015,795**	
Equity					
Share capital	*19*	100,000,000	-	100,000,000	-
Other reserves	*19*	83,239,536	-	98,276,030	-
Retained earnings, including the profit for the year	*19*	348,951,157	-	277,047,347	-
Total equity		**532,190,693**		**475,323,377**	
Non-current liabilities					
Loans and borrowings					
Employee benefits	*22*	19,497,275	-	18,294,171	-
Deferred tax liabilities	*35*	6,663,032	-	9,218,684	-
Other non-current liabilities	*23*	3,552,813	-	3,508,509	-
		29,713,120		**31,021,364**	
Current liabilities					
Progress payments and advances from customers	*13*	509,998,349	-	427,931,841	-
Trade payables	*24*	352,542,044	52,268,888	398,666,380	40,389,387
Loans and borrowings	*20*	44,639,759	44,226,754	93,978,687	92,207,799
Tax liabilities	*15*	4,453,388	-	8,303,752	-
Provisions for risks and charges	*21*	3,860,405	-	2,104,648	-
Derivatives	*16*	7,308,642	-	22,615,176	-
Other current liabilities	*23*	63,762,658	409,694	63,070,570	409,694
		986,565,245		**1,016,671,054**	
Total liabilities		**1,016,278,365**		**1,047,692,418**	
Total liabilities and equity		**1,548,469,058**		**1,523,015,795**	

STATEMENT OF CASH FLOWS

in euros	*Notes*	*31 December 2017*	*of which, related parties*	*31 December 2016*	*of which, related parties*
Cash flows from operating activities:					
Profit for the year		71,988,274	-	145,857,238	-
Amortisation, depreciation and impairment losses		12,648,146	-	12,246,978	-
Income taxes		15,482,361	-	16,105,536	-
Accruals to provisions		1,968,540	-	646,000	-
Italian post-employment benefits		656,709	-	518,793	-
Defined benefit plans and stock grant plans		1,209,174	-	3,921,212	-
Financial expense, net of impairment losses on equity investments measured at cost		(34,604,799)	-	(101,255,485)	-
Gross cash flows from operating activities	***36***	***69,348,405***	***(36,971,507)***	***78,040,272***	***(114,219.29)***
Inventories		15,471,220	-	362,756	-
Work in progress and progress payments and advances from customers		95,623,965	-	(26,596,460)	-
Trade receivables and payables		(75,200,676)	-	(4,373,986)	-
Change in operating working capital	***36***	***35,894,509***	***13,619,085***	***(30,607,690)***	***(1,451,055)***
Changes in other operating assets and liabilities	36	(53,494,197)	(16,852)	(2,389,555)	378,085
Net financial income/(expense)	36	7,720,309	-	(9,554,091)	-
Taxes paid	36	(12,988,684)	-	(3,098,222)	-
Cash flows generated from operating activities		**46,480,342**		**32,390,713**	
Cash flows from investing activities:					
Acquisitions of companies, net of cash acquired		(3,128,000)	-	(2,099,400)	-
Investments in property, plant and equipment and intangible assets		(4,676,235)	-	(2,601,749)	-
Sales of property, plant and equipment and intangible assets		-	-	-	-
Dividends received from ASTS group companies		33,556,380	33,356,380	111,092,053	111,092,053
Use (Acquisitions) of treasury shares		-	-	-	-
Other investing activities		(963,118)	(105,193)	(158,001)	(1,765,301)
Cash flows generated from investing activities		**24,789,027**		**106,232,903**	
Cash flows from financing activities:					
Net change in loan assets and loans and borrowings		(89,802,070)	-	(78,264,289)	-
Share capital increases		-	-	-	-
Coverage of losses		-	-	-	-
Dividends paid		-	-	(36,000,000)	-
Change in reserves		-	-	-	-
Net change in other financing activities		-	-	-	-
Cash flows used in financing activities		**(89,802,070)**		**(114,264,289)**	
Net increase (decrease) in cash and cash equivalents		(18,532,701)	-	24,359,327	-
Net exchange rate gains or losses		-	-	-	-
Opening cash and cash equivalents		202,995,688	-	178,636,361	-
Closing cash and cash equivalents		**184,462,987**		**202,995,688**	

STATEMENT OF CHANGES IN EQUITY

in euros	Share capital	Retained earnings	Stock grant reserve	Hedging reserve	Other reserves	Total equity
Equity at 1 January 2016	**100,000,000**	**167,190,109**	**3,372,584**	**210,367**	**91,835,309**	**362,608,369**
Other comprehensive income (expense), net of taxes	-	-	-	(1,129,428)	484,306	(645,122)
Change in SGP reserves - Ansaldo STS S.p.A.	-	-	2,948,771	-	-	2,948,771
Change in SGP reserves - other companies	-	-	-	-	554,121	554,121
Dividends (199,998,595 x 0.18)	-	(36,000,000)	-	-	-	(36,000,000)
Profit for the year ended 31 December 2016	-	145,857,238	-	-	-	145,857,238
Equity at 31 December 2016	**100,000,000**	**277,047,347**	**6,321,355**	**(919,061)**	**92,873,736**	**475,323,377**
Other comprehensive income (expense), net of taxes	-	-	-	(1,728,196)	(12,787,552)	(14,515,748)
Change in SGP reserves - Ansaldo STS S.p.A.	-	(84,464)	(433,979)	-	-	(518,443)
Change in SGP reserves - other companies	-	-	-	-	(86,767)	(86,767)
Profit for the year ended 31 December 2017	-	71,988,274	-	-	-	71,988,274
Equity at 31 December 2017	**100,000,000**	**348,951,157**	**5,887,376**	**(2,647,257)**	**79,999,417**	**532,190,693**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

1. GENERAL INFORMATION

Ansaldo STS is a company limited by shares with its registered office in Via Paolo Mantovani 3-5, Genoa, a branch in Via Argine 425, Naples, a plant in Tito (Potenza) and an office in Piossasco (Turin).
The Ansaldo STS shares have been listed on the Star segment of the markets organised and 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 in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were re-included in the FTSE MIB index from 7 April 2015 until 20 December 2015. Since 21 December 2015, the shares have been included in the FTSE Italia Mid Cap index again.

On 2 November 2015, Finmeccanica S.p.A. executed the sale of its entire investment in Ansaldo STS (80,131,081 shares for 40.07% of the share capital) to Hitachi Rail Italy Investments S.r.l., indirectly owned by Hitachi Ltd.. Accordingly, Hitachi Ltd. became the company's controlling shareholder pursuant to article 2359.1.2 of the Italian Civil Code and article 93 of the Consolidated Finance Act.
At 31 December 2017 Hitachi Rail Italy Investments S.r.l. holds 101,544,702 ordinary shares of the company, equal to 50.772% of the share capital of Ansaldo STS S.p.A..
In addition, please note that Hitachi Ltd. exercises management and coordination activities with respect to Ansaldo STS S.p.A. pursuant to articles 2497 et seq. of the Italian Civil Code.

Ansaldo STS operates internationally in the design, construction and operation of signalling and transport systems for above-ground and underground railway lines, both for freight and passengers. It operates worldwide as a main contractor and supplier of turnkey systems. Ansaldo STS S.p.A., as parent, also exercises industrial and strategic guidance and control, coordinating the activities of its operating subsidiaries.

2. BASIS OF PREPARATION

Ansaldo STS S.p.A.'s separate financial statements at 31 December 2017 are drafted in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606/2002 of 19 July 2002, integrated by the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standard Interpretations Committee (IFRSIC) issued by the International Accounting Standards Board (IASB).

These separate financial statements have been prepared on a historical cost basis, except for those captions which, as required by the IFRS-EU, are to be recognised at fair value (where fair value means the price that would be received from the sale of an asset, or that would be paid to transfer a liability, in a regular transaction between market operators at the valuation date) or for which this methodology is chosen, as described in the relevant accounting policies.

As permitted by IAS 1, assets and liabilities are presented in the statement of financial position as current and non-current (assets and liabilities are considered current when it is expected to realized or settled in their normal operating cycle), while income statement captions are shown by nature. The statement of cash flows was prepared using the indirect method. The income statements present the Operating profit (EBIT), a significant indicator of the operating performance of the company and of the group. The Operating profit is equal to 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 profit or loss of equity-accounted investees".

Amounts are shown in thousands of euros, as allowed by law, unless stated otherwise.
The separate financial statements of Ansaldo STS S.p.A. at 31 December 2017 were approved and authorised for publication on 14 March 2018 by the board of directors in accordance with ruling legislation.
These financial statements have been prepared in accordance with the IFRS endorsed by the EU and audited by EY S.p.A..
Preparation of the separate financial statements required management to make estimates. Reference should be made to note 4 for information on the main areas which entailed particularly

significant measurements and assumptions, along with those having a significant effect on the financial statements.

3. ACCOUNTING POLICIES

Functional currency: these separate financial statements are presented in euros, which is the company's functional currency.

Foreign currency transactions: foreign currency monetary items, cash and cash equivalents, assets and liabilities to be received or settled in established or determinable monetary amounts, etc., as well as non-monetary items, advances to suppliers of goods and/or services, goodwill, intangible assets, etc., are initially recognised at the transaction date exchange rate. Subsequently, monetary amounts are translated into the functional currency at the closing rate and any translation differences are taken to profit or loss. Non-monetary amounts are maintained at the exchange rate ruling at the date of the transaction, unless continuing adverse economic trends affect the rate, in which case exchange rate differences are taken to profit or loss.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that generate future economic benefits for the group. They are recognised at purchase and/or production cost, including directly related charges incurred to prepare them for use, net of accumulated amortisation, except for assets with an indefinite useful life, and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated systematically over the residual useful life of each asset. Amortisation is calculated considering the actual use of the asset in the year in which an intangible asset is initially recognised.
The following table lists depreciation periods for each item:

Goodwill:	indefinite useful life
Concessions, licences and trademarks:	3-5 years
Research and development expense:	3-5 years
Other intangible assets:	3-5 years

(i) Concessions, licences and trademarks

These include trademarks identifying the origin of products or goods from a specific company and licences to use third-party know-how or software. The costs, including direct and indirect expenses incurred to obtain these rights, are capitalised after the rights have been acquired and are amortised systematically over the shorter of the period of expected use and the period for which the right has been acquired.

(ii) Research and development expense

Research expense is taken to profit or loss when incurred.

Internally generated intangible assets and the related development expense are recognised only when all the following conditions exist simultaneously:

- the asset can be identified;
- the asset may generate future economic benefits;
- the cost to develop the asset can be measured reliably;
- there is a reference market for the product generated by the development activity.

If these conditions are not met, development expense is recognised in profit or loss when incurred. This expense, which is capitalised only when the above four conditions are met, is amortised on a straight-line basis over the asset's useful life.

The initial capitalisation of development costs is also based on whether the management's opinion on the technical and economic feasibility of the project is confirmed, and capitalisation includes only expenses incurred which may be attributed directly to the development process.

Leased assets

Assets held under finance lease, whereby the risks and rewards of ownership are substantially transferred to the company, are recognised as assets at their present value or, if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is recognised under loans and borrowings. These assets are depreciated using the above criterion and rates described in the section about property, plant and equipment.

Leases whereby the lessor substantially retains the risks and rewards of ownership are classified as operating leases. Costs related to operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. Cost includes direct charges incurred to prepare assets for use and any disposal and removal costs that will be incurred to restore the site to its original conditions in line with contractual terms.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, upgrade or improve owned or leased assets are capitalised only to the extent they meet the requirements to be classified separately as assets or part of an asset. Grants related to assets are taken as a direct decrease in the cost of the asset to which they relate.

The carrying amount of each asset is depreciated on a systematic basis. Depreciation is calculated on a straight-line basis each year over the residual useful lives of assets. Depreciation is calculated considering the actual use of the asset in the year in which an item of property, plant and equipment is initially recognised. The following table lists depreciation periods for each item of property, plant and equipment:

	Years
Land	indefinite useful life
Buildings	33.33
Plant and machinery	6.45 – 10
Industrial equipment	4
Other assets	4 – 8.33

If a depreciable asset is comprised of separately identifiable components with useful lives that differ significantly from the other components comprising the asset, depreciation is calculated separately for each component, using the component approach.

Profits and losses on the sale of assets are measured by comparing the sales price with the related carrying amount.

Impairment losses

Assets with an indefinite useful life are not depreciated/amortised, but are tested for impairment annually.

Depreciable assets are tested to check whether there is any indication that they may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any excess thereof is recognised in profit or loss.
When the reasons underlying a previously recognised impairment loss no longer exist, the carrying amount of the asset is restored to the extent of its original carrying amount. Reversals of impairment losses are also recognised in profit or loss. An impairment loss recognised for goodwill is never reversed.

Equity investments

The company classifies its equity investments as follows:

- "subsidiaries", in which the investor has the power to govern the financial and operating policies so as to obtain benefits from the investee's activities;
- "associates", in which the investor has significant influence (at least 20% of votes in ordinary shareholders' meetings). Jointly controlled entities (e.g., joint arrangements) are included in this category;
- "parents", when the investee holds shares of its parent;
- "other companies" that do not fall into either of the above categories.

Subsidiaries, including jointly-controlled subsidiaries, associates and other entities, with the exception of those that are classified as "assets held for sale", are measured at acquisition or incorporation cost. This cost remains in subsequent financial statements unless there are impairment losses or reversals of impairment losses following a variation in the purpose of the company or equity transactions.

The table in note 9 "Equity investments" summarises equity investments. Figures about subsidiaries are taken from the respective draft financial statements at 31 December 2016 approved by the relevant board of directors. While the carrying amounts of investments in subsidiaries, associates and other companies were compared with the equity of such investees, as per the most recently approved financial statements available.

Inventories

Inventories are measured at the lower of purchase/production cost and net realisable value. Cost is calculated using the weighted average cost method. Finished goods and semi-finished products include costs for raw materials, direct labour costs and indirect costs allocated considering ordinary production capacity.

Net realisable value is the estimated sales price in the ordinary course of business considering any costs of completion and the estimated costs necessary to make the sale. The carrying amount of inventories is adjusted through a specific allowance to consider slow-moving or obsolete items.

Contract work in progress

Contract work in progress is recognised in accordance with the percentage of completion method whereby contract cost, revenue and contract profits (losses) are recognised using the percentage of completion method at the reporting date. The company uses the cost-to-cost percentage of completion method.

The measurement reflects the best estimate of the stage of completion at the reporting date. The entity periodically updates the assumptions underlying these measurements. Any profits or losses are recognised in the year in which the adjustments are made.

The estimations also include the evaluation of the probability of occurrence of potential liabilities (projects' risks like, for example, delivery delays); these estimations are considered in preparing projects' budget costs if the underlined risk is considered probable. With reference to claims that could arose during the execution of the project or even and the end, they are considered in evaluating write-downs of work in progress if the underlined risk is considered probable.

The expected loss on a contract is recognised in full under operating expense when it becomes reasonably foreseeable, along with an accrual to the provision for expected losses to complete contracts.

Contract work in progress is recognised net of any allowances, expected losses to complete contracts and progress payments and advances relating to contracts in progress. This analysis is performed individually for each contract. The company recognises the positive difference (work in progress in excess of payments on account, allowance and expected losses to complete contracts) under contract work in progress and the negative difference under "Progress payments and advances from customers". If the amount recognised under advances is not collected at the preparation date of the annual and/or interim financial statements, a balancing entry is recognised under trade receivables.

Contracts with consideration in a currency other than the functional currency are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate.
However, under the company's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged.

Financial instruments

Financial instruments include financial assets and financial liabilities which are classified upon initial recognition based on the reason for which they were purchased. Purchases and sales of financial instruments are recognised on the date the transaction took place, being the date on which the company undertakes to purchase or sell the asset.

Financial assets

Financial assets are initially recognised in one of the following categories:

(i) Loans and receivables: these are non-derivative financial instruments, mainly related to trade receivables, with fixed or determinable payments that are not quoted on an active market. They are included in the current section, except for those which are due after more than twelve months after the reporting date which are therefore included under the non-current section. They are initially recognised at fair value, adjusted to reflect any transaction costs, and subsequently measured at amortised cost using the effective interest method. If there is objective evidence of impairment, the carrying amount of the asset is discounted to the estimated future cash flows. Impairment losses are recognised in profit or loss. If, in subsequent years, the reasons underlying the previous impairment losses no longer exist, the carrying amount of the asset is restored to the extent of the carrying amount that would have been obtained had the impairment not been recognised.

(ii) Available-for-sale financial assets: these are non-derivative financial assets that are designated as available for sale or are not classified under any of the above categories. They are measured at fair value and fair value gains or losses are taken to an equity reserve which is released to profit or loss only when the financial asset is actually sold or, in the case of cumulative losses, when the impairment loss recognised in equity will not be recovered. Classification under current or non-current assets depends on strategic choices about the term of ownership of the asset and its actual trading possibilities. Assets which are expected to be realised within one year of the reporting date are recognised as current assets.

(iii) Financial assets at fair value through profit or loss

This category includes financial assets acquired for sale in the short term or designated as such by management, in addition to derivative instruments, in relation to which reference should be made to the paragraph below. The fair value of these instruments is based on the bid price at the reporting date: the fair value of unlisted instruments is determined using generally accepted financial valuation techniques. Fair value gains or losses of the financial instruments included in this category are recognised immediately in profit or loss.

Classification as current or non-current reflects management expectations about trading: they are included under current assets when they are expected to be traded within twelve months or when they are recognised as held for trading.

This category normally includes trade and other receivables for which the financial component is insignificant.

The factoring of receivables without recourse based on which all risks and benefits are substantially transferred to the assignee results in the derecognition of the receivables from the balance sheet assets, as the requirements laid out in IAS 39 are met.

(iv) Held-to-maturity investments

These are non-derivative financial assets with fixed maturity that the company has the positive intention and ability to hold to maturity. They are measured at amortised cost, using the effective interest method. They are initially recognised at fair value on the trade date, inclusive of any transaction costs and subsequently classified under current assets when their contractual maturity is within twelve months. If there is objective evidence of impairment, the carrying amount of the asset is reduced to that of discounted future cash flows. Impairment losses identified by means of impairment tests are recognised in profit or loss. If, in subsequent years, the reasons underlying the impairment loss cease to exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised.

Financial assets are derecognised when the company's right to receive cash flows from the instrument no longer exists and the company has transferred all risks and rewards of the instrument and control thereof.

Financial liabilities

Financial liabilities relate to loans, trade payables and other payment obligations. They are initially recognised at fair value, less any transaction costs, and subsequently measured at amortised cost, using the effective interest method. If changes in expected cash flows can be estimated reliably, the carrying amount of loans is recalculated to reflect the change based on the present value of the new expected cash flows and the initially determined internal rate of return. Financial liabilities are classified under current liabilities, unless the company has the unconditional right to defer payment by at least twelve months of the reporting date.
Financial liabilities are derecognised upon settlement and when the company has transferred all the risks and charges related to the instrument.

Derivatives

The company uses only derivatives exclusively as part of its strategies of hedging the risk of fluctuations in the fair value of recognised assets or liabilities or due to contractual commitments (fair value hedges), using the so-called forward instruments which, sometimes, despite a substantial and operating hedging effect, do not qualify for hedge accounting under IAS 39. Specifically, fluctuations in the fair value of these instruments and the related underlying items are recognised immediately in profit or loss, under financial items.

The effectiveness of hedges is documented at the inception of the transaction, as well as periodically at each annual or interim reporting date. Hedge effectiveness is measured by comparing the variations in the fair value of the hedging instrument with those of the hedged item (dollar offset ratio), or, for more complex instruments, using statistical analyses based on risk variations.
Fair value hedges: changes in the fair value of derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, as are changes in the fair value of the underlying assets or liabilities attributable to the risk eliminated by the hedging transaction.
Cash flow hedges: changes in the fair value of derivatives designated as cash flow hedges and which qualify as such are recognised to the extent of the portion determined to be “effective”, in a specific equity reserve (“hedging reserve”). This is subsequently reclassified to profit or loss when the forecast transaction affects profit or loss. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the hedging instrument for which it was

agreed is sold or no longer meets the criteria for hedge accounting or the forecast transaction is no longer highly probable, the relevant portion of the "hedging reserve" is released immediately to profit or loss.

Determining the fair value of financial instruments: the fair value of financial instruments quoted on active markets is calculated using the bid price at the reporting date. In the absence of an active market, fair value is calculated based on the prices provided by external operators and using models which are mainly based on objective financial variables considering, where possible, the recent prices of actual transactions and the quotations of similar financial instruments.

Derivative assets and liabilities carried at fair value are classified based on the three following hierarchy levels which reflect the significance of the inputs used in measuring fair value. Specifically:

- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities at the valuation date;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than the quoted prices referred to in level 1 that may be observed either directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable market data.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with banks, other highly liquid short-term investments and current account overdrafts (the latter are recognised under current liabilities). They are recognised at fair value.

Equity

Share capital: share capital is fully subscribed and paid-up. Costs which are strictly related to share issues are recognised as a reduction of share capital, net of any deferred tax effect, if directly attributable to equity transactions.

Treasury shares: they are classified as a decrease in share capital. Profits and losses on the sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to be enacted when realising assets and settling liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the years the related temporary differences reverse against which the deductible temporary differences can be utilised.

Employee benefits

(i) Post-employment benefits: several pension (or supplementary) schemes are in place. They can be analysed as follows:

- Defined contribution plans under which the company pays fixed contributions into a separate entity (e.g. a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees benefits relating to employee service. Contributions payable to a defined contribution plan are recognised only when employees have rendered service in exchange for such contributions.
- Defined benefit plans whereby the company has an obligation to provide the agreed benefits to current and former employees and bears the actuarial and investment risks of the plan. Therefore, the cost of this plan is not calculated based on the contributions of the year, rather, actuarial and financial assumptions are applied. The method applied is the "projected unit credit method".

Defined benefit plans are recognised using the so-called equity method whereby the actuarial gains and losses of all plans are recognised directly in equity when they take place.

With respect to the classification of costs related to defined benefit plans, current and past service costs and curtailment (where applicable) are recognised under "Personnel expense". Conversely, interest expense, net of the expected return on any plan assets, are classified under "financial interest". Moreover, costs related to defined contribution plans are recognised under "personnel expense".

(ii) Other long-term employee benefits

Some employees are granted benefits such as, for example, jubilee benefits and seniority bonuses. The accounting treatment is the same as that applied to defined benefit plans, hence the "projected unit credit method" is used and any actuarial gains and losses are recognised immediately and entirely when they arise.

(iii) Termination benefits

Termination benefits are recognised as a liability and an expense when the company is demonstrably committed to terminating the employment of an employee or group of employees before their normal retirement date or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits do not generate future economic benefits for the company and, accordingly, are immediately expensed.

(iv) Stock grant plans

Stock grant plans are in place for the company's senior management. In this case, the theoretical benefits granted to the relevant parties are recognised in profit or loss for the years covered by the plan, with a balancing entry in equity. These benefits are calculated by measuring the fair value of the relevant instrument using financial valuation techniques which include market conditions, if any, and by adjusting the number of rights which are expected to be granted at each annual or interim reporting date.

Provisions for risks and charges

The provisions for risks and charges are recognised against certain or probable losses and expenses for which the group is uncertain of the timing and/or amount at the reporting date.

Provisions for risks and charges are recognised if, at the reporting date, as a result of a past event, the group has a legal or constructive obligation that will lead to an outflow of resources. The amount recognised as a provision is the best estimate of the discounted outlay required to settle the obligation. The discount rate used reflects current market assessments and the additional effects of the risk specific to the liability.

Risks for which liabilities are only possible are disclosed in a specific section of the notes on commitments and risks. They are not provided for.

Recognition of revenue

Revenue is recognised to the extent it is likely that the economic benefits are achieved and the associated amount can be measured reliably.

Revenue relating to the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods which generally coincides with transfer of title or possession to the buyer.

As regards revenue from contracts, at the moment in which the economic result can be estimated reliably, contract revenue is recognised in relation to the progress of the activity at the reporting date, based on the relationship between the costs incurred for the activity carried out until the reporting date and the total estimated costs of the contract, except where the latter is considered representative of the progress status of the contract. Contract changes and price revisions are included to the extent they are reasonably certain. Contract revenue is recognised up to the limits of the contract costs that are expected to be recovered and the contract costs are booked as costs in the year in which they are incurred.

Revenue from contracts with Italian customers only is recognised under “progress payments and advances from customers” in the statement of financial position and subsequently reversed to profit or loss upon completion of the contract and, hence, of the related work in progress.

Recognition of grants

In accordance with the accounting standards, government grants, including non-monetary grants at fair value, are only recognised when there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received. Grants related to income are recognised on an accruals basis and in direct correlation with costs incurred when their allocation has been formally approved. Grants related to assets are recognised in profit or loss directly in line with the depreciation/amortisation of the assets/projects to which they relate and are recognised as a direct reduction in depreciation/amortisation.

Costs

Costs are recognised based on the criteria of proper qualification, temporal allocation and classification established by the accounting standards adopted by the enterprise. Costs are recognised when they relate to goods and services, excluding contract work in progress, sold or consumed during the year or based on a systematic allotment, or when their future useful life cannot be identified.

Personnel expense includes the amount of remuneration paid, accruals to the provisions for pension funds and for unused holidays accrued and social security and pension contributions in application of contracts and legislation in force.

Costs for the acquisition of new knowledge or discoveries, the study of alternative products or processes and new techniques or models, the design and construction of prototypes or, in any event, incurred for other scientific research or technological development activities, are generally considered current costs and recognised in the income statement in the year in which they are incurred; these costs are recognised in the balance sheet assets ("Intangible assets") only when the conditions described in IAS 38 are met.

Net financial income/(expense)

Interest income and expense are recognised on an accruals basis using the effective interest method, i.e., at the interest rate that makes all cash inflows and outflows (including any premiums, discounts, commissions, etc.) comprising the transaction financially equivalent. Financial expense is not capitalised under assets as it does not meet the requirements set out in IAS 23 (revised).

Dividends

Dividends are recognised when the right to receive payment is established. This usually coincides with the shareholders' resolution approving their distribution.

Dividends paid to the shareholders of Ansaldo STS S.p.A. are considered as a change in equity and recognised as a liability in the year in which the distribution was approved by the company's shareholders.

Income taxes

Income taxes are recognised based on an estimate of taxable income in accordance with ruling legislation, taking into account any applicable exemptions and tax assets.

Current taxes are recognised in profit or loss, except for those related to captions that are directly taken to equity or comprehensive income, in which case the tax effect is recognised directly in equity or comprehensive income. They are offset when they are levied by the same taxation authority, there is a legally enforceable right to set off the recognised amounts and settlement on a net basis is expected.

Related party transactions

All related party transactions take place on an arm's length basis.

Other information

As the company owns investments in subsidiaries, it is required to prepare group consolidated financial statements.

New reporting standards (IFRS) and interpretations (IFRIC)

At the preparation date of these separate financial statements, the EU has endorsed several standards and interpretations which are not yet mandatory and which the company will apply in the next few years. The main changes (excluding the annual improvements) and potential impacts on the company are as follows:

IFRS - IFRIC interpretation		**Nature and impacts on the group**
IFRS2	Share-based Payment	The amendments aim to clarify the recognition of certain types of transactions with share-based payment. The impact on the group of adopting this standard is currently being analysed. The Group will apply this standard starting from 1 January 2018.
IFRS 9	Financial instruments	This standard significantly amends the accounting treatment of financial instruments and will eventually replace IAS 39. The IASB introduced a new standard, whose final version incorporates the requirements of all three phases of the financial instruments project, i.e.: • classification-measurement; • impairment; • hedge accounting. As regards the classification and valuation of financial assets, the new standard allows both the amortised cost method and the fair value measurement method to be applied. For the latter, in particular, the fair value changes relating to credit risk are booked to Other Comprehensive Income and not to the income statement. As regards impairment, IFRS 9 establishes a new "expected loss" model which replaces the "incurred loss" mode of IAS 39 - based on the expected model. The allowance for impairment must be determined with a forward looking approach using a three-step model. For hedging transactions, the new accounting model is simpler and more closely related to risk management activities. The result is a greater probability of qualifying transactions as hedges, and therefore less volatility in the income statement. The current version of IFRS 9 will be applicable as of 1 January 2018, and the Company does not expect any impacts from adopting said

		standard.
IFRS 15	Revenue from contracts with customers	The IASB issued a single general framework for the recognition of revenue. The guidelines in IFRS 15 are much more detailed than the provisions of the current IFRS for the recognition of revenue given they include operating guides and examples. This standard redefines how to recognise revenue, which must be recognised when control of goods or services is transferred to customers, and requires that additional disclosure be provided. The group will apply this standard starting from 1 January 2018, and the impact of the adoption of this standard on the Company is described in the following paragraphs.
IFRS 16	Leases	The standard published in January 2016 contains a single model for the accounting recognition of leases, eliminating the distinction between operating leases and finance leases from the lessee's perspective; it therefore replaces IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27. In particular, the new standard defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements based on a single model similar to that used to account for financial leases in accordance with IAS 17. The Group will apply this standard starting from 1 January 2019.

As regards the adoption of IFRS 15 and IFRS 9, a project was implemented in 2017 dedicated to analysing the impacts of the application of these standards from a quality and quantity perspective.

Adoption of IFRS 15 "Revenue from contracts with customers"

As already described at the time of preparation of the consolidated financial statements as at 31 December 2016, the IASB issued IFRS 15 "Revenue from contracts with customers", which provides a new regulatory framework which will replace, effective for financial statements for years starting on or after 1 January 2018, all pre-existing accounting provisions regarding the recognition of revenue from the sale of goods and services to the customers present, particularly as regards Ansaldo STS, in the following documents and related interpretations:

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

The objective of the new standard is to ensure financial statements users fully understand the nature, amount, timing and uncertainties of revenue and cash flows generated by contracts stipulated with customers.

IFRS 15 introduces a raft of changes and are structured into a detailed series of accounting provisions, which constitute, as a whole, the single new model for recognising revenue from contracts with customers.

In particular, as already mentioned at the time of preparation of the financial statements as at 31 December 2016, IFRS 15 requires a 5-step process to be followed for the recognition of revenue:

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

In light of the changes introduced by IFRS 15, the management of Ansaldo STS, as outlined in the financial statements as at 31 December 2016, deemed it appropriate to launch, in the first half of 2017, a project aimed at identifying the potential impacts of adopting the new standard.

In this context, Ansaldo STS' management set up a special work group which, in implementing the gap analysis project, focussed its activities on the following aspects:

- comparative analysis of the accounting policies adopted by the company and by the group in terms of the recognition of revenue with respect to the requirements of the new international accounting standard;
- recognition of the main standard differences which could potentially have significant accounting, organisational and system impacts;
- identification of the main contracts with customers stipulated by the company and by the group and analysis of the associated contractual structure, in order to verify the existence of potential impacts of application of the new accounting standard;
- analysis of the process of recognition of contract costs (pre-operating and operating) adopted by the company and by the group to identify the main cost categories attributed to the contract;
- verification of the compliance of each cost category identified on the basis of the activities pursuant to the previous point with the guidelines included in the new accounting standard;
- analysis of the transition options set forth by the new international accounting standard.

In light of the analyses conducted, some changes emerged, deriving from the application of IFRS 15 and the regulatory provisions contained in IAS 11 "Construction contracts".

The main qualitative differences identified are outlined below:

Combining and Segmenting Construction Contracts

The new standard introduces more restrictive rules regarding “combining” a group of contracts into a single construction contract, establishing that this circumstance may only be verified in the event in which the contracts are entered into at the same time or almost at the same time with the same customer and one or more of the following conditions are met:

a) the contracts are negotiated as a package with a single commercial objective;
b) the consideration of a contract depends on another contract;
c) the goods or services promised in the contracts are considered as a single performance obligation.

In addition, as regards the identification of separate performance obligations contained in a single contract, with respect to the requirements of IAS 11, it will be necessary to exercise a greater degree of judgment regarding the elevated interrelationship and integration of the different elements of the construction contract, in order to consider it as a single performance obligation.

Variable considerations

The new standard requires variable considerations to be estimated at their expected value or the most likely amount. IFRS 15 also establishes that variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.
Highly probable is a new concept, not provided for under IAS 11, explained in the new regulatory context through specific application guides.

Contractual amendments

IAS 11, paragraph 13 establishes that a variation must be included in contract revenue only if *(i)* it is probable that it will be approved and *(ii)* the amount of associated revenue may be reliably measured. The aforementioned principle of paragraph 14 also sets out that considerations relating to the price revision (claims) must be recognised only when *(i)* negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim; and *(ii)* the probable amount that will be accepted by the customer can be measured reliably.

The general approach of IFRS 15, both as regards variations, and claims, is instead based on the fact that contractual changes must only be recognised when the rights and obligations related to them are "enforceable" by the parties to the contract. In order to determine whether the rights and obligations created or changed due to the modification are enforceable, the entity must consider all the relevant facts and circumstances, including the terms of the contract and/or other elements of proof.

Pre-operating costs

With respect to the contents of IAS 11, paragraph 21 relating to the inclusion in contract costs of the expenses incurred to ensure obtainment of the tender contract, IFRS 15 introduces more stringent rules which establish that only the following can generally be recognised as assets *(i)* the external incremental costs of obtaining the contract (commissions and success fees) and *(ii)* costs incurred for "satisfying" the contract (e.g. costs relating to the design of the work incurred during the offer phase).

Significant financial components inherent in the contract

Based on the new regulatory body of the IAS/IFRS, if, in a contract with a customer, a payment extension is granted outside of the normal market conditions, the agreed consideration must be discounted to the present value. By contrast, the previous IAS/IFRS did not provide guidelines on the accounting of advance payments. With the new standard, it is necessary to verify whether each contract contains a significant financial component and, subsequently, determine the implicit interest rate inherent in the transaction, reflecting the credit rating of the contracting party that actually obtained a loan. The implicit interest rate is determined at the start of the contract and it is not necessary to subsequently update it to reflect changes in circumstances.

The main quantitative differences identified are outlined below:

The Company its detailed analysis of the adoption of IFRS 15 and the quantitative impacts of application of the new standard relate primarily to the "Segmenting of construction contracts" - essentially to separate, in turnkey contracts, the construction phase from the Operation&Maintenance phase - and determination of "variable considerations".

As anticipated, the new standard is applied by the Company from 2018 and the Cumulative Effect Method will be used to recognise previous impacts. Therefore, the 2017 revenue recognised on the basis of IAS 11 and IAS 18 will not be restated but an adjustment will be recognised to the Contract work in progress and Advances from customers, with a reserve for gains or losses as contra-item, therefore directly impacting Equity.

In this way, the revenue difference, for contracts in place as at 31 December 2017, calculated as if the new standard IFRS 15 had always been applied, will be accounted, as at 1 January 2018, in a retained earnings/accumulated losses reserve due to change of standard, for a total value of around € -33 million (reducing Equity), with a reduction of Work in progress and Advances from customers as a contra-item.

Deferred tax assets and/or liabilities will be disclosed on said impact with a contra-item in Equity of around € 9 million (increasing Equity).

Adoption of IFRS 9 "Financial instruments"

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, replacing IAS 39 *Financial Instruments*: *Recognition and measurement.* IFRS 9 brings together all three aspects relating to the project for the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for years starting on or after 1 January 2018; early application is permitted. With the exception of hedge accounting, the standard must be applied retrospectively, but providing comparative information is not mandatory. As regards hedge accounting, the standard is generally applied prospectively, with some limited exceptions.

The Company will adopt the new standard, including the new rules regarding hedge accounting, from the date of entry into force and, in any case, will not restate the comparative information. During 2017, the Company conducted an analysis of the impacts of all the aspects addressed in IFRS 9 and did not note any impacts from its application. This analysis is based on the information currently available and could be subject to changes as a result of additional information that should become available for the Company in 2018. In principle, the Company does not expect the adoption of IFRS 9 to have significant impacts on the statement of financial position and equity.

a) Classification and measurement

The Company does not expect the application of the classification and measurement requirements of IFRS 9 to have significant impacts on its financial statements and equity.

The assets in the financial statements measured at amortised cost will continue to be measured in the same way.

The Company intends to maintain equity investments in unlisted companies in the portfolio in the near future. The Company currently measures minority interests at cost. Starting from 1 January 2018, these equity investments will be measured at fair value. Changes eventually recognised under purchase cost and fair value, will be accounted as a contra-item to equity: no significant impacts are expected. The Company will then apply the option of presenting fair value changes under other comprehensive income.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all bonds in the portfolio, loans and trade receivables, taking as a reference either a 12-month period or the entire contractual duration of the instrument (e.g. lifetime expected loss). The Company, having only trade receivables in the financial statements, will apply the simplified approach and, therefore, will record expected losses on all trade receivables on the basis of their residual contractual duration. The Company does not expect significant impacts from adopting this standard. The associated deferred taxes will, in any case, be calculated on said higher allocation.

c) Hedge accounting

The company has established that all existing hedging relationships which are currently designated as effective hedges will continue to qualify for hedge accounting in line with IFRS 9. The company has chosen not to apply IFRS 9 retrospectively to hedges for which, at the moment of designation of the hedge in accordance with IAS 39, forward points had been excluded. Given that IFRS 9 does not modify the general principle on the basis of which an entity accounts for effective hedging relationships, the application of the requirements of IFRS 9 for the purposes of defining hedges will not have significant impacts on the Company’s financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The application of generally accepted accounting principles for the preparation of the financial statements and the interim accounting reports requires the company management to make accounting estimates based on complex and/or subjective opinions, estimates based on past experience and assumptions deemed reasonable and realistic on the basis of the information known at the moment of the estimate.

The use of these accounting estimates impacts the value at which assets and liabilities are recognised and the disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference year. The actual results may differ from those estimated due to the uncertainty characterising the assumptions and conditions on which the estimates are based.

The most significant accounting policies which require that directors prepare estimates based on a greater degree of subjectivity and for which a change in one of the underlying conditions would have a significant impact on financial statements are described below:

Revenue recognition and work in progress valuation:

The Company operates in a kind of business in which complex contractual agreements are common, these are recognised using the percentage of completion method. Revenue and related margin are recognised in profit or loss reflecting project progress and the profitability which will be expected for the entire contract once it is completed, consequently, for the purposes of correctly recognising work in progress and revenue related to projects yet to be completed, management is required to make an accurate estimate of expected losses, expected increases and delays, additional costs and penalties which could have an impact on both the expected margin and the project progress and, consequently, project revenues.

More specifically, the expected loss estimate procedure requires estimates of the cost of materials, the number of hours required to carry out the works set forth in the contract, the financial expense incurred to cover guarantees issued by financial institutions and the possible outcome of disputes with contractual counterparties, partners and suppliers. The valuation of work in progress consider the estimations of the possible impacts arising from disputes with customers; in cases where there are disputes for risk of probable future liabilities, management sets aside special bad debt provision of the work in progress.

In order to better assist management's estimates, the company has adopted contract risk management and analysis procedures which identify, monitor and quantify the risks related to contract performance. Carrying amounts reflect management's best estimate at that time, assisted by the above procedural tools.

Bad debt provision for receivables:

The Company has a credit analysis procedures aimed to identify, monitor and quantify the risks reflected in the provision for doubtful receivables, which therefore represents the best estimate at the time of preparation of the consolidated financial statements.

Impairment losses:

The Company's assets with an indefinite useful life are tested for impairment at least once each year or more often if there is evidence of impairment. Likewise, all assets showing evidence of impairment are tested, also when depreciation/amortisation has already begun.

Impairment tests are usually performed using the discounted cash flow method; however, this method is considered highly sensitive to the assumptions included in the estimate of future cash flows and of the interest rates applied.

For the purposes of these valuations, the company uses the plans approved by the body and financial parameters which are in line with those reflecting the current trend of reference markets. Expected cash flows may be quantified in light of the information available at the moment of the estimate on the basis of subjective judgements regarding the future performance of variables such as prices, costs, demand growth rates and production profiles, and are discounted using a rate that takes into account the risk inherent in the activity concerned.

Hedging construction contracts against currency risk

To avoid the risk of fluctuations in foreign currency cash inflows and outflows on construction contracts, the Company specifically hedges the individual cash flows expected on the contract. Hedges are agreed when commercial contracts are signed. Currency risk is usually hedged using plain vanilla (forward) instruments.

If the hedge is not deemed effective, fair value gains or losses on these instruments are immediately expensed as financial items and the related underlying item is measured as if it were not hedged, hence it is exposed to the currency risk. The effects of this accounting treatment are described in the note on "financial income and expense". Hedges which fall under the first case are recognised as cash flow hedges, considering the premium or the discount as the ineffective part in the case of forwards, or time value in the case of options. The ineffective part is recognised under financial items.

5. EFFECTS OF AMENDMENTS TO THE IFRS

The company has adopted certain accounting standards and amendments for the first time which are in force for financial years starting on 1 January 2017.
The nature and impact of each new accounting standard and amendment are described below:

IAS 7 Disclosure Initiative – Amendments to IAS

The changes to IAS 7 are part of the wider Disclosure initiative project that the International Accounting Standard Board (IASB) published in 2013.
In particular, the amendments to IAS 7 require entities to provide a disclosure that allows financial statements users to evaluate the changes occurred, from the start to the end of the year, in liabilities deriving from financing activities, including non-cash changes and the changes instead stemming from cash flows.
It should be noted that, in relation to financial liabilities deriving from financing activities, the change in the year refers exclusively to cash flow changes, like 2016, represented primarily by the payment of the dividend of € 36 million.
At the time of initial application of this amendment, entities do not need to present comparative information relating to previous periods.

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

The amendments to IAS 12 - Income Taxes relate to the recognition and measurement of Deferred Tax Assets (DTA).
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
The company applied these amendments retrospectively. However, their application did not have any effects on the Company’s financial position and results given that there are no deductible temporary differences or assets that fall under the scope of this amendment.

Annual cycle of improvements - 2014-2016

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

The amendments clarify, in particular, that the disclosure requirements of IFRS 12, other than those set out in paragraphs B10-B16, apply to an entity's interests in a subsidiary, joint venture or an associate (or to the share of an interest in a joint venture or in an associate) which is classified (or included in a classified disposal group) as available for sale.

Although these new standards and amendments were applied for the first time in 2017, they have not had any impacts on the financial statements or the notes.

6. SEGMENT REPORTING

In compliance with the aggregation criteria laid out in IFRS 8, ASTS has identified one single operating segment. Therefore, the information required by IFRS 8 correspond to those presented in the consolidated income statement in line with previous years.

Some consolidated accounting information is provided below on a geographical basis, which represents the main way in which the management monitors business performance.

A breakdown of revenue by geographical segments is as follows:

(€'000)	**2017**	**2016**
Revenue:		
Italy	217,549	221,446
Rest of Europe	242,801	214,146
North Africa and the Middle East	112,735	106,996
Americas	94,553	95,460
Asia/Pacific	67,920	69,609
Total revenue	**735,558**	**707,657**
Revenue from related parties:		
Italy	57,279	86,237
Rest of Europe	20,934	20,503
North Africa and the Middle East	-	-
Americas	1,895	762
Asia/Pacific	9,147	14,832
Total revenue from related parties:	**89,255**	**122,334**
Total	**824,813**	**829,992**

Assets are considered based on the area where they are located:

(€'000)	**2017**	**2016**
Property, plant and equipment and Intangible assets:		
Italy	69,580	71,391
Rest of Europe	219	192
North Africa and the Middle East	1,567	778
Americas	617	428
Asia/Pacific	287	65
Total	**72,270**	**72,854**

7. INTANGIBLE ASSETS

(€'000)	Development expense	Patents and similar rights	Concessions, licences and trademarks and other similar rights	Other	Assets under construction	Total
At 31 December 2015 broken down as follows						
Cost	22,172	20,177	4,880	3,025	-	50,254
Grants	(4,617)	-	(9)	-	-	(4,626)
Amortisation and impairment losses	(13,118)	(12,812)	(4,430)	(3,014)	-	(33,375)
Carrying amount	**4,436**	**7,365**	**440**	**11**	**-**	**12,253**
Changes of 2016						
Investments	4,126	893	105	5	-	5,129
Transfers from assets under construction	-	-	-	-	-	-
Grants	(1,141)	-	-	-	-	(1,141)
Amortisation	(2,043)	(3,857)	(277)	(2)	-	(6,180)
At 31 December 2016 broken down as follows						
Cost	26,298	21,070	4,985	3,030	-	55,383
Grants	(5,758)	-	(9)	-	-	(5,767)
Amortisation and impairment losses	(15,161)	(16,670)	(4,707)	(3,016)	-	(39,554)
Carrying amount	**5,379**	**4,401**	**269**	**14**	**-**	**10,062**
Changes of 2017						
Investments	1,936	955	483	10	-	3,384
Transfers from assets under construction	-	-	-	-	-	-
Grants	(560)	-	-	-	-	(560)
Amortisation	(2,245)	(1,706)	(314)	(8)	-	(4,274)
At 31 December 2017 broken down as follows						
Cost	28,234	22,026	5,467	3,040	-	58,767
Grants	(6,317)	-	(9)	-	-	(6,326)
Amortisation and impairment losses	(17,407)	(18,376)	(5,021)	(3,025)	-	(43,828)
Carrying amount	**4,510**	**3,650**	**437**	**15**	**-**	**8,612**

Intangible assets at 31 December 2017 totalled €8,612 thousand, down by €1,450 thousand on €10,062 thousand at 31 December 2016.

It is composed mainly of:

- "Development expense" (€4,510 thousand) mainly includes the Satellite and Rail Telecom project to develop satellite technologies. This year saw an increase of €1,936 thousand, the €560 thousand grant and amortisation of €2,245 thousand. This project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

The Stream project was fully amortised in previous years.

- "Patents and similar rights" (€3,650 thousand) recorded a decrease of €751 thousand compared to the previous year.

  Specifically, the variation is due to new investments (€955 thousand) and amortisation (€1,706 thousand).

  More specifically, the investments are attributable mainly to the projects *"Customer Relationship Management (CRM)"* for €280 thousand, *"Clear Case & Clear ReQuest (CC & CR)"* for €101 thousand, *"Implementazione SAP in Taiwan Branch"* for €107 thousand, *"Implementazione SAP WM Module"* in Tito for €105 thousand and other minor proprietary software for €362 thousand.
- "Concessions, licences and trademarks and other similar rights" (€437 thousand) relate to software licences. The investments made in the year (€483 thousand) mainly concern the purchase of standard Microsoft and Vmware licences.

  As a consequence of the grants received, these assets cannot be sold before five years. The carrying amount of concessions, licences, trademarks and other similar rights subject to this limitation amounts to €21 thousand.

8. PROPERTY, PLANT AND EQUIPMENT

(€'000)	**Land and buildings**	**Plant and machinery**	**Equipment**	**Other**	**Assets under construction**	**Total**
At 31 December 2015 broken down as follows						
Cost	81,106	15,352	12,026	12,926	12	121,422
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(25,306)	(11,156)	(9,933)	(9,797)	-	(56,191)
Carrying amount	55,629	3,311	1,687	3,129	12	63,768
Changes of 2016						
Investments	98	198	1,032	2,363	74	3,765
Transfers from assets under construction	-	12	-	-	(12)	-
Write-offs	-	-	-	-	-	-
Depreciation	(2,018)	(593)	(818)	(1,312)	-	(4,742)
At 31 December 2016 broken down as follows						
Cost	81,204	15,562	13,058	15,289	74	125,187
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(27,324)	(11,749)	(10,751)	(11,109)	-	(60,933)
Carrying amount	**53,709**	**2,928**	**1,901**	**4,180**	**74**	**62,792**
Changes of 2017						
Investments	85	369	1,854	3,179	929	6,415
Transfers from assets under construction	-	74	-	-	(74)	-
Write-offs	-	-	-	-	-	-
Depreciation	(2,004)	(555)	(1,022)	(1,969)	-	(5,550)
At 31 December 2017 broken down as follows						
Cost	81,289	16,005	14,912	18,468	929	131,603
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment losses	(29,328)	(12,304)	(11,773)	(13,078)	-	(66,483)
Carrying amount	**51,790**	**2,816**	**2,733**	**5,390**	**929**	**63,658**

"Property, plant and equipment", net of accumulated depreciation, amount to €63,658 thousand (31 December 2016: €62,792 thousand).

Specifically:

"Land and buildings" of €51,790 thousand (net of accumulated depreciation and grants) relate to the real estate complex in via Salita della Grotta, Naples (€1,637 thousand), the industrial buildings in Turin and Tito (€6,843 thousand) and the property purchased in via Paolo Mantovani 3/5, Genoa (€43,310 thousand) for a consideration of €62,378 thousand.

The decrease of the year is due to new investments (€85 thousand) into the maintenance of the Tito (€31 thousand), Turin (€48 thousand) and Genoa (€6 thousand) facilities and depreciation (€2,004 thousand).

“Plant and machinery” amount to €2,816 thousand, net of accumulated depreciation (31 December 2016: €2,928 thousand).
The variation of the year is the sum of the increase, €369 thousand, depreciation of €555 thousand and the transfers from assets under construction from previous years of €74 thousand related to the partial upgrade of the aeraulic system in the Tito facility office building.
The total increases of the year are as follows:
- Tito production unit of €236 thousand, relating mainly to the P.T. offices air conditioning system and central heating (€145 thousand);
- the Piossasco site for €131 thousand, relating primarily to the overhaul of the air conditioning and aeraulic systems (€82 thousand);
- the Naples offices (€12 thousand) relating to the office CDZ machine;
- to the Genoa branch for €64 thousand related to the updating of the elevator system.

“Equipment” (€2,733 thousand) rose as a consequence of investments of the year (€1,854 thousand) and fell as a result of depreciation (€1,022 thousand).
Investments relate to the setting-up and maintenance of laboratory equipment in the Tito facility for €667 thousand, Genoa offices for €553 thousand, the Piossasco facility for €256 thousand and the Naples offices for €378 thousand.

The item “Other” (€5,390 thousand) increased by €1,210 thousand as a consequence of investments of the year (€3,179 thousand). These investments relate to the renewal or replacement of IT equipment used by company personnel (€463 thousand), laboratory instruments and equipment (€429 thousand) and the purchase of furniture and fittings (€106 thousand); the residual €2,181 thousand relates to the capitalisation of branch costs (Saudi Arabia €1,412 thousand, Peru €315 thousand, Taiwan €266 thousand, Denmark €42 thousand, Greece €57 thousand others €89 thousand).
The €1,969 thousand decrease is due to depreciation of the year.

The historical cost of “Land and buildings”, “Plant and machinery” and “Equipment” is reduced by the grants received pursuant to Italian Law no. 488/92, applications 8 and 11, first and second application of the PIA Innovazione (Integrated Aids Package), totalling €1,462 thousand.

As a consequence, the assets covered by the above grants cannot be sold before five years. The historical cost of these assets is equal to €340 thousand for "Land and buildings", €2,189 thousand for "Plant and machinery" and €946 thousand for "Equipment".

"Assets under construction" amount to €929 thousand due to maintenance works on the Tito facility buildings for seismic adjustments (€158 thousand) and upgrading of the lighting system at the Genoa branch and Tito facility (€661 thousand).

The company did not enter into any finance leases.

Finally, in 2004, a restriction concerning the use of the company parking lot by third parties was granted in favour of the Piossasco municipality (Turin). Based on the above restriction, in 2007, said Municipality approved the zoning of part of the area used as a parking lot, allowing the construction of a company canteen.
The Piossasco municipality placed a restriction on such area that the canteen may also be used by third parties.

9. EQUITY INVESTMENTS

At 31 December 2017, equity investments amounted to €172,767 thousand, up by €2,980 thousand, net, on the previous year.

(€'000)	*31 December 2017*	*31 December 2016*
Opening balance	169,787	167,181
Acquisitions/subscriptions and capital increases	3,128	2,113
Reversals of impairment losses/impairment losses	0	(55)
Principal repayment	(61)	(2)
Sales	0	0
Other changes	(87)	550
Closing balance	**172,767**	**169,787**

The change was caused by the share capital increase subscribed in the SPV Linea M4 S.p.A. (€3,128 thousand) for the performance of works assigned, slightly offset by the reimbursement of the equity investment for the liquidation of SP M4 S.c.p.A. (€61 thousand) and the impairment of equity investments in subsidiaries (€87 thousand).

The table below lists equity investments at 31 December 2017 as permitted by IFRS 12, also containing the additional disclosures required by CONSOB (the Italian commission for listed companies and the stock exchange) communication no. DEM/6064293 of 28 July 2006:

Name	Registered office	Type of activity	Reporting date	Accounting standards*	Share capital (Euro'000)	Currency	Equity (in Euro'000)	Profit (Loss) (Euro'000)	Total assets (Euro'000)	Total liabilities (Euro'000)	Investment (%)	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	Measurement with the equity method 31/12/2017	Carrying amount
Investments in subsidiaries																	
Alifana S.c.r.l.	Naples (Italy)	Transportation	31.12.2017	ITAGaap	26	EUR	26	-	487	461	65.85%	N/A	N/A	N/A	N/A	17	17
Alifana Due S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2017	ITAGaap	26	EUR	26	-	838	812	53.34%	N/A	N/A	N/A	N/A	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	Transportation	31.12.2017	IFRS	406	SEK	-9,050	-14,584	81,986	91,036	100.00%	N/A	N/A	N/A	N/A	-9,050	240
Ansaldo STS France S.A.	Les Ulis (France)	Transportation	31.12.2017	IFRS	5,000	EUR	35,535	12,388	215,409	179,874	100.00%	N/A	N/A	N/A	N/A	35,535	22,452
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	Transportation	31.12.2017	IFRS	-	USD	129,329	11,748	236,356	107,027	100.00%	N/A	N/A	N/A	N/A	129,329	55,622
Ansaldo STS UK Ltd.	Londra (United Kingdom)	Transportation	31.12.2017	IFRS	1,127	GBP	-7,105	691	4,025	11,130	100.00%	N/A	N/A	N/A	N/A	-7,105	-
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	Transportation	31.12.2017	IFRS	3,275	AUD	63,255	2,978	95,356	32,101	100.00%	N/A	N/A	N/A	N/A	63,255	26,219
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	Transportation	31.12.2017	IFRS	73,270	INR	12,717	-2,270	35,297	22,580	0.00%	N/A	N/A	N/A	N/A	0	0
Ansaldo STS Deutschland GmbH	Berlino (Germany)	Transportation	31.12.2017	IFRS	26	EUR	2,591	150	9,180	6,589	100.00%	N/A	N/A	N/A	N/A	2,591	2,176
Ansaldo STS do Brasil Sistema de Transporte Ferroviario e Metropolitano Ltda	Fortaleza (Brazil)	Transportation	31.12.2016	LocalGaap	292	BRL	245	-27	246	1	99.99%	N/A	N/A	N/A	N/A	245	334
Ansaldo Railway System Trading (Beijing) Ltd	Pechino (China)	Transportation	31.12.2017	IFRS	1,313	CNY	11,701	2,580	30,836	19,135	100.00%	N/A	N/A	N/A	N/A	11,701	1,078
																	108,151
Investments in associates																	
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2016	ITAGaap	700	EUR	4,943	99	5,056	113	49.00%	N/A	✓	N/A	N/A	2,422	343
MetroBrescia Srl	Brescia (Italy)	Transportation	31.12.2016	ITAGaap	4,020	EUR	6,555	1,175	79,197	72,643	19.80%	N/A	N/A	N/A	✓	1,298	796
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2016	ITAGaap	53,300	EUR	66	9,908	797,625	731,292	24.60%	N/A	N/A	N/A	N/A	16,318	13,112
Pegaso S.c.r.l. (in liquidazione)	Rome (Italy)	Construction	31.12.2016	ITAGaap	260	EUR	260	-	3,959	3,699	46.87%	N/A	✓	N/A	N/A	122	122
																	14,373
Consortia																	
Saturno consortium	Rome (Italy)	Transportation	31.12.2016	ITAGaap	31	EUR	31	-	1,758,577	1,758,546	33.34%	N/A	✓	N/A	N/A	10	10
Ascosa Quattro consortium	Rome (Italy)	Transportation	31.12.2016	ITAGaap	57	EUR	57	-	66,324	66,267	24.92%	N/A	N/A	✓	N/A	14	14
San Giorgio Volla Due consortium	Naples (Italy)	Transportation	31.12.2017	ITAGaap	71	EUR	72	-	78,585	78,513	25.00%	N/A	N/A	✓	N/A	18	18
CRIS consortium	Naples (Italy)	Research	31.12.2017	ITAGaap	2,377	EUR	2,445	-	2,636	191	1.00%	N/A	N/A	N/A	N/A	24	24
Cosila consortium (in Liq.)	Naples (Italy)	Research	31.12.2016	ITAGaap	93	EUR	93	-	115	22	1.11%	N/A	N/A	N/A	N/A	1	1
ISICT consortium	Genoa (Italy)	Research	31.12.2016	ITAGaap	43	EUR	53	1	172	120	14.29%	N/A	N/A	N/A	✓	8	6
TRAIN consortium	Rome (Italy)	Transportation	31.12.2016	ITAGaap	120	EUR	1,180	-	25,832	24,653	4.68%	N/A	N/A	N/A	✓	54	6
San Giorgio Volla consortium	Naples (Italy)	Transportation	31.12.2017	ITAGaap	71	EUR	72	-	6,149	6,077	25.00%	N/A	N/A	N/A	N/A	18	18
Ferroviario Vesuviano consortium	Naples (Italy)	Transportation	31.12.2016	ITAGaap	153	EUR	155	-	223,137	222,982	33.34%	N/A	N/A	N/A	N/A	52	51
Iricav Uno consortium	Rome (Italy)	Transportation	31.12.2016	ITAGaap	520	EUR	520	-	4,278	3,758	17.44%	N/A	N/A	N/A	✓	91	91
MetroB srl	Rome (Italy)	Transportation	31.12.2017	ITAGaap	20,000	EUR	19,844	2,384	19,902	58	2.47%	N/A	N/A	N/A	✓	490	494
Dattilo Scarl	Naples (Italy)	Transportation	31.12.2016	ITAGaap	100	EUR	100	-0	353	253	14.00%	N/A	N/A	N/A	✓	14	14
Consorzio MM4	Milan (Italy)	Transportation	31.12.2017	ITAGaap	200	EUR	200	-	31,950	31,750	17.68%	N/A	N/A	N/A	✓	36	35
D.I.T.S. srl	Rome (Italy)	Research	31.12.2016	ITAGaap	40	EUR	89	21	198	109	12.00%	N/A	N/A	N/A	✓	11	5
TOP IN S.c.a.r.l. consortium	Naples (Italy)	Transportation	31.12.2016	ITAGaap	87	EUR	101	-	194	93	4.84%	N/A	N/A	N/A	N/A	5	4
RadioLabs consortium	Rome (Italy)	Research	31.12.2016	ITAGaap	258	EUR	239	5	1,794	1,555	20.02%	N/A	N/A	✓	N/A	60	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transportation	31.12.2016	ITAGaap	35,795	EUR	127,228	546	295,604	168,376	5.55%	N/A	N/A	N/A	N/A	n.a.	10,868
Iricav Due consortium	Rome (Italy)	Transportation	31.12.2017	ITAGaap	510	EUR	516	-	96,745	96,229	17.05%	N/A	N/A	N/A	✓	88	88
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transportation	31.12.2017	IFRS	100,058	USD	116,146	5,622	316,635	200,489	16.90%	N/A	N/A	N/A	✓	19,629	16,639
																	28,438
Other companies																	
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transportation	31.12.2016	ITAGaap	2,461	EUR	1,765	-112	5,278	3,513	21,26%	N/A	N/A	N/A	✓	294	523
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2016	ITAGaap	150,000	EUR	149,518	-	347,412	197,894	14,00%	N/A	N/A	N/A	✓	20,933	21,000
SESAMO Security and Safety Mobility S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2016	ITAGaap	100	EUR	92	-10	855	763	2,00%	N/A	N/A	N/A	N/A	2	2
SIIT S.c.p.a.	Genoa (Italy)	Research	31.12.2016	ITAGaap	600	EUR	617	2	1,937	1,320	2,33%	N/A	N/A	N/A	N/A	14	14
Tram di Firenze S.p.A.	Florence (Italy)	Transportation	31.12.2016	ITAGaap	7,000	EUR	-4,067	2,271	340,268	344,335	2,42%	N/A	N/A	N/A	N/A	-155	266
																	21,805
TOTAL EQUITY INVESTMENTS at 31.12.2017																	**172,767**

* For certain equity investments, accounting standards other than IAS/IFRS are applied, but there are no significant adjustments that would arise from standardising them

In particular, the total value of equity investments (€172,767 thousand) is broken down into: investments in subsidiaries (€108,151 thousand), in associates (€14,373 thousand), in consortia (€28,438 thousand) and in other companies (€21,805 thousand).

Changes of the year are as follows:

1. a €3,128 thousand increase for the share capital increase of SPV Linea M4 S.p.A., which will build and maintain the Milan metro line M4 under concession and will be responsible for its technical, administrative, economic and financial management;
2. decrease of €61 thousand due to the liquidation of SP M4 S.C.p.A. in November.
3. the €87 thousand decrease due to the adjustment of carrying amounts of the investments in Ansaldo STS USA Inc, Ansaldo STS France S.A. and Ansaldo STS Australia Pty Ltd following the granting of the 2017 shares as per the 2017-2019 Stock grant plan and the delivery of the 2014 shares after the three-year vesting period provided for by the 2014-2016 stock grant plan.

The carrying amount of the investment in Metro C reflects the 38% subscribed quota capital. Consequently, with respect to the carrying amount of the investment equal to €21,000 thousand, the residual portion still unpaid (€12,950 thousand) was recognised under other current liabilities.

It should be noted that, in 2017, the executive committee of Metro 5 S.p.A resolved the repayment of part of the shareholders loan. Therefore, the portion of interest whose collection is expected next year was reclassified to the current portion, amounting to €4,581 thousand, and the total value of the non-current receivable, including interest accrued, amounts to €19,285 as at 31.12.2017.

Metro 5 S.p.A. shares were pledged to guarantee the contractual obligations to the other financial institutions involved in the project financing to build Line 5 of the Milan metro under concession.

The shares of Tram di Firenze were also pledged as agreed with the bodies financing the works. The same guarantee was given on the financing granted to the investee (see note 11 on "Receivables and other non-current assets").

With respect to the measurement of investments in subsidiaries, in accordance with group policies, impairment tests are conducted when annual financial statements are prepared. Each company is tested by comparing their carrying amounts with their recoverable amounts, using the discounted cash flow method.

The cash flows used are those generated by group assets, in their present condition, before financial expense and taxes. They include capital expenditure and monetary changes in working capital and exclude cash flows from financing activities, non-recurring events or dividend distributions.

These cash flows are discounted using the WACC (Weighted Average Cost of Capital) method which is calculated based on the Capital Asset Pricing Model. At 31 December 2017 the average Group WACC is 6.88% compared to 7.39% used in previous year.

The comparables panel in 2017 is the same as the previous year, with the exception of Faiveley Transport SA acquired in 2017 from Westinghouse Air Brake Technologies Corporation and replaced with the latter.

The tests performed have highlighted a level of coverage; in addition, there are no other external indicators showing evidence of impairment.

The Company performed a sensitivity analysis considering a WACC increase of 0.5%, 1.0% and 1.5% and, at the same time, shortening the terminal value growth rate about 0.5% and 1.0%. These analyses show a broad coverage about the recoverability of the assets under impairment tests.

Impairment tests were carried out at 31 December 2017, on the basis on the Five-year strategic plan (2018-2022) approved by the company's board of directors.

The growth rates included in the terminal values were equal to the expected long-term inflation rates in the countries where the Group's subsidiaries are based (in line with the International Monetary Fund outlook). The basic assumptions underlying the projected cash flows for the five-year plans approved by board of directors are described in the directors' report.

The company participates in the foreign joint arrangement AIASA set up to construct the Thessaloniki metro.

Ansaldo Honolulu became operative in 2012. In November 2011, the consortium set up by Ansaldo STS and AnsaldoBreda (now Hitachi Rail Italy) entered into an agreement with HART (Honolulu Authority for Rapid Transportation) to construct the technological part and provide the vehicles of the new driverless underground line in Honolulu (Hawaii).

Finally, the company participates in the ArRiyadh New Mobility (ANM) in Riyadh and Nuevo Metro de Lima consortia for the related contracts.

During the year, the Board of Directors approved the winding-up of the company Ansaldo STS Do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA (a direct investee of Ansaldo STS S.p.A. which holds 99.99% and Ansaldo STS USA International Co. which holds 0.01%). It was formed to participate in the tender for the construction of the Fortaleza underground which the company did not win, and given there are no further short-term commercial opportunities in the country, the decision was taken to proceed with the winding-up.

10. RELATED PARTY ASSETS AND LIABILITIES

Related party assets and liabilities at 31 December 2017 and 2016 are shown below:

(€'000)	Loan assets	Trade receivables	Other current financial assets	Total
FINANCIAL ASSETS AT 31 DECEMBER 2017				
Ultimate parents				
Hitachi LTD (Rail)	-	114	-	**114**
Associates				
Hitachi Rail Italy S.p.A.	-	2,700	-	**2,700**
MetroBrescia S.r.l.	-	522	-	**522**
S.P. M4 S.c.p.a.	232	-	-	**232**
M4 S.p.A.	-	-	17	**17**
Metro 5 S.p.A.	-	5,937	-	**5,937**
I.M. Intermetro S.p.A.	-	387	-	**387**
Metro Service AS	-	1,705	-	**1,705**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	2,249	-	**2,249**
Ansaldo STS Australia PTY Ltd.	-	4,737	-	**4,737**
Ansaldo STS Deutschland GmbH	-	1,445	-	**1,445**
Ansaldo STS France S.A.	-	8,329	-	**8,329**
Ansaldo Railway System Trading (Beijing) Ltd	-	605	-	**605**
Ansaldo STS UK Ltd.	-	135	-	**135**
Ansaldo STS Sweden AB	44,462	14,843	-	**59,305**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	2	-	**2**
Ansaldo STS Espana S.A.U.	-	1,608	-	**1,608**
Ansaldo STS USA Inc.	2,976	7,233	-	**10,209**
Ansaldo STS Canada Inc	-	3	-	**3**
Ansaldo STS Malaysia SDN BHD	15,584	1,001	-	**16,585**
Alifana Due S.c.r.l.	-	341	-	**341**
Consortia				
Saturno consortium	-	11,904	-	**11,904**
San Giorgio Volla Due consortium	-	786	4	**790**
San Giorgio Volla consortium	-	1,421	-	**1,421**
Ascosa Quattro consortium	-	1,280	-	**1,280**
Ferroviario Vesuviano consortium	-	2,085	-	**2,085**
MM4 consortium	-	23,924	-	**23,924**
	63,254	**95,296**	**21**	**158,571**
% of the total corresponding financial statements caption	**69%**	**15%**	**0.04%**	

(€'000)	**Loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
FINANCIAL LIABILITIES AT 31 DECEMBER 2017				
Ultimate parents				
Hitachi Rail Europe LTD	-	2	-	**2**
Associates				
Metro Service AS	-	6,842	-	**6,842**
Hitachi System CBT S.p.A.	-	937	-	**937**
Metro B srl	-	-	371	**371**
M4 S.p.A.	-	157	-	**157**
Hitachi Rail Italy S.p.A.	-	19,429	-	**19,429**
Pegaso S.c.r.l. in liquidation	-	83	-	**83**
Subsidiaries				
Ansaldo STS Australia PTY Ltd.	12,244	133	-	**12,377**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	1,063	-	**1,063**
Ansaldo STS Espana S.A.U.	-	45	-	**45**
Ansaldo STS Malaysia SDN BHD	-	152	-	**152**
Ansaldo STS USA Inc.	-	3,291	-	**3,291**
Ansaldo STS France S.A.	31,983	9,847	-	**41,830**
Ansaldo Railway System Trading (Beijing) Ltd	-	399	-	**399**
Ansaldo STS UK Ltd.	-	25	-	**25**
Ansaldo STS Sweden AB	-	917	-	**917**
Ansaldo STS Deutschland GmbH	-	219	-	**219**
Ansaldo STS USA International CO.	-	6,355	-	**6,355**
Alifana Due S.c.a.r.l.	-	157	-	**157**
Alifana S.c.r.l.	-	134	3	**137**
Consortia				
Saturno consortium	-	968	-	**968**
MM4 consortium	-	161	-	**161**
San Giorgio Volla consortium	-	5	8	**13**
Ascosa Quattro consortium	-	885	8	**893**
Ferroviario Vesuviano consortium	-	64	20	**84**
Total	**44,227**	**52,269**	**410**	**96,906**
% of the total corresponding financial statements caption	**99%**	**15%**	**1%**	

(€'000)	**Loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
FINANCIAL ASSETS AT 31 DECEMBER 2016				
Ultimate parents				
Hitachi Rail Europe LTD	-	312	-	**312**
Hitachi LTD (Rail)	-	155	-	**155**
Associates				
Hitachi Rail Italy S.p.A.	-	6,188	-	**6,188**
MetroBrescia S.r.l.	-	629	-	**629**
Hitachi High-Technologies Europe GmbH	-	68	-	**68**
S.P. M4 S.c.p.a.	267	-	-	**267**
Metro 5 S.p.A.	-	1,390	-	**1,390**
I.M. Intermetro S.p.A. (in liquidation)	-	387	-	**387**
Metro Service AS	-	1,668	-	**1,668**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	2,123	-	**2,123**
Ansaldo STS Australia PTY Ltd.	-	7,339	-	**7,339**
Ansaldo STS Deutschland GmbH	-	1,679	-	**1,679**
Ansaldo STS France S.A.	-	5,820	-	**5,820**
Ansaldo Railway System Trading (Beijing) Ltd	-	1,327	-	**1,327**
Ansaldo STS UK Ltd.	-	23	-	**23**
Ansaldo STS Sweden AB	-	11,942	-	**11,942**
Ansaldo STS Southern Africa PTY LTD - Botswana	-	5	-	**5**
Ansaldo STS Espana S.A.U.	-	701	-	**701**
Ansaldo STS USA Inc.	-	4,645	-	**4,645**
Ansaldo STS Canada Inc	-	7	-	**7**
Ansaldo STS Malaysia SDN BHD	22,524	1,380	-	**23,904**
Alifana Due S.c.a.r.l.	-	238	-	**238**
Alifana S.c.r.l.	-	93	-	**93**
Consortia				
Saturno consortium	-	29,529	-	**29,529**
San Giorgio Volla Due consortium	-	3,489	4	**3,493**
San Giorgio Volla consortium	-	1,421	-	**1,421**
Ascosa Quattro consortium	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	1,462	-	**1,462**
MM4 consortium	-	11,857	-	**11,857**
	22,791	**97,035**	**4**	**119,831**
% of the total corresponding financial statements caption	**44%**	**16%**	**0.01%**	

(€'000)	Loans and borrowings	Trade payables	Other current financial liabilities	Total
FINANCIAL LIABILITIES AT 31 DECEMBER 2016				
Associates				
Metro Service AS	-	2,704	-	**2,704**
Hitachi Rail Italy S.p.A.	-	13,569	-	**13,569**
MetroB S.r.l.	-	-	371	**371**
Pegaso S.c.r.l. in liquidation	-	61	-	**61**
Subsidiaries (*)				
Ansaldo STS Australia PTY Ltd.	6,807	165	-	**6,972**
Ansaldo STS Espana S.A.U.	-	95	-	**95**
Ansaldo STS Malaysia SDN BHD	-	211	-	**211**
Ansaldo STS USA Inc.	33,155	1,074	-	**34,229**
Ansaldo STS France S.A.	52,109	11,545	-	**63,654**
Ansaldo Railway System Trading (Beijing) Ltd	-	196	-	**196**
Ansaldo STS Transportation Systems India Private Limited	-	472	-	**472**
Ansaldo STS Sweden AB	138	-	-	**138**
Ansaldo STS Deutschland GmbH	-	2,461	-	**2,461**
Ansaldo STS USA International CO.	-	4,501	-	**4,501**
Alifana Due S.c.r.l.	-	109	-	**109**
Alifana S.c.a.r.l.	-	125	3	**128**
Consortia				
Saturno consortium	-	2,066	-	**2,066**
MM4 consortium	-	591	-	**591**
San Giorgio Volla Due consortium	-	206	-	**206**
San Giorgio Volla consortium	-	5	8	**13**
Ascosa Quattro consortium	-	150	8	**158**
Ferroviario Vesuviano consortium	-	85	21	**106**
Total	**92,208**	**40,389**	**410**	**133,007**
% of the total corresponding financial statements caption	**98%**	**10%**	**0.7%**	

Total related party assets amount to €158,571 thousand (31 December 2016: €119,831 thousand). The increase was caused mainly by the value of trade receivables (€63,254 thousand at 31 December 2017; €22,791 thousand 31 December 2016) and in particular the position with respect to Ansaldo STS Sweden (€44,462 at 31 December 2017, €0 at 31 December 2016), a consequence of the dispute with the Swedish customer outlined in detail in the directors' report.

Total related party liabilities amount to €96,906 thousand (31 December 2016: €133,007 thousand). The variation is attributable primarily to the reduction in loans and borrowings of €47,981 thousand, in particular relating to the subsidiary Ansaldo STS France S.A. (€31,983 thousand at 31 December 2017, €52,109 thousand at 31 December 2016) Ansaldo STS USA Inc. (€0 thousand at 31.12.2017, €33,155 thousand at 31.12.2016), partially offset by an increase in trade payables (€52,269 thousand at 31.12.2017, €40,389 thousand at 31.12.2016).

For additional information about related party transactions, reference should be made to the directors' report ("Management and coordination and related party transactions" section) and to note 38 ("Directors' and statutory auditors' fees and key managers' remuneration").

11. LOANS AND RECEIVABLES AND OTHER NON-CURRENT ASSETS

(€'000)	***31 December 2017***	***31 December 2016***
Guarantee deposits	1,382	1,290
Other	26,448	26,344
Non-current financial assets	**27,830**	**27,634**
Other prepayments - non-current portion	13,795	16,090
Other prepayments - associates	0	0
Other non-current assets	**13,795**	**16,090**

Non-current financial assets at 31 December 2016 amount to €27,830 thousand (31 December 2016: €27,634 thousand). They mainly include:

- €19,285 thousand related to the shareholder loan (principal of €18,783 thousand and accrued interest of €502 thousand) of Metro 5 S.p.A. following the agreements to construct the related section of the Milan metro. It should be noted that interest of €4,581 thousand was reclassified to the current part, as collection is forecast in the next year;
- €6,160 thousand related to the shareholder loan (principal of €5,731 thousand and accrued interest of €429 thousand) of SPV Linea M4 S.p.A. following the agreements to construct the related section of the Milan metro;
- €788 thousand related to a loan granted to Tram di Firenze on which a pledge exists in favour of the financing bodies. The same guarantee was used in respect of the investment held therein;
- €182 thousand paid to the MM4 consortium to cover costs incurred before activities began;
- €1,382 thousand (31 December 2016: €1,290 thousand) related to guarantee deposits for premises and areas leased after the opening of work sites.

Other non-current assets amount to €13,795 thousand (31 December 2016: €16,090 thousand). They can be analysed as follows:

- €2,537 thousand (31 December 2016: €3,222 thousand) related to prepaid insurance, down €685 thousand on the previous year;
- €11,258 thousand (31 December 2016: €12,868 thousand) related to the deferred income on the "Ansaldo" trademark which fell by €1,610 thousand, with respect to the portion for the year. With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica on 27 December 2005 allowing the company to use the "Ansaldo" trademark on the market. Against the advance payment of a consideration of €32,213 thousand, which was supported by a specific assessment carried out by an independent party, this contract gives Ansaldo the exclusive right to use this trademark for twenty years.

12. INVENTORIES

(€'000)	*31 December 2017*	*31 December 2016*
Raw materials, consumables and supplies	6,178	5,943
Work-in-progress and semi-finished products	6,313	7,733
Finished goods	1,641	1,574
Advances to suppliers	65,676	80,029
Total	**79,808**	**95,279**

Net inventories amounted to €79,808 thousand, down by €15,471 thousand compared to €95,279 thousand at 31 December 2016, mainly due to the reduction in advances to suppliers.
The carrying amount of raw materials increased by €235 thousand on the previous year and they were recognised net of the allowance for write-down (€1,504 thousand; 31 December 2016: €806 thousand).

Third party assets with the company amount to €3 thousand (31 December 2016: €3 thousand), while the company's assets with third parties total €29,030 thousand (31 December 2016: €29,736 thousand).
The company outsourced its warehouse management to the service company, Fata Logistic System.

13. WORK IN PROGRESS AND PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

(€'000)	*31 December 2017*	*31 December 2016*
Work in progress (gross)	1,435,189	2,099,941
Progress payments	(1,238,554)	(1,886,966)
Advances from customers	(25,516)	(13,318)
Provision for expected losses to complete contracts	(3,038)	(4,269)
Allowance for write-down	(3,200)	(16,950)
Work-in-progress (net)	**164,881**	**178,438**
Progress payments	(2,595,619)	(1,997,034)
Work-in-progress	2,358,019	1,867,186
Advances from customers	(246,448)	(288,177)
Provision for expected losses to complete contracts	(7,601)	(8,557)
Allowance for write-down	(18,350)	(1,350)
Progress payments and advances from customers (net)	**(509,998)**	**(427,932)**
Work-in-progress, net of progress payments and advances from customers	**(345,117)**	**(249,494)**

Work in progress, net of progress payments and advances from customers, is a negative €345,117 thousand, with respect to a negative value of €249,494 thousand at 31 December 2016, marking a decrease of €95,623 thousand. This relates primarily to the higher turnover in the period and the fall in advances from customers.
The net balance of work in progress includes the net advance of €112,154 thousand related to the contract in Libya, which is still halted given the well-known events which have affected this country over the past few years, as detailed in the directors' report. This advance amply covers the work carried out to date and not yet invoiced. As a consequence, at the reporting date, there are no probable risks which would require any accrual.

Contract work in progress, net, decreased from €178,438 thousand at 31 December 2016 to €164,881 thousand at 31 December 2017, while progress payments and advances from customers, net, decreased from €427,932 thousand at 31 December 2016 to €509,998 thousand at 31 December 2017. The latter caption includes advances from customers of €271,964 thousand (31 December 2016: €301,495 thousand).

Specifically, work in progress under assets net of the provision for expected losses to complete contracts amounted to €1,432,151 thousand (31 December 2016: €2,095,672 thousand) and included costs of €1,767,710 thousand (31 December 2016: €2,218,757 thousand) and profit of €206,502 thousand (31 December 2016: €269,159 thousand), gross of final billing.

Work in progress under liabilities net of the provision for expected losses to complete contracts amounted to €2,350,418 thousand (31 December 2016: €1,858,629 thousand) and included costs of €4,873,095 thousand (31 December 2016: €3,844,420 thousand) and profit of €999,735 thousand (31 December 2016: €875,061 thousand), gross of final billing.

Similarly to inventories, contract work in progress and progress payments and advances from customers are shown net of the allowance for write-down which, at 31 December 2017, amounted to €21,550 thousand (31 December 2016: €18,300 thousand).

Specifically, €3,200 thousand reflects the decrease in "contract work in progress, net" and €18,350 thousand that of "progress payments and advances from customers, net".

This allowance is adequate for the possible liabilities which may arise from critical issues and risks on existing contracts, which were also assessed based on the risk management procedure.

The allowance for write-down covers the following risks:

- contractual risks: penalties for late delivery of contracted works or significant parts thereof at final or interim dates; performance penalties for failure to comply with functional requirements or the specified RAM parameters;
- technological risks.

The above risks are typical of all construction contracts and increase when contracts have a complex contractual structure of a highly technical nature which could give rise to contractual changes or issues at any stage of the contracts, including, sometimes, after the delivery of works and their roll out. Consequently, many risks cease to exist only once the contract is terminated.

Starting from 2012, the provision for expected losses to complete contracts is shown separately. This provision reflects losses not yet incurred but for which a provision was accrued on a prudent basis when the contract budget corresponds to a loss.

The provision refers to the relevant contracts. Specifically, €3,038 thousand (31 December 2016: €4,269 thousand) reflects the decrease in "contract work in progress, net" and €7,601 thousand (31 December 2016: €8,557 thousand) that of "progress payments and advances from customers, net".

14. TRADE RECEIVABLES AND LOAN ASSETS

	31 December 2017		*31 December 2016*	
(€'000)	**Trade receivables**	**Loan assets**	**Trade receivables**	**Loan assets**
Third parties	539,835	28,443	509,019	28,443
Related parties	95,296	63,254	97,035	22,791
Total loans and receivables	**635,131**	**91,697**	**606,054**	**51,234**

The value of trade and financial receivables corresponds to their fair value.

There was an increase in trade receivables (€635,131 thousand) compared to the final balance at 31 December 2016 (€606,054 thousand); in particular, trade receivables from third parties rose by €30,816 thousand and those from related parties fell by €1,739 thousand.

The main increasing positions were those with respect to the Gruppo Ferrovie dello Stato (State Railways Group), the MM4 consortium for the Milan metro Line 4, City and Industrial Development for the Mumbai project, and the municipality of Naples.

Trade receivables are shown net of the allowance for impairment of €16,553 thousand (31 December 2016: €23,294 thousand). Of this amount, €255 thousand relates to related parties. The variation in the year is due to the closing of transactions under which part of the receivable previously written down was recognised to the company. The €4,785 thousand included in the allowance relates to the impairment of the Firema receivable following the latter company's extraordinary administration which began on 2 August 2010, as per the decree of the Ministry of Economic Development.

During the year, the company did not factor without recourse receivables not yet due; in 2016, it had entered into factoring transactions for a total of €11,939 thousand.

Loan assets increased (€40,463 thousand) as a result of the increase in the portion from related parties, as specified in note 10.

This caption also includes the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya and deposited in a local bank. This amount (€28,443 thousand) is tied up pending the resumption of activities.

15. TAX ASSETS AND LIABILITIES

	31 December 2017		31 December 2016	
(€'000)	**Loans and receivables**	**Liabilities**	**Loans and receivables**	**Liabilities**
Direct taxes	18,657	4,453	17,447	8,304
Total	**18,657**	**4,453**	**17,447**	**8,304**

Tax assets equalled €18,657 thousand at 31 December 2017 (€17,447 thousand at 31 December 2016). The increase on 2016 is due mainly to the higher assets generated during the year by the branches, and the IRAP credit for higher advances paid of €205 thousand (IRAP debt balance of €100 thousand at 31 December 2016).
They mainly relate to foreign tax assets (€15,829 thousand; 31 December 2016: €12,729 thousand) and to a tax credit in connection with the reimbursement claimed pursuant to article 2.1-quater of Decree Law no. 201/2011, related to the lower IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€1,632 thousand).

Tax liabilities relate to current IRES for €4,453 thousand (31 December 2016: €8,204 thousand).

16. DERIVATIVES

Derivative assets and liabilities may be analysed as follows:

	31 December 2017		31 December 2016	
(€'000)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedges	6,753	6,845	8,611	8,749
Currency hedges				
Cash flow hedges	4,239	464	1,191	13,866
Currency hedges				
	10,992	**7,309**	**9,802**	**22,615**

The total value of fair value hedges includes hedges on cash flows of subsidiaries as well as on foreign currency joint accounts.

The company uses derivatives to hedge the currency risk (fair value hedges) for subsidiaries. This risk arises from the exposure to cash flows in currencies other than the functional currency. These are back-to-back transactions as the currency risk is hedged by identifying the exposure to the bank issuing the hedging instrument, while recognising a balancing entry with respect to the subsidiary. At 31 December 2017, the fair value of these transactions, including also the total value of FVH, amounted to €6,370 thousand (31 December 2016: €8,510 thousand) and the relative economic effects, with a nil balance, are recognised in financial income and expense.

At 31 December 2017, the company had derivatives hedging foreign currency joint accounts with the aim of hedging the company against year-end currency risk. At the reporting date, these derivatives were recognised under assets and liabilities at €382 thousand (31 December 2016: €101 thousand) and €475 thousand (31 December 2016: €239 thousand), respectively.

At 31 December 2017, the company also had cash flow hedges relating to the cash flows of the Abu Dhabi, Riyadh Metro, Lima Metro and Kolkata Metro contracts.

17. OTHER CURRENT ASSETS

(€'000)	*31 December 2017*	*31 December 2016*
Prepayments - current portion	6,174	9,134
Grants	18,124	18,938
Employees	2,223	1,789
Other tax assets	24,824	22,760
Other assets	3,629	4,655
Total current third party assets	**54,974**	**57,277**
Total current related party assets	21	4
Total	**54,995**	**57,281**

Other current assets amounted to €54,995 thousand at 31 December 2017 (31 December 2016: €57,281 thousand). They refer predominantly to tax assets and R&D grants.

Prepayments amount to €6,174 thousand (31 December 2016: €9,134 thousand) and mainly relate to activities pertaining to subsequent years relating to the Riyadh branch (€1,737 thousand), insurance premiums pertaining to subsequent years (€1,664 thousand), fees on sureties paid early (€763 thousand) and the current portion (€1,610 thousand) to purchase the right to use the "Ansaldo" trademark.

At the reporting date, grants amounted to €18,124 thousand (31 December 2016: €18,938 thousand). They can be analysed as follows:

- grants for projects financed by the European Community or the Ministry for Education and Research (€17,829 thousand);
- grants pursuant to Italian Law no. 488, first application, PIA, (€69 thousand);
- grants related to assets pursuant to Italian Law no. 488, eleventh application, 2001 (€226 thousand).

With reference to research grants, please refer to the directors' report for details on projects financed. Please note that the disbursement of grants is subject to the implementation of a specific project and/or the channelling of grants for the projects financed.

Paragraph 19, Equity, provides details on the reserves established and restricted in relation to decisions to award grants.

For additional information reference should be made to the "Research and development" section of the directors' report.

Other tax assets amount to €24,824 thousand (31 December 2016: €22,760 thousand) and are related to the VAT credit in Italy for €26,536 thousand (31 December 2016: €19,611), partially offset by the debt balances at branches totalling €2,199 thousand (credit balance of €2,823 thousand at 31 December 2016), and a receivable for undeducted VAT on the use of vehicles and other receivables for which a request for reimbursement was made for €481 thousand.

18. CASH AND CASH EQUIVALENTS

(€'000)	***31 December 2017***	***31 December 2016***
Cash-in-hand	61	50
Bank accounts	184,402	202,946
Total	**184,463**	**202,996**

The balance is made up of cash-in-hand and bank account balances.

Moreover, it includes the advances (€1,291 thousand) received from the customer Iricav Uno consortium through the investee Pegaso S.c.r.l., which constructed the high-speed railway Rome-Naples section on behalf of the company (31 December 2016: €2,574 thousand) and advances of €155 thousand (31 December 2016: €155 thousand) received from the customer Metro Campania NordEst through the Alifana Due consortium which constructs the central Piscinola-Aversa railway section on behalf of the company. These advances are allocated to specific current accounts held by the company which are used exclusively to support the future costs of the works to be performed by the company. Cash and cash equivalents are totally available and there are no disposal costs.

19. EQUITY

At 31 December 2017, equity amounted to €532,191 thousand, up by a net €56,868 thousand on 31 December 2016 (€475,323 thousand).

The change is due to the profit for the year (€71,988 thousand), partially offset by the net decrease in the translation reserve for €12,530 thousand, the net decrease in the hedging reserve (€1,313 thousand), the net decrease in the actuarial reserve for defined benefit plans (€672 thousand) and the net decrease in stock grant reserve (€522 thousand).

Equity can be analysed as follows:

Share capital

	No. of shares	Nominal amount	Treasury shares	Total
31 December 2014	**200,000,000**	**100,000,000**	**(702)**	**99,999,298**
Use of treasury shares for SGP			702	702
31 December 2015	**200,000,000**	**100,000,000**	**0**	**100,000,000**
Use of treasury shares for SGP				
31 December 2016	**200,000,000**	**100,000,000**	**0**	**100,000,000**
Use of treasury shares for SGP				
31 December 2017	**200,000,000**	**100,000,000**	**0**	**100,000,000**

The fully paid-up share capital amounts to €100,000,000 and is comprised of 200,000,000 ordinary shares with a nominal amount of €0.50 each.

The company does not have treasury shares at 31 December 2017 as the shares acquired during the year to grant shares to the company managers as part of the 2014 Stock Grant Plan (“SGP”) were all delivered.

At 31 December 2017, share capital was as follows:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50,772
PAUL E. SINGER (as general partner, directly and indirectly, of the Limited Partnership Elliott International and The Liverpool Limited Partnership)	51,330,030	25,665
UBS	10,068,228	5,034
LITESPEED MASTERFUND	7,532,322	3,766
Other shareholders with an investment of less than 3%	29,524,718	14,763

Retained earnings, including the profit for the year

(€'000)

	Retained earnings	Profit for the year	Total
31 December 2016	**131,190**	**145,857**	**277,047**
Allocation of profit for the year:			
- dividends	-	-	-
- legal reserve	-	-	-
- reserve for legal reserve adjustment	-	-	-
- retained earnings	145,773	(145,857)	(84)
Profit for the year	-	71,988	71,988
31 December 2017	**276,963**	**71,988**	**348,951**

Retained earnings, including the profit for 2017, may be analysed as follows:

- "Retained earnings" rose from €131,190 thousand at 31 December 2016 to €276,963 thousand at 31 December 2017, as a result of the decision of the shareholders' meeting that approved the 2016 financial statements and the use of €84 thousand of the retained earnings to close some positions of the previous 2012-2013 stock grant plan.
- the profit for the year of €71,988 thousand (€145,857 thousand at 31 December 2016).

Other reserves

(€'000)	Legal reserve	Negative goodwill	Reserve as per Law no. 413/91	Reserve as per Law no. 488/92, second application, PIA	Reserve for 50% grant as per article 55 of Law no. 219/81 TUIR (Consolidated income tax act)	Reserve as per Law no. 488/92, first application, PIA	Stock grant reserve	Deferred tax reserve	Hedging reserve	Coverage of losses	Actuarial gains and losses on Italian post-employment benefits	Translation reserve	Total
31 December 2016	**20,000**	**67,216**	**832**	**145**	**209**	**854**	**8,114**	**(168)**	**(919)**	**37**	**(2,271)**	**4,227**	**98,276**
Stock grant plans:													
- 2017 Stock grant plan allocation - ASTS SpA	-	-	-	-	-	-	1,165	-	-	-	-	-	**1,165**
- Stock grant plan allocation - ASTS SpA	-	-	-	-	-	-	(1,600)	-	-	-	-	-	**(1,600)**
- SGP reserve - other companies	-	-	-	-	-	-	(87)	-	-	-	-	-	**(87)**
Other changes:													
- actuarial gains on 2017 Italian post-employment benefits	-	-	-	-	-	-	-	-	-	-	(938)	-	**(938)**
- deferred taxes on equity items	-	-	-	-	-	-	-	4,639	-	-	-	-	**4,639**
- CFH hedging	-	-	-	-	-	-	-	-	(1,728)	-	-	-	**(1,728)**
- foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(16,487)	**(16,487)**
31 December 2017	**20,000**	**67,216**	**832**	**145**	**209**	**854**	**7,592**	**4,471**	(2,647)	**37**	**(3,209)**	**(12,260)**	**83,240**

The legal reserve amounts to €20,000 thousand and is unchanged from the previous year, having already reached 20% of the share capital at 31 December 2016.

Negative goodwill recognised in the 2009 financial statements amounted to €67,216 thousand. Of this amount, €83,237 thousand arose from the merger of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari on 1 January 2009, specifically:

- €93,094 thousand representing the difference between the carrying amounts of the investments in Ansaldo Segnalamento Ferroviario (€76,298 thousand), wholly owned by Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Trasporti Sistemi Ferroviari (€38,123 thousand), wholly owned by Ansaldo STS, and the equity of the merged companies;
- €9,857 thousand reflecting the elimination of goodwill included in the financial statements of Ansaldo Segnalamento Ferroviario S.p.A. (€1,825 at 31 December 2008) and Ansaldo Trasporti Sistemi Ferroviari S.p.A. (€12,687 thousand at 31 December 2008), net of deferred taxes of €4,655 thousand. The above goodwill was eliminated as it pertained to prior year infragroup non-recurring transactions; specifically: Ansaldo Segnalamento Ferroviario S.p.A. residual goodwill of €1,825 thousand relates to the contribution of the "Signalling" business unit by Ansaldo Trasporti S.p.A. in 1996 and Ansaldo Trasporti Sistemi Ferroviari's residual amount (€12,687 thousand) refers to the contribution of the "Systems" business unit by Ansaldo Trasporti S.p.A. in 2001.

The other transactions that led to the overall balance were:

- €13,649 thousand relating to goodwill arising from the merger of Ansaldo Signal N.V. in liquidation which took place on 1 October 2009. It arises from the derecognition of the investment in Ansaldo Signal N.V. in liquidation (€21,946 thousand), which was wholly owned by Ansaldo STS S.p.A.;
- €50 thousand was used following the reclassification of the 2005 costs for the share capital increase. The amount was reclassified by allocating the above costs to an available equity reserve as permitted by IAS 32;
- €2,321 thousand in 2014 following the last instalment of the bonus issue, after having fully used the reserve for capital injections (€7,679 thousand), as per the shareholders' resolution of 23 April 2010;

There were no changes in 2017.

The revaluation reserve as per Italian Law no. 413/91 amounts to €832 thousand. It was already present in Ansaldo Segnalamento Ferroviario S.p.A.'s equity and, therefore, was recognised by Ansaldo STS S.p.A. following the merger, as it was taxable on distribution.

The reserve as per Italian Law no. 488/92 second application, PIA, amounts to €145 thousand. It was already present in Ansaldo Segnalamento Ferroviario's equity and, therefore, was recognised by Ansaldo STS S.p.A. after the merger. This reserve, which was set up as resolved by the shareholders during the meeting called to approve the 2006 financial statements, is subject to the limitations established by the provisional licence decree issued by the Ministry of Production Activities on the second application, PIA, in accordance with the above law.

The reserve for Ministerial grants as per Italian Law no. 219/81 amounts to €209 thousand. It was already present in Ansaldo Segnalamento Ferroviario's equity and, therefore, was recognised by Ansaldo STS S.p.A. after the merger, as it was taxable on distribution. This reserve became unavailable when the company received the grants related to assets in prior years.

The reserve as per Italian Law no. 488/92 first application, PIA, amounts to €854 thousand. It was already present in Ansaldo Segnalamento Ferroviario S.p.A.'s equity and, therefore, was recognised by Ansaldo STS S.p.A. after the merger. This reserve, which was set up as resolved by the shareholders during the meeting called to approve the 2004 financial statements, is subject to the limitations established by the temporary licence decree issued by the Ministry of Production Activities on the first application, PIA, in accordance with the above law.

The Stock grant reserve amounts to €7,592 thousand, compared to €8,114 thousand at 31 December 2016. This reserve was set up in 2007 following the board of directors' approval of the Stock Grant Plan (SGP) under which Ansaldo STS shares are awarded to "strategic" and "key" resources and high potential managers upon reaching the agreed targets. For additional information, reference should be made to the section on "Human resources and organisation" in the directors' report.

The decrease in the balance (€522 thousand) is due to:

- the allocation for 2017 (€1,621 thousand);
- a €-2.143 thousand decrease due to the 2014 awarding of shares related to the 2014-2016 stock grant plan.

The **deferred tax reserve** amounts to €4,471 thousand (€-168 thousand at 31 December 2016). It is comprised as follows:

- deferred taxes on the 2017 actuarial losses on Italian post-employment benefits (€266 thousand), allocated to the specific reserve using the equity method (31 December 2017: €892 thousand);

- deferred taxes on the cash flow hedges recognised in equity during the year for €415 thousand (31 December 2017: €636 thousand);

- deferred taxes on the translation reserve in the financial statements of the branches for €3,957 thousand (31 December 2017: €2,943 thousand).

The hedging reserve amounts to €-2,647 thousand and recorded a net variation of €-1,728 thousand in the year as a result of the individual transactions performed (the related tax effect of €415 thousand is recognised in the "Deferred tax reserve").

The actuarial reserve for defined benefit plans amounts to -€3,209 thousand. It changed following application of the equity method to actuarial gains/losses on Italian post-employment benefits. During the year, it decreased as a consequence of the actuarial loss of €938 thousand, as per the independent actuarial appraisal of Italian post-employment benefits at 31 December 2017 (the related tax effect for the year of €266 thousand is recognised under the "Deferred tax reserve").

The translation reserve amounts to €-12,260 thousand. It recorded a variation of €-16,487 thousand during the year due to the exchange rate differences which arose from the translation of the financial statements of foreign branches, prepared in a currency other than the company's presentation currency (the associated tax effect for the year of €3,957 thousand is recognised in the "Deferred tax reserve").

The table below shows the origin, possible use, distribution and actual use of reserves in the past three years.

Nature/Description	Amount	Possible use	Available portion	Use in 2016		Use in 2015		Use in 2014	
				to cover losses	other reasons	to cover losses	other reasons	to cover losses	other reasons
Share capital (*)									
Outstanding shares	100,000								
Treasury shares									
Equity-related reserves:									
Revaluation reserve as per Law no. 413/91	832	A - B - C	832						
Capital injections	-	A - B	-						
Coverage of losses	37	B							
Negative goodwill	67,216	A - B - C	67,216						
Income-related reserves:									
Legal reserve	20,000	B							
Reserve for Ministerial grants as per article 55 of Law no. 219/81 of the Consolidated income tax act	209	A - B - C	209						
Reserve as per Law no. 488/92, application 1, PIA, 2003	854	A - B - C	854						
Reserve as per Law no. 488/92, application 2, PIA	145	A - B - C	145						
Stock grant reserve:									
- allocation	7,593	B							
- delivery									
Translation reserve	(12,260)	A - B							
Hedging reserve	(2,647)								
Reserve for actuarial gains/losses (IAS 19)	(3,209)	n.a.							
Deferred tax reserve	4,471	n.a.							
Retained earnings	276,963	A - B - C	276,963						
Total	**460,203**		**346,219**	**-**	**-**	**-**	**-**	**-**	**-**
Undistributable portion			**4,509**						
Residual distributable portion			**341,710**						

Key:

A : for share capital increase

B : to cover losses

C : for distribution to shareholders

20. LOANS AND BORROWINGS

(€'000)	*31 December 2017*			*31 December 2016*		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bank loans and borrowings	143	-	143	-	-	-
Loans and borrowings from other financial backers	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Other loans and borrowings	270	-	270	1,771	-	1,771
Total loans and borrowings from third parties	**413**	**-**	**413**	**1,771**	**-**	**1,771**
Related party loans and borrowings	44,227	-	44,227	92,208	-	92,208
Total	**44,640**	**-**	**44,640**	**93,979**	**-**	**93,979**

Third party loans and borrowings amounted to €413 thousand at 31 December 2017 and related primarily to amounts of collections pertaining to companies part of joint ventures for which Ansaldo STS is lead contractor.

The value of related party loans and borrowings relates to joint current accounts with the subsidiaries to settle trading and non-trading items with Ansaldo STS group companies. The reduction with respect to the previous year (€47,981 thousand) is attributable primarily to dividends distributed by certain subsidiaries and transfers of funds.

Loans and borrowings may be analysed as follows:

(€'000)	*31 December 2016*	*Increases*	*Decreases*	*Changes in scope*	*Other changes*	*31 December 2017*
Bank loans and borrowings	-	143	-	-	-	143
Loans and borrowings from other financial backers	-	-	-	-	-	-
Other loans and borrowings	1,771	270	1,771	-	-	270
Total	**1,771**	**413**	**1,771**	**-**	**-**	**413**

Please also note that at 31 December 2017, the company's credit lines amounted to €125,000 thousand and are to be used mainly for overdrafts.

<u>Net financial position</u>

The following disclosure is presented in accordance with the format required by CONSOB communication no. DEM/6064293 of 28 July 2006:

(€'000)	***31 December 2017***	***31 December 2016***
Cash-in-hand	(61)	(50)
Bank accounts	(184,402)	(202,946)
Securities held for trading	-	-
Cash and cash equivalents	**(184,463)**	**(202,996)**
Third party loan assets	(28,443)	(28,443)
Related party loan assets	(63,254)	(22,791)
Current loan assets	**(91,697)**	**(51,234)**
Current bank loans and borrowings	143	-
Current portion of non-current loans and borrowings		
Other current loans and borrowings	44,497	93,979
Current financial debt	**44,640**	**93,979**
Net current financial position	**(231,520)**	**(160,251)**
Non-current bank loans and borrowings		
Loans and borrowings from other financial backers - non-current		
Bonds issued		
Other non-current financial liabilities		
Non-current financial debt (position)	**-**	**-**
Net financial position	**(231,520)**	**(160,251)**

There is no collateral on the company's assets.

21. PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT LIABILITIES

(€'000)	**Disputes with employees**	**Completed contracts**	**Taxation**	**Other**	**Total**
At 31 December 2016	**742**	**406**	**0**	**957**	**2,105**
Broken down as follows:					
Current	742	406	-	957	2,105
Non-current	-	-	-	-	-
	742	**406**	**-**	**957**	**2,105**
At 1 January 2017	**742**	**406**	**-**	**957**	**2,105**
Accruals	1,629	340	-	-	1,969
Utilisation	71	81	-	61	213
Reversals	-	-	-	-	-
Other changes	-	-	-	-	-
At 31 December 2017	**2,300**	**665**	**-**	**896**	**3,860**
Broken down as follows:					
Current	2,300	665	-	896	3,860
Non-current	-	-	-	-	-
	2,300	**665**	**-**	**896**	**3,860**

At 31 December 2017, the provision for risks and charges reflects probable and quantifiable risks in accordance with relevant accounting standards.

It amounts to €3,860 thousand (31 December 2016: €2,105 thousand). Specifically:

- the provision for disputes with employees reflects the assessment of disputes with a probably unfavourable outcome for the company. In 2017, €71 thousand of this provision was used for disputes that were resolved during the year; no amounts were absorbed and it contains an accrual (€1,629 thousand) for the estimation of new situations that arose in the year;
- the provision for completed contracts was accrued in respect of contractually mandatory obligations to update product technologies and documentation and implement changes to equipment and facilities related to completed contracts. In 2017, this provision was used for €81 thousand, accruing €340 thousand;
- other provisions cover minor disputes currently underway (€896 thousand). €61 thousand was used to settle minor disputes.

22. EMPLOYEE BENEFITS

Italian post-employment benefits can be analysed as follows:

	Italian post-employment benefits	
(€'000)	***31 December 2017***	***31 December 2016***
Current service costs	657	519
	-	-
Personnel expense	**657**	**519**
Interest expense	275	268
Total	**932**	**787**

Pursuant to article 2120 of the Italian Civil Code, Italian post-employment benefits provide for the payment of the amount accrued by employees until the date they leave the company.

Italian Law no. 296 (2007 Finance act) of 27 December 2006 and the subsequent decrees and regulations issued in early 2007 as part of the reform of supplementary pensions, considerably changed the structure of Italian post-employment benefits and for companies with more than 50 employees, post-employment benefits accrued after the date of the reform must be transferred to supplementary pension schemes or the Treasury funds managed by INPS (the Italian social security institute).

The tables below show changes in the Italian post-employment benefits and the amounts recognised in profit or loss:

(€'000)	***31 December 2017***	***31 December 2016***
Opening balance	**18,294**	**17,948**
Current service costs	657	519
Interest expense	275	268
Actuarial losses (gains) taken to equity	938	37
of which:		
Actuarial gains (losses) taken to equity following changes to demographic assumptions		
Actuarial gains (losses) taken to equity following changes to financial assumptions	630	62
Actuarial gains (losses) taken to equity following experience-based adjustments	308	(25)
Other changes		
Benefits paid	(666)	(478)
Intragroup transfers		
Other changes		
Closing balance	**19,498**	**18,294**

The following main actuarial assumptions were used in measuring Italian post-employment benefits at year end:

	Italian post-employment benefits	
	31 December 2017	*31 December 2016*
Discount rate	1.22%	1.56%
Salary increase rate	N.A.	N.A.
Turnover rate	2.09% - 5.69%	2.09% - 5.69%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the company's obligation:

	Italian post-employment benefits	
	-0.25%	*0.25%*
Discount rate (p.a.)	19,901	19,117
Inflation rate	19,207	19,796
Annual turnover rate	19,515	19,481

The average term of the Italian post-employment benefits is 14 years.

23. OTHER CURRENT AND NON-CURRENT LIABILITIES

	Non-current		Current	
(€'000)	*31 December 2017*	*31 December 2016*	*31 December 2017*	*31 December 2016*
Employees	3,553	3,509	16,697	19,667
Supplementary pension schemes and INPS Treasury fund	-	-	1,319	1,716
Social security institutions	-	-	8,790	9,671
R&D grants	-	-	14,664	10,601
Other tax liabilities	-	-	5,817	4,042
Deferred income	-	-	-	-
Other	-	-	16,066	16,964
Total other current and non-current third party liabilities	**3,553**	**3,509**	**63,353**	**62,661**
Total other related party liabilities	-	-	410	410
Total	**3,553**	**3,509**	**63,763**	**63,071**

Other non-current liabilities relate to other long-term benefits (employees' jubilee bonuses).

The following main actuarial assumptions were used in measurements at year end:

	Long-term benefits	
	31 December 2017	*31 December 2016*
Discount rate (p.a.)	1.22%	1.56%
Salary increase rate	2.47% - 3.58%	2.47% - 3.58%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%

Other current liabilities amount to €63,763 thousand, compared to €63,071 thousand at 31 December 2016. The increase (€692 thousand) is mainly due to the increase in payables for R&D grants relating to advances collected on research projects only partially offset by the reduction in payables to employees.

Other includes the residual unpaid 62% of the subscribed share capital of Metro C S.c.p.A. at 31 December 2017 (€12,950 thousand).

Other tax liabilities of €5,817 thousand mainly relate to withholding taxes on employees' remuneration to be paid as withholding agent.

24. TRADE PAYABLES

(€'000)	*31 December 2017*	*31 December 2016*
Trade payables	300,273	358,277
Total trade payables	**300,273**	**358,277**
Related party trade payables	52,269	40,389
Total	**352,542**	**398,666**

The nominal value of trade and financial receivables corresponds to their fair value.

The total value of trade payables came to €352,542 thousand (31 December 2016: €398,666 thousand).

The variation is composed of the decrease in third party trade payables (€58,004 thousand) and the increase in related party liabilities (€11,880 thousand).

Details regarding the increase in related party liabilities are provided in note 10.

As in 2016, no maturity factoring transactions were completed during the year.
This tool enables the company's suppliers to carry out factoring transactions which entail the transfer and collection of amounts due from the company for the supply of goods and/or services, allowing the company to further extend settlement of trade payables, bearing the related interest.

25. LEASES, GUARANTEES AND OTHER COMMITMENTS

Leases

The company has certain operating leases mainly for use of properties and cars. Minimum future commitments related to operating leases amount to €3,483 thousand for properties (31 December 2016: €4,505 thousand) and €2,680 thousand (31 December 2016: €3.946 thousand) for the renewal of car lease agreements.

They may be analysed as follows:

(€'000)	*31 December 2017*		*31 December 2016*	
	Operating leases	**Finance leases**	**Operating leases**	**Finance leases**
Within one year	1,784	-	2,059	-
Between two and five years	4,379	-	6,392	-
After five years	-	-	-	-
Total	**6,163**	**-**	**8,451**	**-**

Reference should be made to note 29 for detailed information about the amounts recognised in profit or loss in respect of operating leases of properties and cars.
Operating leases of properties mainly relate to the Naples offices and were entered into with the related company Hitachi Rail Italy S.p.A., as the lessor.

The property houses the company's administrative and branch offices. Car leases, which usually have a five-year term, provide for price revisions based on the consumer price index, motor third-party insurance increases, car registration tax increases and price increases as per car manufacturers' official price lists.

Guarantees and other commitments

The company had the following guarantees at 31 December 2017:

(€'000)	**2017**	**2016**
Sureties issued by Hitachi Ltd to ASTS customers	813,348	1,468,018
Sureties issued by ASTS and banks and insurance companies to third party customers on behalf of subsidiaries	1,133,904	1,138,534
Sureties issued by banks and insurance companies to third party customers	1,458,679	1,350,740
Subtotal	**3,405,931**	**3,957,292**
Guarantees received	788,448	687,084
Guarantees received from related parties	1,083,696	749,896
Subtotal	**1,872,144**	**1,436,980**
Total	**5,278,075**	**5,394,272**

Guarantees given total €3,405,931 thousand (31 December 2016: €3,957,292 thousand). They are mainly comprised of bank/insurance and company sureties given to Italian and foreign customers to guarantee participation in tenders, proper fulfilment of contracts and orders, advances and early payments of guarantees received from customers.

At 31 December 2017, the company has parent company guarantees issued by the parent Hitachi Ltd (€813,348 thousand) to foreign customers as part of commercial contracts stipulated by the company and insurance guarantees granted on credit lines of the company and counter-guaranteed by the parent for €296,828 thousand relating to the Honolulu project and the Baltimore project. Sureties issued by ASTS, banks and insurance companies to third party customers on behalf of subsidiaries amount to €1,133,904 thousand and are comprised as follows:

- €618,005 thousand related to parent company guarantees and bank guarantees against the company's credit lines, given in favour of foreign customers on behalf of the subsidiaries;
- €515,899 thousand related to counter guarantees for the use of the company's credit lines, given in favour of subsidiaries.

Sureties issued by banks and insurance companies to third parties (€1,458,679 at 31 December 2017) include the counter guarantees given in favour of banks for the relevant portion of sureties in relation to participation in consortia and joint arrangements of €97,599 thousand.

Guarantees received by the company total €1,872,144 thousand (31 December 2016: €1,436,980 thousand). They can be analysed as follows:

- €788,448 thousand related to guarantees received from the company's suppliers or subcontractors for the proper fulfilment of tenders and orders, advances and retentions paid by the company;
- €1,083,696 thousand related to company guarantees given by subsidiaries and related parties.

During the year, the company carried out direct negotiations with banks and insurance companies to obtain new credit lines of approximately €863,000 thousand. Part of this amount may be used for Ansaldo STS group companies. The company has available bank overdrafts of €125,000 thousand at year end.

Purchase and sale commitments

At 31 December 2017, the following purchase and sale commitments were in place:

(€'000)	**2017**	**2016**
Third party customers order backlog	4,588,899	4,537,911
Related party customers order backlog	524,607	518,738
Third party suppliers order backlog	1,354,748	1,218,090
Related party suppliers order backlog	273,637	254,992
Total	**6,741,891**	**6,529,731**

These amounts include commitments to purchase property, plant and equipment and intangible assets of €2,568 thousand and €173 thousand, respectively.

26. IMPACT OF RELATED PARTY TRANSACTIONS ON PROFIT OR LOSS

The impact of related party transactions on profit or loss for 2017 and 2016 is shown below:

(€000) AT 31 DECEMBER 2017	Revenue	Other operating income	Costs	Recovery of costs	Other operating expense	Financial income	Financial expense
Ultimate parents							
Hitachi Rail Europe LTD	-	-	8	-	-	-	-
Hitachi Ltd (Rail)	786	-	504	-	-	-	-
Associates							
S.P. M4 S.c.p.a.	-	-	32	-	-	-	-
M4 S.p.A.	-	-	157	-	-	10	-
Metro 5 S.p.A.	1,696	1,332	44	-	-	-	-
Hitachi Rail Italy S.p.A.	9,160	-	31,027	-	-	-	-
MetroBrescia S.r.l.	225	12	-	-	-	-	-
Hitachi High-Technologies Europe GmbH	386	-	-	-	-	-	-
Hitachi System CBT S.p.A.	-	-	1,659	-	-	-	-
Metro Service AS	6,432	-	52,227	-	-	-	-
I.M. Intermetro S.p.A.	8	-	-	-	-	-	-
Pegaso S.c.r.l. (in liquidation)	-	-	258	-	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	161	768	1,912	68	-	-	-
Ansaldo STS Australia PTY Ltd.	7,065	1,653	850	108	-	-	168
Ansaldo STS UK Ltd.	318	1	24	22	-	1,150	-
Ansaldo STS Sweden AB	(502)	283	44	65	-	34	873
Ansaldo STS Deutschland GmbH	1,286	-	219	-	-	-	-
Ansaldo STS France S.A.	11,929	3,233	21,775	380	-	30,000	-
Ansaldo STS Espana S.A.U.	1,085	-	45	44	-	-	-
Ansaldo STS USA Inc.	1,895	3,436	6,835	707	-	8	119
Ansaldo STS USA International CO.	-	-	7,865	-	-	-	-
Ansaldo STS Malaysia SDN BHD	119	-	568	39	-	408	-
Ansaldo Railway System Trading (Beijing) Ltd	1,016	-	645	66	-	6,522	-
Alifana Due S.c.a.r.l.	294	14	795	1	-	-	-
Alifana S.c.r.l.	755	-	52	-	-	-	-
Consortia							
Saturno consortium	15,029	39	1,184	147	-	-	-
San Giorgio Volla Due consortium	186	-	219	-	-	-	-
MM4 consortium	22,803	90	341	22	-	-	-
San Giorgio Volla consortium	(7)	-	4	-	-	-	-
CRIS consortium	-	-	3	-	-	-	-
Ascosa Quattro consortium	5,104	-	836	-	-	-	-
Ferroviario Vesuviano consortium	2,026	-	282	-	-	-	-
Total	**89,255**	**10,861**	**130,415**	**1,669**	-	**38,131**	**1,159**
% of the total corresponding financial statements caption	**11%**	**55%**	**20%**		**0.0%**	**74%**	**7%**

(€'000) AT 31 DECEMBER 2016	Revenue	Other operating income	Costs	Recovery of costs	Other operating expense	Financial income	Financial expense
Ultimate parents							
Hitachi Rail Europe LTD	-	-	4	11	-	-	-
Hitachi Ltd (Rail)	492	-	563	-	-	-	-
Associates							
International Metro Service S.r.l.	(76)	6	-	-	4	1,568	-
S.P. M4 S.c.p.a.	-	-	33	-	-	-	-
Metro 5 S.p.A.	12,979	1,277	110	-	-	-	-
Hitachi Rail Italy S.p.A.	11,951		28,055	16	-	-	-
MetroBrescia S.r.l.	345	16	9	-	-	-	-
Hitachi High-Technologies Europe GmbH	101	-	-	-	-	-	-
Hitachi Rail Espana SAU	-	-	-	-	-	-	-
Metro Service AS	6,283	-	32,797	-	-	-	-
I.M. Intermetro S.p.A. (in liquidation)	1	-	-	-	-	-	-
Pegaso S.c.r.l. (in liquidation)	-	-	209	-	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	580	700	1,850	57	-		
Ansaldo STS Australia PTY Ltd.	10,428	2,066	799	365	-	16,670	148
Ansaldo STS UK Ltd.	277	4	-	3	-	1,488	-
Ansaldo STS Sweden AB	3,186	473	12	63	-	26,156	-
Ansaldo STS Deutschland GmbH	2,505	-	2,461		-	-	-
Ansaldo STS France S.A.	5,294	3,942	23,428	385	-	55,000	-
Ansaldo STS Espana S.A.U.	2,933	-	198	42	-	-	-
Ansaldo STS USA Inc.	762	3,539	12,414	349	-	-	67
Ansaldo STS Canada Inc	-	-	4	-	-	-	-
Ansaldo STS USA International CO.	-	-	9,826	-	-	-	-
Ansaldo STS Malaysia SDN BHD	-	-	1,273	11	-	341	-
Ansaldo Railway System Trading (Beijing) Ltd	3,225	-	286	48	-	13,266	-
Alifana Due S.c.a.r.l.	137	-	260	-	-	-	-
Alifana S.c.r.l.	25	-	94	-	-	-	-
KazakhstanTz-AnsaldoSTS Italy LLP	107	-	-	-	-	-	55
Consortia							
Saturno consortium	34,809	-	1,697	14	-	-	-
San Giorgio Volla Due consortium	2,877	-	197	-	-	-	-
MM4 consortium	22,467	-	912	34	-	-	-
San Giorgio Volla consortium	(5)	-	4	-	-	-	-
Ascosa Quattro consortium	59	-	-	-	-	-	-
Ferroviario Vesuviano consortium	592	-	78		-	-	-
Total	**122,334**	**12,023**	**117,571**	**1,397**	**4**	**114,490**	**270**
% of the total corresponding financial statements caption	**15%**	**66%**	**18%**		**0.1%**	**96%**	**1%**

Revenue with related parties (€89,255 thousand) decreased compared to the previous year by €33,079 thousand (from €122,334 thousand at 31 December 2016 to €89,255 thousand at 31 December 2017) following the closure of some contracts.

The expense increased by €12,572 thousand, from €116,174 thousand in 2016 to €128,746 thousand in 2017.

Other operating income mainly related to services (€8,385 thousand) provided to other group companies under the general service agreement.

Related party income and expense can be analysed as follows:

- for (€30,000 thousand) to the dividend distributed by the subsidiary Ansaldo STS France S.A. (€55,000 thousand in 2016), €6,522 thousand to the dividend of the subsidiary ASTS Railway System Trading (Beijing) Ltd. (€13,266 thousand in 2016) and for €10 thousand to the dividend of the associate Sp M4 S.c.p.A. following liquidation. Lastly, it should be noted that dividends were also distributed in 2016 by the subsidiary ASTS STS Sweden amounting to €26,156 thousand and by Ansaldo STS Australia PTY totalling €16,670 thousand;

- €1,050 thousand for the revaluation of the joint current account with Ansaldo STS UK Limited due to the transfer of the allowance for impairment recognised in previous years;
- €549 thousand for interest income on the joint current accounts with subsidiaries which had a debit position during the year;
- €1,159 thousand relating to interest expense on the joint current accounts with the subsidiaries Ansaldo STS Australia (€168 thousand) and Ansaldo STS USA Inc. (€119 thousand) which, during the year, had credit positions with the company and, for €873 thousand to Ansaldo STS Sweden for the portion of interest pertaining to the ultimate parent for interest paid and allocated in relation to the dispute with the Swedish customer AB Storstockholms Lokaltrafik.

27. REVENUE

(€'000)	**31 December 2017**	**31 December 2016**
Sales - third parties	728,806	504,914
Sales - related parties	204,801	29,922
Total revenue from sales	**933,607**	**534,836**
Services - third parties	45,391	33,969
Services - related parties	22,985	28,495
Total revenue from services	**68,376**	**62,464**
Change in work in progress - third parties	(38,640)	168,774
Change in work in progress - related parties	(138,530)	63,918
Total change in work in progress	**(177,170)**	**232,692**
Total revenue	**824,813**	**829,992**

Total revenue amounted to €824,813 thousand at 31 December 2017, compared to €829,992 thousand at 31 December 2016, marking a slight decrease of €5,179 thousand. The main volumes concern the progress of the activities of the metro contracts in Denmark, Saudi Arabia, Honolulu, Lima and Taipei.

Italian and foreign production amounted to €274,828 thousand (31 December 2016: €307,683 thousand) and €549,985 thousand (31 December 2016: €522,309 thousand), respectively.

During the year, revenue of €292,511 thousand (€39,655 thousand at 31 December 2016) was recognised, mainly relating to projects falling under the settlement agreements with Ente Autonomo Volturno, the Bologna-Florence high-speed section and other projects abroad.

28. OTHER OPERATING INCOME AND EXPENSE

	31 December 2017		*31 December 2016*	
(€'000)	**Revenue**	**Costs**	**Revenue**	**Costs**
R&D grants	2,334	-	1,898	-
Tax credit on R&D costs	-	-	-	-
Gains on sales of property, plant and equipment and intangible assets	-	-	-	-
Accruals/Reversals of provisions for risks and charges	-	340	-	100
Accruals for expected losses	-	(2,187)	-	586
Royalties	166		292	-
Net exchange rate gains	40	337	403	512
Prior year items	697	72	228	98
Insurance compensation	-	-	-	-
Restructuring costs	-	-	-	-
Indirect taxes	-	861	-	790
Interest on trade receivables/payables	5,467	1,673	1,900	1,347
Other net operating income	332	1,072	1,584	767
Total other third party operating income	**9,036**	**2,168**	**6,305**	**4,200**
Total other related party operating income	10,861	-	12,023	4
Total	**19,897**	**2,168**	**18,328**	**4,204**

Other third party operating income amounts to €9,036 thousand (31 December 2016: €6,305 thousand), up by €2,731 thousand on the previous year.

This caption is mainly comprised as follows:

- R&D grants of €2,334 thousand (31 December 2016: €1,898 thousand). For additional information about the amount and a breakdown of the research and development expense recognised in profit or loss, reference should be made to the relevant section of the directors' report;
- operating interest on trade receivables of €5,467 thousand (31 December 2016: €1,900 thousand);
- prior year debit items of €697 thousand (31 December 2016: €228 thousand);

- royalties on hardware licences of €166 thousand (31 December 2016: €292 thousand);
- exchange rate gains on operative items of €40 thousand (31 December 2016: €403 thousand).

Other third party operating expense amounts to €2,168 thousand (31 December 2016: €4,200 thousand). It is comprised of operating interest on trade payables of €1,673 thousand, other operating expense of €1,072 thousand, indirect taxes of €861 thousand, exchange rate losses on operative items of €337 thousand, accruals to the provisions for risks and charges of €340 thousand, inexistence of prior year debit/credit items of €72 thousand and uses for losses to complete contracts of €2,187 thousand. The €2,032 thousand decrease in other third party operating expense in the two periods being compared is mainly due to the higher use of the provision for expected losses to complete contracts with respect to accruals.

Other operating expense of €1,072 thousand relates to membership fees of €501 thousand, donations of €102 thousand, gifts and entertainment expenses of €212 thousand and sundry expenses of €258 thousand.

For a breakdown of other revenue and related party operating expense, reference should be made to note 26 on related parties and the directors' report ("Management and coordination and related party transactions" section).

29. PURCHASES AND SERVICES

(€'000)	31 December 2017	31 December 2016
Materials from third parties	252,066	226,262
Change in raw materials	(236)	356
Total purchases from third parties	**251,830**	**226,618**
Purchases from related parties	46,356	49,116
Total purchases	**298,186**	**275,734**
Services from third parties	245,901	280,775
Rentals and operating leases	4,522	4,522
Hire expense	3,668	4,328
Total services from third parties	**254,091**	**289,625**
Services from related parties	82,391	67,058
Total services	**336,482**	**356,684**
Total	**634,668**	**632,418**

Total purchases and services for (€634,668 thousand) are virtually in line with those of the previous year, registering an increase of €2,250 thousand.

Purchases of raw materials, consumables, supplies and goods amounted to €298,186 thousand (31 December 2016: €275,734 thousand), up €22,452 thousand.

Services amounted to €336,482 thousand (31 December 2016: €356,684 thousand), down by €20,202 thousand.

Rentals and operating leases mainly relate to long-term rentals of company cars, software licences and the lease of the premises housing the Naples offices.

For a breakdown of costs for purchases and services from related parties, reference should be made to note 29 on related parties and the directors' report ("Management and coordination and related party transactions" section).

30. PERSONNEL EXPENSE

(€'000)	**31 December 2017**	**31 December 2016**
Wages and salaries	109,311	103,977
Stock grant plans	1,165	3,933
Social security and pension contributions	27,380	27,340
Italian post-employment benefits	657	519
Other defined benefit plans	44	(12)
Defined contribution plans	3,695	4,363
Disputes with personnel	1,629	255
Restructuring costs	-	-
Recharge of personnel expense	(1,566)	(982)
Other costs	1,559	4,671
Total personnel expense	**143,874**	**144,064**

Personnel expense amounted to €143,874 thousand (31 December 2016: €144,064 thousand).

The total value is virtually in line with the previous year. In summary, the increase in the item 'wages and salaries', as a result of the higher average headcount, was more than offset by the reduction in the item 'other costs'; it should be noted that, in 2016, said item included the recognition of costs related to transactions with the company's strategic personnel.

The recharge of personnel expense relates to personnel seconded to "related" companies mainly for: €1,088 thousand related to Ansaldo STS group companies, €104 thousand to MM4 consortium, €360 thousand to the Saturno consortium and €14 thousand to secondments to third party companies.

The headcount at 31 December 2017 numbered 1,774, compared to 1,616 employees in the previous year.

The table below shows employees by category and average number:

	31 December 2017	31 December 2016
Managers	59	60
Junior managers	333	318
White collars	1,337	1,193
Blue collars	45	45
Total	**1,774**	**1,616**

On 24 March 2017, the Board of Directors, based of the proposal of the remuneration committee of 23 March 2017, which was subsequently passed by the shareholders on 11 May 2017, approved a three-year stock grant plan, addressed to the CEO, key managers and other executives (or equivalent categories) of Ansaldo STS considered key resources by the Company. The objectives of the Plan are the same as those of the previous 2014-2016 Plan (EVA, FOCF and share performance compared to the FTSE Italia All-Share index).

Like the previous plan, the 2017-2019 stock grant plan complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011, and confirms:

- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

The stock grant plan cost is recognised on an accruals basis in the reporting period in which the services are rendered. The amount therefore relates to the portion pertaining to the year of the shares related to the 2017 vesting conditions (as per the 2017-2019 plan), which will be delivered considering the three-year vesting conditions.

The cost is determined on the basis of the number of shares to be assigned and their fair value.

In accordance with IFRS 2 “Share-based payment” and IFRIC 11 “Group and treasury share transactions” and their current interpretations, the cost for the stock grant plan for 2017, equal to €1,165 thousand (2016: €3,933 thousand), was recognised with a balancing entry in an equity reserve.

31. CHANGES IN FINISHED GOODS, WORK-IN-PROGRESS AND SEMI-FINISHED PRODUCTS

(€'000)	31 December 2017	31 December 2016
Changes in finished goods, work-in-progress and semi-finished products	**(1,352)**	**620**

This item recorded a decrease of €1,972 thousand, from a positive €620 thousand at 31 December 2016 to a negative €1,352 thousand in 31 December 2017.

32. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(€'000)	*31 December 2017*	*31 December 2016*
Amortisation and depreciation:		
- intangible assets	4,273	6,180
- property, plant and equipment	5,550	4,742
	9,823	**10,922**
Impairment losses:		
- current loans and receivables	2,825	1,325
- other property, plant and equipment and intangible assets	-	-
	2,825	**1,325**
Total amortisation, depreciation and impairment losses	**12,648**	**12,247**

Amortisation and depreciation amounted to €9,823 thousand, up by €1,099 thousand on 2016. Specifically, €4,273 thousand relates to intangible assets and €5,550 thousand to property, plant and equipment. The balance is shown net of deferred income of €4 thousand for grants related to assets (Italian Law no. 488/92) and for the satellite project (€1,173 thousand).

The impairment of current loans and receivables amounted to €2,825 thousand, up by €1,500 thousand compared to 2016.

33. INTERNAL WORK CAPITALISED

In 2017, this caption amounted to €2,867 thousand (31 December 2016: €4,700 thousand).
The "Satellite and Rail Telecom" project to develop satellite technologies for new railway signalling systems began in 2012. Costs incurred during the year amount to €1,936 thousand. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

34. NET FINANCIAL INCOME/(EXPENSE)

	31 December 2017			*31 December 2016*		
(€'000)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Interest	412	200	212	58	7,722	(7,663)
Interest on Italian post-employment benefits		275	(275)	-	268	(268)
Net exchange rate losses	4,599	5,229	(630)	2,122	4,789	(2,667)
Fair value gains and losses	4,639	3,936	703	4,198	2,966	1,233
Cash flow gains and losses	4,024	5,712	(1,688)	229	3,234	(3,005)
Other financial expense	-	689	(689)	-	593	(593)
Total net financial expense	**13,675**	**16,041**	**(2,367)**	**6,608**	**19,572**	**(12,964)**
Dividends	36,532	-	36,532	112,660	-	112,660
Impairment loss on investment	1,050	-	1,050	1,367	55	1,312
Interest and other financial income/(expense)	549	1,159	(611)	463	215	247
Net related party financial income	**38,131**	**1,159**	**36,972**	**114,490**	**270**	**114,219**
Total	**51,806**	**17,201**	**34,605**	**121,098**	**19,842**	**101,255**

Net financial income and expense fell considerably compared to the previous year, with a positive balance at 31 December 2017 of €34,605 thousand compared to a positive balance of €101,255 thousand 31 December 2016. Related party income and expense refers primarily to the distribution of dividends by some subsidiaries and associates.

Third party income and expense can be analysed as follows:

- interest income on current accounts for €412 thousand (31 December 2016: €58 thousand) and interest expense on current accounts of €200 thousand (31 December 2016: €52 thousand). Interest expense in 2016 included €7,670 thousand relating to the interest paid to the Russian customer following the conclusion of the arbitration on the Libyan contract.

- interest expense on Italian post-employment benefits of €275 thousand (31 December 2016: €268 thousand) arising from the actuarial calculation carried out in accordance with IAS 19;
- exchange rate gains of €4,639 thousand (31 December 2016: €4,198 thousand) and exchange rate losses of €3,936 thousand (31 December 2016: €2,966 thousand) which relate to currency risk hedging transactions using fair value hedges;
- exchange rate gains/losses from the translation of current account balances in foreign currency using closing rates: positive effects on the 2016 profit and loss account of €4,599 thousand (31 December 2016: €2,122 thousand) and negative effects of €5,229 thousand (31 December 2016: €4,789 thousand);
- income from exchange rate gains €4,024 thousand (€229 thousand at 31 December 2016) and exchange losses of €5,712 thousand (€3,234 thousand at 31 December 2016), for exchange gains and losses and the associated costs arising from currency risk hedging transactions using cash flow hedges;
- income for €549 thousand related to interests coming from internal current accounts maintained with subsidiaries that, during the year, have had credit positions;
- expenses for €1,159 thousand related to interests coming from internal current accounts managed with the subsidiaries Ansaldo STS Australia (€168 thousand) and Ansaldo STS USA Inc. (€119 thousand) that, during the year, have had debit positions with parent company and €873 thousand for Ansaldo STS Sweden for the interests related to the parent company paid and accrued for the litigation with the Swedish customer AB Storstockholms Lokaltrafik;
- finally, sundry financial expense of €689 thousand related essentially to banking fees and commissions (€593 thousand at 31 December 2016).

35. INCOME TAXES

Income taxes amounted to €15,482 thousand in the year. They are analysed as follows:

(€'000)	**31 December 2017**	**31 December 2016**
IRES	12,680	12,663
IRAP	1,934	2,134
Income from consolidation		
Other foreign taxes		
Prior year taxes	1,830	220
Provisions for tax risks	-	-
Net deferred tax (income) expense	(962)	1,089
Total	**15,482**	**16,106**

The difference between the theoretical and effective tax rates is analysed below:

(€'000)	31 December 17			31 December 16		
	Taxable amounts	Income taxes	%	Taxable amounts	Income taxes	%
Pre-tax profit	**87,471**			**161,963**		
Taxes calculated at ruling tax rates		20,993	24.00%		44,540	27.50%
Deferred tax assets recoverable during the year						
Permanent differences						
- non-deductible expense	3,411	819	0.94%	1,850	509	0.31%
- tax-exempt dividends (95%)	(34,705)	(8,329)	-9.52%	(107,027)	(29,432)	-18.17%
- tax benefit (ACE - aid for economic growth)	(3,992)	(958)	-1.10%	(4,922)	(1,354)	-0.84%
- IRAP deduction - personnel expense	(1,597)	(383)	-0.44%	(1,316)	(362)	-0.22%
- tax-exempt income	(1,825)	(438)	-0.50%	(1,367)	(376)	-0.23%
Profit net of permanent differences	**48,763**	**11,703**	**13.38%**	**49,181**	**13,525**	**8.35%**
Effective IRES recognised in profit or loss and effective tax rate		**11,703**	**13.38%**		**13,525**	**8.35%**
IRAP		1,949	2.23%		2,310	1.43%
Prior year taxes		1,830	2.09%		220	0.14%
Adjustment to new nominal rates			0.00%		51	0.03%
Total effective taxes recognised in profit or loss and related rate		**15,482**	**17.70%**		**16,106**	**9.94%**

The tax rate was 17.70% at 31 December 2017 compared to 9.94% in 2016. The increase of around 7.76% was due mainly to the effect of the dividends collected in 2017 totalling €36,532 thousand, compared to €112,660 thousand in 2016, taxable for IRES purposes only to the extent of 5%; in fact, net of said item, the tax rate in 2017 is essentially in line with that of 2016.

The following table shows the breakdown of temporary differences and related balances:

Euro/000	31/12/2017						31/12/2016				
	Temporary differences	Tax rate	Deferred tax assets / liabilities	Equity effect	Reclassification	Financial effect (+ income/- expenses), net of reclassification	Temporary differences	Tax rate	Deferred tax assets / liabilities	Reclassification / Equity effect	Financial effect (+ income/- expenses), net of reclassification
Deferred tax assets											
Write downs of work in progress	21.550	24,00%	5.172	-	-	780	18.300	24,00%	4.392	-	(924)
Write downs of work in progress (only IRAP)	21.550	4,34%	935	-	-	141	18.300	4,34%	794	-	(167)
Write downs of inventories (IRES)	1.504	24,00%	361	-	-	168	806	24,00%	193	-	(100)
Provision for risks and charges (only IRES)	3.209	24,00%	770	-	-	362	1.699	24,00%	408	-	41
Provision for completed contracts and warranty provisions (IRES/IRAP)	665	28,34%	188	-	-	73	406	28,34%	115	-	3
Non-deductible amortization / depreciation (IRES/IRAP)	1.269	28,34%	360	-	-	24	1.185	28,34%	336	-	(3)
Non-deductible amortization / depreciation (IRES)	94	24,00%	23	-	-	-	94	24,00%	23	-	27
Translation differences - branch	443	24,00%	106	-	-	-	443	24,00%	106	-	-
Costs deductible in subsequent years (IRES/IRAP) - over 2016	-	28,34%	0	-	-	(1)	4	28,34%	1	-	(10)
Loss-making contracts (IRES)	10.638	24,00%	2.553	-	-	(525)	12.826	24,00%	3.078	-	13
Loss-making contracts (IRAP)	10.638	4,34%	462	-	-	(95)	12.826	4,34%	557	-	25
Goodwill amortization (IRES/IRAP)	1.244	28,34%	353	-	-	(235)	2.073	28,34%	587	-	(264)
Misalignment framework EC - EX ATSF (IRAP)	1.658	4,34%	72	-	-	-	1.658	4,34%	72	-	-
Non-deductible italian post-retirement benefits	1.579	24,00%	379	-	-	78	1.255	24,00%	301	-	21
Allowance for bad debts	2.691	24,00%	646	-	-	-	2.691	24,00%	646	-	-
Exchange rate losses	157	24,00%	38	-	-	(10)	-	24,00%	-	-	(11)
Allowance for impairment for interests in arrear	6.436	24,00%	1.545	-	-	(1.616)	13.171	24,00%	3.161	-	363
Interests in arrear	9.703	24,00%	2.329	-	-	392	8.071	24,00%	1.937	-	164
Deductible costs in subsequent years (IRES)	737	24,00%	177	-	-	6	714	24,00%	171	-	10
Net equity effect on traslation difference branch	12.260	24,00%	2.942	2.942	-	-	-	24,00%	-	-	-
Cash flow hedge reserve	2.647	24,00%	635	415	-	-	919	24,00%	221	221	-
Italian post-retirement benefits (IAS 19)	-	31,84%	0	265	-	(265)	-	31,84%	-	12	(12)
Others	4.743	24,00%	1.139	-	-	118	4.256	24,00%	1.021	102	305
Total	**115.415**		**21.184**	**3.622**	**0**	**-607**	**101.697**		**18.121**	**335**	**-519**
	Temporary differences	Tax rate	Deferred tax assets / liabilities	Equity effect	Reclassification	Financial effect (+ income/- expenses), net of reclassification	Temporary differences	Tax rate	Deferred tax assets / liabilities	Reclassification / Equity effect	Financial effect (+ income/- expenses), net of reclassification
Deferred tax liabilities											
Research grants (IRES/IRAP)	41	28,34%	12	-	-	-	41	28,34%	12	-	-
Research grants (IRES)	5.110	24,00%	1.226	-	-	(953)	9.080	24,00%	2.179	102	(39)
Allowance for bad debts (EC framework)	2.106	24,00%	505	-	-	-	2.106	24,00%	505	-	-
Uncollecte interests for arrear	19.325	24,00%	4.638	-	-	(519)	21.486	24,00%	5.157	-	446
Italian post-employment benfits (IAS 19)	-	27,50%	-	-	-	-	-	27,50%	-	-	-
Translation differences branch	91	24,00%	22	-	-	-	91	24,00%	22	-	-
Net equity effect on traslation difference branch	-	24,00%	-	(1.014)	-	-	4.227	24,00%	1.014	(116)	-
Cash flow hedge reserve	-	27,50%	-	-	-	-	-	27,50%	-	(58)	-
Margin on projects below 12 months	926	24,00%	222	-	-	(107)	1.372	24,00%	329	-	168
Exchange rate gains	156	24,00%	37	-	-	11	-	24,00%	-	-	(5)
Total	**27.755**		**6.663**	**-1.014**	**0**	**-1.569**	**38.403**		**9.218**	**-72**	**570**

The IRES and IRAP rates used for deferred taxes are those estimated when temporary differences will reverse. Specifically, for IRES purposes, deferred taxes were recognised at the new IRES rate in force starting in the tax period subsequent to 2016 (24%). The rate used for IRAP purposes is 4.34%.

The IRAP nominal rate rose by 3.9% as a consequence of the increase in the regions' health care deficit based on a local allocation (up 1.07% in Campania and 0.92% in Lazio).

Net deferred taxes recognised against equity arose from the allocation of actuarial gains/losses on Italian post-employment benefits to equity (deferred tax assets of €892 thousand against actuarial losses of €3,209 thousand) using the equity method as per IAS 19, and the hedging reserve (deferred tax liabilities of €636 thousand against an equity reserve of a negative €2,647 thousand) and the reserve for exchange rate gains or losses related to the branches (deferred tax assets of €2,943 thousand against net negative reserves of €12,260 thousand).

36. CASH FLOWS FROM OPERATING ACTIVITIES

(€'000)	*For 12 months at 31 December* **2017**	**2016**
Profit for the year	71,988	145,857
Amortisation, depreciation and impairment losses	12,648	12,247
Income taxes	15,482	16,105
Accruals to provisions	1,969	646
Italian post-employment benefits	657	519
Defined benefit plans and stock grant plans	1,209	3,922
Financial expense, net of impairment losses on equity investments measured at cost	(34,605)	(101,256)
Gross cash flows from operating activities	**69,348**	**78,040**

(€'000)	*For 12 months at 31 December* **2017**	**2016**
Inventories	15,471	363
Work in progress and progress payments and advances from customers	95,623	(26,596)
Trade receivables and payables	(75,200)	(4,375)
Changes in working capital	**35,894**	**(30,608)**

(€'000)	*For 12 months at 31 December* **2017**	**2016**
Payment of Italian and other post-employment benefits and stock grants	(2,367)	(478)
Accruals/Reversals of provisions for risks	(213)	(1,016)
Changes in other operating items	(56,182)	(13,547)
Total changes in other operating items and net financial expense and taxes paid	**(58,762)**	**(15,041)**

Gross cash flows from operating activities fell compared to 2016. With reference to the change in working capital, the cash arising from the progress of new contracts was only partially offset by changes in trade receivables and payables.

37. FINANCIAL RISK MANAGEMENT

The following disclosure about financial risks and financial instruments is given as required by IFRS 7 “Financial instruments: disclosures” and article 2428.2.6-bis of the Italian Civil Code.

The company’s operations expose it to the following financial risks:

- market risks, related to the company’s exposure to interest-bearing financial instruments (interest rate risks) and to operations in areas that use currencies other than the company’s functional currency (currency risk);
- 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 company specifically monitors each of these financial risks and acts promptly to minimise them via tailored risk management policies and hedging derivatives.

The potential impact of hypothetical fluctuations in the reference parameters on actual results is analysed below using sensitivity analyses. As set out in IFRS 7, these analyses are based on simplified scenarios applied to the actual figures of the reference years. However, because of their nature, they cannot be considered as indicators of the real effects of future changes in reference parameters when a different financial position and results of operations and different market conditions are considered. Moreover, they do not reflect the interrelations and complexities of the reference markets.

Interest rate risk

As described in the treasury management policy, the aim of interest rate risk management is to reduce the negative effects of interest rate fluctuations on the company’s financial position, results of operations and weighted average cost of capital.

Ansaldo STS manages interest rate risk to pursue the following objectives:

- stabilise the weighted average cost of capital;
- minimise and defer Ansaldo STS’s WACC from medium- to long-term. To reach this objective, interest rate risk management will focus on the effects of interest rates on both debt funding and equity funding;

- optimise the return on financial investments within a general risk/return trade-off;
- limit costs related to the implementation of interest rate management policies, including direct costs related to the use of specific instruments and indirect costs linked to the internal structure needed to manage the risk.

Thanks to the combined short-term management of assets and liabilities, the company's exposure to interest rate fluctuations in the long term is relatively neutral.
Again in 2017, the group managed this risk without the use of derivatives.

Cash flows from operations are deposited in a current account held with the parent, setting up from time to time short-term time deposits, not more than three months, for amounts in excess of operating requirements, which are remunerated with higher interest rates. The company uses third party financial resources: specifically it applies for fixed-rate subsidised loans when the interest payable is lower than the interest receivable on available financial resources.

Sensitivity analysis of interest rates

Interest rate risks are measured using sensitivity analyses in accordance with IFRS 7. With respect to the liquidity bearing floating rates, assuming an increase or decrease of 50 basis points in interest rates at year end, profit for the year (gross of the tax effect) and equity would have been greater (smaller) by €1,449 thousand, respectively.

(€'000)	**31 December 2016**	**31 December 2017**		**31 December 2017**	**31 December 2017**
	Value at Floating Rate	Value at Floating Rate	Average	Assumption 1	Assumption 2
				50.00	-50.00
Non-current related party loans and receivables	22,534	19,285	20,909	105	(105)
Trade receivables	122,918	131,370	127,144	636	(636)
Assets at fair value	-	-	-	-	-
Third party loan assets	-	-	-	-	-
Related party loan assets	22,524	63,022	42,773	214	(214)
Derivative assets - CF Hedge	1,191	4,239	2,715	14	(14)
Derivative assets - FV hedges (no back-to-back)	101	382	241	1	(1)
Cash and cash equivalents	202,996	184,463	193,729	969	(969)
Assets	**372,263**	**402,762**	**387,513**	**1,938**	**(1,938)**

Third party trade payables	59,618	68,413	64,016	320	(320)
Third party financial liabilities	-	130	65	-	-
Related party financial liabilities	39,961	12,244	26,103	131	(131)
Derivative liabilities - CF Hedge	13,866	464	7,165	36	(36)
Derivative liabilities - FV Hedge (no back-to-back)	239	475	357	2	(2)
Liabilities	**113,684**	**81,726**	**97,705**	**488**	**(488)**
Total	**258,579**	**321,036**	**289,808**	**1,449**	**(1,449)**

Currency risk

As described in the above policy, the company manages currency risk by pursuing the following objectives:

- limit potential losses generated by unfavourable exchange rate fluctuations against the currencies used by Ansaldo STS and its subsidiaries. Losses are defined in cash flows rather than accounting terms;
- limiting forecast or actual costs related to the implementation of currency risk management policies.

Currency risk shall only be hedged if it has a material impact on cash flows, compared to the functional currency.

Costs and risks related to a hedging policy (hedge, no hedge or partial hedge) must be acceptable in both financial and commercial terms.

Currency risk may be hedged using the following tools:

- purchase and sale of currency forwards: these are the most commonly used cash flows hedges;
- currency/cross currency swaps: used in conjunction with currency forwards to dynamically hedge currency risks represented by the early or deferred impact of future cash flows in currencies other than the functional currency;
- funding/lending in foreign currency: used to mitigate the currency risk related to similar receivable and payable positions with banks or group companies.

The use of funding and lending in foreign currency as a hedging instrument shall only take place when consistent with the company's overall treasury management and financial position (both long- and short-term).
The purchase and sale of foreign currency is generally the hedge tool used when exotic currency markets are not sufficiently liquid or when it is the most cost effective method of hedging.

Currency risk hedging

There are three main types of currency risk:

1. Economic risk:
   - is the impact exchange rate fluctuations can have on capital budgeting decisions (investments, the location of production facilities and supply markets).
2. Transaction risk:
   - is the possibility that exchange rates may fluctuate between the time a commitment is undertaken to make future collections or payments in foreign currency (price list, budgets, orders preparation and invoicing) and when the actual collection or payment takes place, generating either exchange rate gains or losses.
3. Translation risk:
   - is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities when exchange rates adopted for consolidation purposes differ from one reporting period to the next.

The company hedges the transaction risk in line with the foreign exchange risk management policy, i.e., via the systematic hedge of cash flows generated by firm contractual commitments to buy and sell, in order to fix the exchange rates at the date the construction contracts are agreed, thereby neutralising the effects of exchange rate fluctuations.

Fair value hedges

These hedge fair value changes in a recognised asset or liability, an unrecognised firm commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.
The company hedges fair value gains or losses related to the currency risk on recognised assets and liabilities.

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

(local currency '000)	*Sell17*	*Buy17*	*31.12.2017*	*Sell16*	*Buy16*	*31.12.2016*
US dollar	206,323	37,996	244,319	246,276	25,820	272,096
GBP	19,376	-	19,376	18,426	-	18,426
Swedish krona	437,800	-	437,800	-	-	-
Australian dollar	-	18,800	18,800	-	9,900	9,900
United Arab Emirates dirham	50,000	-	50,000	50,000	-	50,000
Indian rupee	101,478	-	101,478	101,478	-	101,478
Total in €'000	251,026	43,933	294,959	269,497	31,277	300,774

The net fair value of the derivatives in place at 31 December 2017 was a positive €3,683 thousand (31 December 2016: a negative €12,814 thousand) and the notional values are reported in the previous table. Notional amounts are shown in the above table. The balance includes back-to-back contracts (see note 16).

During the year, new forward sale transactions of foreign currency took place against trade collections for the Glasgow project.

The currency risk relates to foreign currency receivables and payables and the balances of the company's permanent establishments.

Exchange rate gains and losses arise from the adoption of the local currency in preparing the financial position of permanent establishments. With the exception of a few cases, no hedging transactions were carried out with respect to the exchange rate differences related to foreign permanent establishments as the cost of the transaction would have exceeded the expected benefits.

Sensitivity analysis of exchange rates

For the purposes of the presentation of market risks, IFRS 7 requires a sensitivity analysis that shows the effects of the hypothetical changes in the most significant market variables on profit or loss and equity.

Currency risks arise from recognised financial instruments (including trade receivables and payables) or highly probable cash flows denominated in a currency other than the functional currency.

Since the US dollar is the primary foreign currency used by the company, a sensitivity analysis was performed on financial instruments denominated in US dollars in place at 31 December 2017, assuming a +(-) 5% appreciation (depreciation) of the euro against the US dollar.

This analysis showed that an appreciation or depreciation of the euro against the US dollar would have the following impact on the company's financial statements:

	31 December 2017		*31 December 2016*	
(€'000)	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar
Income statement	(5,361)	5,925	(4,268)	4,717

Liquidity risk

Liquidity risk can result in the inability to efficiently manage ordinary business and investment operations and to repay the amounts due at their expiry date.

The company has rolled out a series of tools to optimise treasury management with a view to the efficient management of cash and cash equivalents and to help its business grow. This was achieved by centralising the treasury function and an active presence on financial markets to obtain short- and medium-term credit lines. In this context, the company obtained short- and long-term non-revolving cash and unsecured credit lines to meet its needs and those of the group.

It had a net financial position of €231,520 thousand at 31 December 2017 (31 December 2016: €160,251 thousand).

Considering the positive net financial position, comprised of on-demand liquidity and current account overdrafts of €125,000 thousand at 31 December 2017, management believes the company can meet its needs for investing activities and working capital management and settle its payables on their expiry dates.

Liquidity analysis

(€'000) - 31 December 2017

A – Financial liabilities excluding derivatives	**Within one year**	**Between one and five years**	**After five years**
Non-current liabilities			
Third party loans and borrowings	-	-	-
Related party loans and borrowings	-	-	-
Other non-current liabilities	-	-	-
Current liabilities			
Related party trade payables	51,749	520	-
Third party trade payables	299,258	1,014	-
Related party loans and borrowings	44,227	-	-
Third party loans and borrowings	413	-	-
Other financial liabilities	-	-	-
Total A	**395,647**	**1,534**	**-**
B – Negative value of derivatives			
Hedging derivatives (including back-to-back derivatives)	7,309	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**7,309**	**-**	**-**
Total A + B	**402,956**	**1,534**	**-**

The following financial assets are recognised against financial liabilities for a total amount of €404,490 thousand:

C - Financial assets	
Securities held for trading	-
Cash-in-hand and cash and cash equivalents	184,463
Third party trade receivables	539,835
Related party trade receivables	95,296
Third party loan assets	28,443
Related party loan assets	63,254
Positive value of derivatives (including back-to-back)	10,992
TOTAL FINANCIAL ASSETS	**922,283**
D – Unsecured credit lines	**125,000**
TOTAL C + D	**1,047,283**
C+D-(A+B)	**642,792**

The company has a net credit position and has available liquidity to self-finance and does not have to use banks to finance its operations. Consequently, it has relatively limited exposure to the liquidity market tensions.

Credit risk

The company does not have significant credit risks, either in terms of its trading counterparties or its financing and investing activities.

With respect to trading transactions, its main customers are public entities or related to public bodies, mostly in the Eurozone. With respect to counterparty risks, for contracts with countries with which the company does not have regular trading transactions, solvency is analysed at the time the offer is placed, in order to avoid future credit risks. The nature of these customers is a guarantee of solvency; however, collection times (particularly in certain countries) may be significantly longer than those typical of other businesses, with sometimes considerable overdue amounts which may also trigger disposal transactions. As described below, this situation is particularly marked during this period of crisis.

At 31 December 2017, third party trade receivables amounted to €539,835 thousand (31 December 2016: €509,019 thousand) and were overdue for €236,604 thousand (31 December 2016: €216,433 thousand), of which €137,698 thousand (31 December 2016: €160,131 thousand) by more than 12 months.

With respect to the concentration of third party trade receivables at year end, the following table gives a breakdown of trade receivables by public body and other customers, geographical area and overdue bracket.

(€'000)	**Public bodies**			**Other customers**			
	Area Europe	**Area Americas**	**Other**	**Area Europe**	**Area Americas**	**Other**	**Total**
Retentions	18,770	8,579	10,125	11,664	-	12,430	61,567
Not overdue	42,147	6,310	20,051	143,194	-	29,962	241,664
Overdue by less than one year	37,335	-	-	27,221	-	34,349	98,906
Overdue between one and five years	50,244	-	46,216	25,196	-	16,042	137,698
Overdue by more than five years	-	-	-	-	-	-	-
Total	**148,497**	**14,889**	**76,392**	**207,275**	**-**	**92,783**	**539,835**

Classification of financial assets and liabilities

The table below gives a breakdown of the company's financial assets and liabilities by measurement category. Financial liabilities are all recognised using the "amortised cost" method.

(€'000)	**Fair value through profit or loss**	**Loans and receivables**	**Held to maturity**	**Available for sale**	**Total**	**Fair value**
Non-current assets						
Loans and receivables	-	2,203	-	-	2,203	2,203
Related party loan assets	-	25,627	-	-	25,627	25,627
Current assets						
Third party assets at fair value	-	-	-	-	-	-
Third party trade receivables	-	539,835	-	-	539,835	539,835
Related party trade receivables	-	95,296	-	-	95,296	95,296
Third party loan assets	-	28,443	-	-	28,443	28,443
Related party loan assets	-	63,254	-	-	63,254	63,254

IFRS 7 requires the classification of fair value of derivatives on the basis of reference parameters that can be inferred from the market or from other financial indicators (for example: exchange rates, interest rate curve, etc.). Financial derivatives on currencies to hedge the currency risk fall within Level 2 of the hierarchy since the fair value of these instruments is determined by recalculating the present value through the official fixing of closing exchange and interest rates listed on the market.

The table below shows the fair values of financial instruments in portfolio, excluding back-to-back instruments.

(€'000)			Fair value at 31.12.2017	Fair value at 31.12.2016
	Fair value hierarchy at the reporting date		Level 2	Level 2
Assets				
	Interest rate swaps			
		Trading	-	-
		Fair value hedges	-	-
		Cash flow hedges	-	-
	Currency forwards/swaps/options			
		Trading		
		Fair value hedges	382	101
		Cash flow hedges	4,239	1,191
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-
Liabilities				
	Interest rate swaps			
		Trading	-	-
		Fair value hedges	-	-
		Cash flow hedges	-	-
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	475	239
		Cash flow hedges	464	13,866
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-

38. DIRECTORS' AND STATUTORY AUDITORS' FEES AND THE GENERAL MANAGER'S AND KEY MANAGERS' REMUNERATION

Fees paid to those who have the power to plan, manage and control the company, including executive and non-executive directors, are as follows:

(€'000)	***31.12.2017***	***31.12.2016***
Fees	3,769	5,549
Stock grants	573	180
Total	**4,342**	**5,729**

Fees paid to directors, key managers and the general manager amounted to €4,342 thousand in 2017 (2016: €5,729 thousand).

These amounts include fees and any other type of remuneration and social security sums due for the position of director, key manager or general manager in the parent or in other companies included in the consolidation scope, which represented a cost for the group.

In 2017, as outlined in more detail in the paragraph "Personnel and Organisation", Mr. Corsi and Mr. Gallo were appointed as Key Managers and the relevant compensation inserted in said scheme, while 2016 included costs related to transactions with the company's strategic personnel.

Fees include those paid to the members of the board of directors and the supervisory bodies.

Statutory auditors' fees pertaining to the company amounted to €210 thousand in 2017 (2016: €210 thousand).

In order to implement an incentive and loyalty scheme for certain employees, the company has launched incentive plans which, upon reaching set vesting conditions, provide for the awarding of Ansaldo STS S.p.A. shares. Shares were delivered in 2017 as the 2014 vesting conditions of the 2014-2016 plan have a three-year term. In addition, the shares for the 2017 vesting conditions as part of the new 2017-2019 plan were accrued.

Shares held by members of the board of directors, the general manager and key managers are reported in the Remuneration Report to which reference should be made.

Annual fees paid to directors and statutory auditors are as follows:

(in euros)

ENTITY	POSITION			Fees for the position held in the reporting company for 2017	Non-monetary benefits	Bonuses and other incentives	Other fees paid
Name and surname	*Position*	*Date of appointment*	*End of term*				
Alistair Dormer	Chairperson of the BoD	13/05/2016	Approval of 2018 financial statements	75,000 (1)			
Alberto de Benedictis (b) (c)	Deputy chairperson - BOD	13/05/2016	Approval of 2018 financial statements	95,000 (2)			
Katharine Rosalind Painter (a) (d)	Director	13/05/2016	Approval of 2018 financial statements	95,000 (3)			
Andrew Thomas Barr (g)	Chief executive officer and general manager	24/05/2016	Approval of 2018 financial statements	80,000 (4)	30,212		419,610*
Mario Garraffo (b) (d)	Director	13/05/2016	Approval of 2018 financial statements	90,000 (5)			
Katherine Jane Mingay	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Rosa Cipriotti	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Fabio Labruna	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Giuseppe Bivona	Director in office until 19/01/2017	13/05/2016	Approval of 2018 financial statements	2,603 (7)			
Michele Alberto Fabiano Crisostomo	Director in office from 19/01/2017	19/01/2017	Approval of 2018 financial statements	47,397 (8)			
Nicoletta Garaventa (e)	Chairperson of the supervisory body	24/05/2016	three-year term	25,000			
Alberto Quagli (f)	Member of the supervisory body	24/05/2016	three-year term	20,000			
Giacinto Sarubbi (h)	Chairperson of the board of statutory auditors	15/04/2014	Approval of 2016 financial statements	26,958			5,342**
Maria Enrica Spinardi (i)	Statutory auditor	15/04/2014	Approval of 2016 financial statements	17,972			3,562**
Renato Righetti (i)	Statutory auditor	15/04/2014	Approval of 2016 financial statements	17,972			3,562**
Antonio Zecca (l)	Chairperson of the board of statutory auditors from 11/05/2017	11/05/2017	Approval of 2019 financial statements	48,042			9,658**
Giovanni Naccarato (m)	Statutory auditor since 11/05/2017	11/05/2017	Approval of 2019 financial statements	32,028			6,438**
Alessandra Stabilini (m)	Statutory auditor since 11/05/2017	11/05/2017	Approval of 2019 financial statements	32,028			6,438**

* of which, fixed remuneration of €340,463 for the position of general manager and other fees for 2017 and €79,147 for variable remuneration paid for such position.

** fees for positions on committees

(a) Chairperson of the appointments and remuneration committee	(1) Chairperson of BOD.
(b) Member of the appointments and remuneration committee	(2) Deputy Chairperson of BOD - ARC - Chairperson of RCC
(c) Chairperson of the risk and control committee	(3) BOD - RCC and Chairperson of ARC
(d) Member of the risk and control committee	(4) CEO and general manager
(e) Chairperson of the supervisory body	(5) BOD - RCC and ARC
(f) Member of the supervisory body	(6) BOD
(g) Chief executive officer and general manager	(7) BOD until 19/01/2017
(h) Chairperson of the board of statutory auditors until 10/05/2017	(8) BoD since 19/01/2017
(i) Statutory auditor until 10/05/2017	
(i) Chairperson of the board of statutory auditors from 11/05/2017	
(m) Statutory auditor from 11/05/2017	

In euros	Annual unit fees
Chairperson of the board of directors	75,000
Member of the board of directors	50,000
Chairperson of the supervisory body	25,000
Member of the supervisory body	20,000
Chairperson of the appointments and remuneration committee	20,000
Member of the appointments and remuneration committee	15,000
Chairperson of the risk and control committee	30,000
Member of the risk and control committee	25,000

39. HIGHLIGHTS AT 31 MARCH 2017 OF THE COMPANY THAT CARRIES OUT MANAGEMENT AND COORDINATION ACTIVITIES (ARTICLE 2497-BIS OF THE ITALIAN CIVIL CODE)

The highlights of the parent Hitachi Ltd., shown in the summary schedule as required by article 2497 bis of the Italian Civil Code, were taken from the financial statements at 31 March 2017.

For an adequate and comprehensive picture of Hitachi Ltd.'s financial position and results of operations as at and for the year ended 31 March 2017, reference should be made to Finmeccanica's financial statements, which are available as required by law along with the report of the independent auditors.

The most recently approved financial statements of Hitachi Ltd. are those at 31 March 2017, as its reporting period is from 1 April to 31 March.

HITACHI LTD *(Millions of yen)*	
STATEMENT OF FINANCIAL POSITION	**31 March 2017***
ASSETS	
NON-CURRENT ASSETS	2,385,773
CURRENT ASSETS	1,684,474
TOTAL ASSETS	**4,070,247**
LIABILITIES	
EQUITY:	
- Share capital	458,790
- Reserves and retained earnings	940,914
- Profit for the year	97,724
	1,497,428
NON-CURRENT LIABILITIES	767,109
CURRENT LIABILITIES	1,805,710
TOTAL LIABILITIES	**4,070,247**
INCOME STATEMENT	
REVENUE	1,906,532
OTHER REVENUE	146,816
COSTS	(1,981,751)
EXTRAORDINARY INCOME AND EXPENSE	59,354
INCOME TAXES	(33,227)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-
PROFIT FOR THE YEAR	**97,724**

Hitachi LTD prepares consolidated financial statements

*** The most recently approved financial statements of Hitachi Ltd are those at 31 March 2017*, as its reporting period is from 1 April to 31 March**

40. INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUER REGULATION

The following schedule was prepared in accordance with article 149-duodecies of Consob regulation no. 11971/1999 and subsequent amendments (Issuer regulation) and shows the fees for 2016 related to services provided by the audit company or entities belonging to its network.

(€'000)	**Service provider**	**2017 fees**
Audit	EY S.p.A.	207
Attestation services	EY S.p.A.	170
Tax consultancy services	-	-
Other services	-	-
		377

Genoa, 14 March 2018

On behalf of the board of directors
The Chairperson

Alistair Dormer

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS AND ARTICLE 154-BIS.2 OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned, Mr. The undersigned, Andrew Thomas Barr, as CEO and general manager, and Renato Gallo as manager in charge of financial reporting for Ansaldo STS S.p.A., also considering the provisions of article 154-bis.3/4 of Italian Legislative decree no. 58 of 24 February 1998 and subsequent amendments and integrations, state that the administrative and accounting procedures used to draft the consolidated financial statements for the 1 January 2017 - 31 December 2017 period
   - are appropriate in relation to the nature of the business and
   - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:

3.1 the separate financial statements:

a) are drafted in compliance with the IFRS endorsed by the European Community, pursuant to EC regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;

b) are consistent with the accounting ledgers and accounting entries;

c) give a true and fair view of the issuer’s financial position and results of operations.

3.2. The directors’ report accompanying the separate financial statements provides a reliable analysis of the important events taking place in the year, together with a description of the key risks and uncertainties.

Genoa, 14 March 2018

Signature of the Chief executive officer and general manager

____

Eng. Andrew Thomas Barr

Signature of the Manager in charge of financial reporting

____

Renato Gallo

Ansaldo STS A Hitachi Group Company

CONSOLIDATED FINANCIAL STATEMENTS
OF THE ANSALDO STS GROUP
AT 31 DECEMBER 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

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Statement on the consolidated financial statements

1 COMPANY BODIES AND COMMITTEES

BOARD OF DIRECTORS
(elected by the shareholders on 13 May 2016 for the 2016 - 2018 three-year period)

ALISTAIR DORMER (1)
Chairperson

ALBERTO DE BENEDICTIS (2) (3) (4)
Deputy chairperson *

ANDREW THOMAS BARR (1) Chief executive officer and general manager

ROSA CIPRIOTTI (4)

MICHELE ALBERTO FABIANO CRISOSTOMO ** (4)

MARIO GARRAFFO (2) (3) (4)

FABIO LABRUNA (4)

KATHERINE JANE MINGAY (1)

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

FRANCESCO GIANNI***
Board secretary

BOARD OF STATUTORY AUDITORS
(for the 2017 - 2019 three-year period)

ANTONIO ZECCA
Chairperson

GIOVANNI NACCARATO

ALESSANDRA STABILINI

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

VALERIA GALARDI

CRISTIANO PROSERPIO

ALESSANDRO SPERANZA

INDEPENDENT AUDITORS
(for the 2016 - 2024 period)

EY S.p.A. ****

(1) Member of the executive committee (i.e. Bid Committee)
(2) Member of the risk and control committee
(3) Member of the appointments and remuneration committee
(4) Member meeting independence requirements

* Position held by Katherine Jane Mingay from 13 May 2016 to 28 October 2016. Alberto De Benedictis was appointed deputy chairperson by the board of directors during the meeting of 28 October 2016.
** Michele Alberto Fabiano Crisostomo was appointed director of Ansaldo STS S.p.A. by the shareholders’ meeting of 19 January 2017, to replace Giuseppe Bivona who, pursuant to art. 2393 of the Italian Civil Code, was removed from the position of company director.
*** Appointed on 16 May 2016 to replace Filippo Corsi.
**** Following the resignation of KPMG S.p.A. on 14 November 2016, the shareholders’ meeting of 19 January 2017 appointed the independent auditors EY S.p.A. to audit the company’s accounts for the years 2016-2024.

2 FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

2.1 Introduction

Ansaldo STS group recognised a profit of €64.9 million for 2017 (€77.9 million in 2016), revenue of €1,361.0 million (€1,327.4 million in 2016), ROS of 7.4% (9.6% in 2016) and a positive net financial position of €357.5 million (€338.0 in 2016).

The uncertain international context, reference market developments in which competition is changing greatly and customer demands are increasingly stringent, in addition to special events that the company has had to face, make the group results significant and down to the professionalism and quality of your company's human resources.

The economic and financial results achieved by the Group were affected in 2017, as in 2016, by an unexpected event, in particular with reference to the Swedish project where the customer, contesting a non-fulfillment of the Red line project by the Ansaldo STS Swedish subsidiary, has unilaterally terminated the contract asking for the repayment of the advance paid to Ansaldo and the payment of the penalties and damages. The Company, contesting such behavior, signed an agreement related to the advance repayment plus interests against the release of the bonds previously issued to the customer. In the meantime, the Company is considering all the possible way to safeguard its right and to the recognition of work performed.

New orders for the 2017, increasing the Order Backlog (please refer to Note 2.4 "Non-Gaap Alternative Performance Indicators and other indicators" for the definition of Order Backlog) totaled 1.500,8 M€ (1,475,8 M€ in 2016); in particular we highlight the acquisition of some Italian projects such as high speed line Verona – Padova through the Consortium Iricav 2 entitled of the related concession, following the approval by the CIPE for the first operational step of the project and, in US, the supply of the communication and control system (Communication Based Train Control – CBTC) for Baltimore Metro Subway Link.

The operating performance can essentially be said to be positive. Important milestones were reached during the year on numerous projects in Europe (Italy, France and Denmark) and in the rest of the world (India, China, Australia, America) (see note 2.4 *Non-Gaap Alternative Performance Indicators and other indicators* for the definition of Operating profit - EBIT, the operating performance indicator).

Within the group, management launched specific action plans to improve operating efficiency and effectiveness.

In addition, with a view to pursuing improved efficiency, note the decision to close the companies Ansaldo STS Do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA and Ansaldo STS Southern Africa Pty Ltd, thereby reducing the scope of consolidation of the group.

2.2 Key performance indicators

(€'000)	**31.12.2017**	**31.12.2016**	**Change**
New orders	**1,500,823**	**1,475,836**	**24,987**
Order backlog	**6,457,458**	**6,488,378**	**(30,920)**
Revenue	**1,360,967**	**1,327,386**	**33,581**
Operating profit (EBIT)	**100,827**	**126,801**	**(25,974)**
Profit for the year	**64,868**	**77,903**	**(13,035)**
Net working capital	**127,168**	**120,532**	**6,636**
Net invested capital	**371,458**	**369,807**	**1,651**
Net financial position	**(357,535)**	**(338,039)**	**(19,496)**
Free operating cash flow	**30,570**	**37,944**	**(7,374)**
ROS	**7.4%**	**9.6%**	**-2.2 p.p.**
ROE	**9.0%**	**11.4%**	**-2.4 p.p.**
EVA	**34,002**	**57,861**	**(23,859)**
Research and development	**41,344**	**36,688**	**4,656**
Headcount (no.)	**4,228**	**3,951**	**277**

Orders in 2017 totalled €1,500.8 million compared to €1,475.8 million for 2016; the order backlog amounted to €6,457.5 million (€6,488.4 million in 2016).

Revenue amounted to €1,361.0 million, up €33.6 million with respect to €1,327.4 million in 2016; the increase is due to the more advanced stage of projects in the Americas and the Middle East, only partially offset by the decrease as a result of reaching the final stages of certain major contracts in the Asia Pacific area and in Italy.

Operating profit (EBIT) came to €100.8 million, down €26.0 million on the previous year (€126.8 million); ROS was 7.4% (9.6% in 2016).

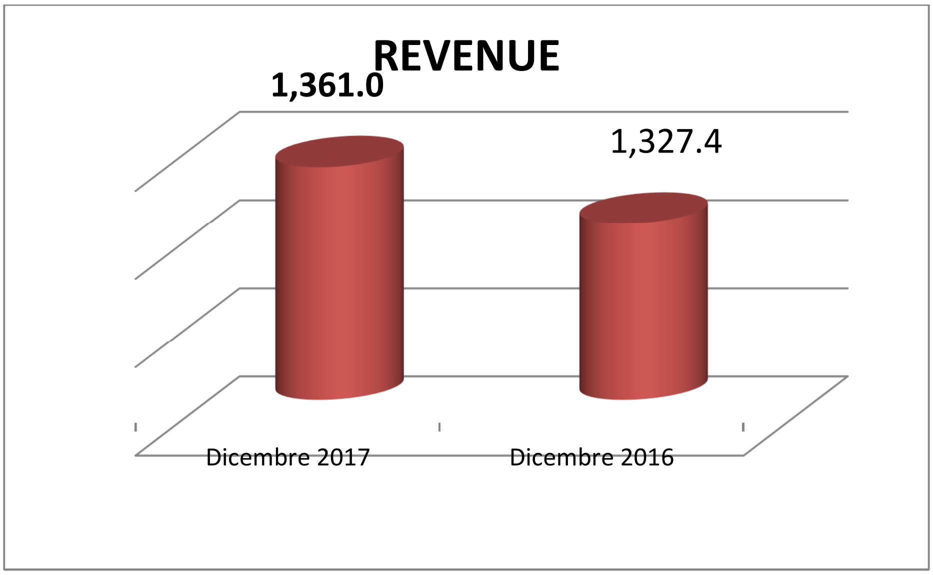
The profit for the year totalled €64.9 million (€77.9 million for 2016).

The group's net financial position came to -€357.5 million, up €19.5 million on the equally positive -€338.0 million at 31 December 2016.

Research and development expense recognised directly in profit or loss amounted to €41.3 million, up from the previous year (€36.7 million).

The group's headcount came to 4,228 employees compared to 3,951 at 31 December 2016. The average headcount was 4,081 (3,828 in 2016).

€m



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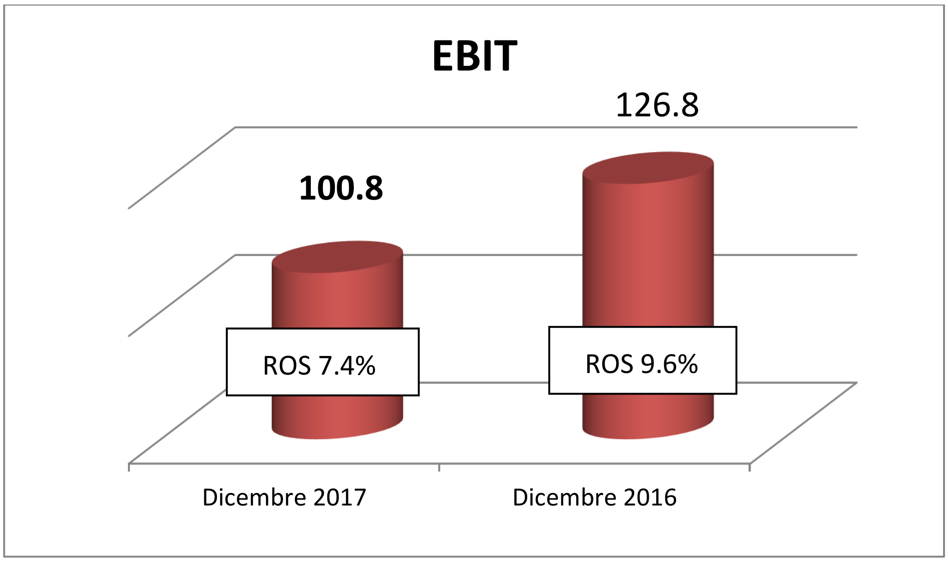


The reclassified income statement, reclassified statement of financial position, reclassified net financial position and reclassified statement of cash flows follow to provide further disclosure on the group's financial position, results of operations and cash flows.

Consolidated Income statement *(€'000)*	***31.12.2017***	***31.12.2016***
Revenue	**1,360,967**	**1,327,386**
Purchases and personnel expense (*)	(1,247,217)	(1,182,421)
Amortisation, depreciation and impairment losses	(19,010)	(18,325)
Other net operating income (**)	5,822	674
Change in work-in-progress, semi-finished products and finished goods	265	(513)
Operating profit (EBIT)	**100,827**	**126,801**
Net financial expense	(1,750)	(10,152)
Income taxes	(34,209)	(38,746)
Profit (loss) from discontinued operations	-	-
Profit for the year	**64,868**	**77,903**
attributable to the owners of the parent	64,975	77,968
attributable to non-controlling interests	(107)	(65)
Earnings per share		
Basic and diluted	0.32	0.39

Reconciliation between the reclassified income statement and the income statement included in the consolidated financial statements:
(*) Includes the captions "Purchases", "Services", "Personnel expense" 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 accrual to (use of) the provision for expected losses to complete contracts).

Briefly:

Operating profit was down €26.0 million compared to the previous year. It was penalised by amounts set aside for developments in Northern Europe (€35.2 million), whereas in the previous year it included provisions for a lower cumulative total, relating to the outcome of the arbitration case in Libya (€8.1 million) and the departure of certain strategic personnel from the group (€2.4 million). The effect of the higher production volumes was offset by the increase in Research & Development and Marketing & Sales activities.

The overall improvement of financial expense and income derived primarily from the conclusion in 2016 of the dispute in Libya (€7.7 million).

The combined effect of the worse operating profit and the overall total financial expense and income along with the lower tax burden, due in practice to the lower taxable income, generated the total decline in profit for the year (€13.0 million).

Consolidated Statement of financial position

(€'000)	***31.12.2017***	***31.12.2016***
Non-current assets	305,070	310,406
Non-current liabilities	(60,780)	(61,131)
	244,290	**249,275**
Inventories	110,995	125,067
Contract work in progress	379,590	358,865
Trade receivables	736,664	728,852
Trade payables	(413,639)	(458,119)
Progress payments and advances from customers	(683,036)	(598,012)
Working capital	**130,574**	**156,653**
Provisions for risks and charges	(15,967)	(14,040)
Other assets (liabilities), net *(*)*	12,561	(22,081)
Net working capital	**127,168**	**120,532**
Net invested capital	**371,458**	**369,807**
Equity attributable to the owners of the parent	728,892	707,626
Equity attributable to non-controlling interests	101	220
Equity	**728,993**	**707,846**
Non-current assets held for sale	-	-
Net financial position	**(357,535)**	**(338,039)**

* Includes "Tax assets" and "Other current assets", net of "Tax liabilities" and "Other current liabilities".

Net invested capital amounted to €371.5 million compared to €369.8 million for the previous year. The modest €1.7 million increase is essentially due to the increase in other net assets and liabilities, offset by the reduction in working capital and net non-current assets and liabilities. In particular, the former rose by €34.6 million as a result of higher direct tax assets and the decrease in fair value of derivative liabilities.

Net working capital totalled €127.2 million compared to the final figure of €120.5 million for 2016. Working capital stood at €130.6 million, down €26.1 million on the €156.7 million of the previous year. The decrease is largely due to the reduction in total inventories (note the change in advances from customers), only partially offset by the decrease in trade payables.

2.3 Net financial position

(€'000)	***31.12.2017***	***31.12.2016***
Current loans and borrowings	424	1,780
Medium/long-term loans and borrowings	-	-
Cash and cash equivalents	(327,326)	(305,586)
BANK LOANS AND BORROWINGS	**(326,902)**	**(303,806)**
Related party loan assets	(232)	(267)
Other loan assets	(30,401)	(33,966)
LOAN ASSETS	**(30,633)**	**(34,233)**
Related party loans and borrowings	-	-
Other current loans and borrowings	-	-
Other medium/long-term loans and borrowings	-	-
OTHER LOANS AND BORROWINGS	**-**	**-**
NET FINANCIAL POSITION	**(357,535)**	**(338,039)**

The net financial position (showing greater loan assets and cash and cash equivalents than loans and borrowings) was €357.5 million, up on the €338.0 million at 31 December 2016. No dividends were distributed during the year (€36.0 million in 2016).
Loan assets include the euro equivalent amount of the Libyan dinar advance received in Libya and deposited in a local bank pending the resumption of activities (€28.4 million).

In October 2017, in relation to the contract assigned by AB Storstockholms Lokaltrafik ("SL") for updating of the signalling system on the "Metro System Red Line" in Stockholm, following a request from SL the company refunded part of the advances collected in previous years for around €34.5 million, plus VAT (€8.6 million, later recovered) and interest (€2.1 million).
To complete the information, note that in January 2018, in line with the agreement signed with SL in December, the remaining advances were refunded for approximately € 23.5 million, plus VAT (€5.9 million) and interest (€1.7 million).
Of note in 2016 was the reimbursement of the advance to the customer Russo as a result of conclusion of the arbitration proceedings on the Libya project for a total of €37.4 million.

The consolidated statement of cash flows for 2017 follows:

(€'000)	*31.12.2017*		*31.12.2016*	
Opening cash and cash equivalents	**305,586**		**304,306**	
Profit of the year	64,868		77,903	
Share of profits (losses) of equity-accounted investees	(5,798)		(4,345)	
Income taxes	34,209		38,746	
Italian post-employment and other employee benefits	932		787	
Stock grant plans	1,621		4,731	
Net gains on the sale of assets	160		71	
Net financial income	7,558		14,497	
Amortisation, depreciation and impairment losses	19,010		18,325	
Accruals to/reversals of provisions for risks	4,212		4,814	
Other operating income/expense	(20,205)		3,118	
Write-downs/reversals of write-downs of inventories and work in progress	27,306		(4,498)	
Gross cash flows from operating activities	**133,873**		**154,149**	
Changes in other operating assets and liabilities	(38,178)		(17,275)	
Funds from operations		**95,695**		**136,874**
Changes in working capital	(45,569)		(83,152)	
Cash flows generated from operating activities	**50,126**		**53,722**	
Cash flows used in ordinary investing activities	(19,556)		(15,778)	
Free operating cash flow		**30,570**		**37,944**
Strategic transactions	(3,128)		(2,100)	
Other changes in investing activities	3,840		3,205	
Cash flows used in investing activities	**(18,844)**		**(14,673)**	
Dividends paid	-		(36,000)	
Cash flows used in financing activities	(1,596)		(1,290)	
Cash flows used in financing activities	**(1,596)**		**(37,290)**	
Net exchange rate losses	**(7,946)**		**(479)**	
Closing cash and cash equivalents	**327,326**		**305,586**	

Cash and cash equivalents equalled €327.3 million at the reporting date, up by €21.7 million over the prior year figure.

The main changes in the statement of cash flows were as follows:

- cash flows from operating activities totalled €50.1 million, down by €3.6 million from 2016. Overall, the lower change in working capital (-€45.6 million in 2017 compared to -€83.2 million in 2016) was offset by the stronger change in other operating assets and liabilities (-€38.2 million in 2017 compared to -€17.3 million in 2016);
- cash flows used in investing activities amounted to €18.8 million, up €4.1 million over the previous year (2016: €14.7 thousand used);

- cash flows used in financing activities came to €1.6 million compared to cash flows used in financing activities of €37.3 million in 2016. The change is the result of the dividend distribution by the parent Ansaldo STS S.p.A. for €36.0 million in 2016.

The free operating cash flows (FOCF) used before strategic transactions of the year totalled €30.6 million compared to €37.9 million for 2016, a decrease of €7.3 million.

2.4 Non-GAAP alternative performance indicators and other indicators

Non-GAAP alternative performance indicators

Ansaldo STS's management assesses the performance of the group using certain indicators that are not defined by the IFRS endorsed by the EU. As required by CESR communication 05 - 178b and considering the guidelines of the ESMA communication of 30 June 2015 Guidelines on Alternative Performance Measures, the components of each of these indicators are described below:

- **Operating profit (EBIT)**: represents an indicator for the assessment of operating performance and is equal to 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 profit or loss of equity-accounted investees".
- **Free Operating Cash Flow (FOCF)**: the sum of cash flows generated from (used in) operating activities and cash flows generated from (used in) investments in and disinvestments of property, plant and equipment, intangible assets and equity investments, net of cash flows for acquisitions or disposals of equity investments which qualify as "strategic transactions" given their nature or materiality. The method used to calculate the FOCF for the current and previous years is shown in the reclassified statement of cash flows in the "Net financial position" section.
- **Funds from operations (FFO)**: the cash flows generated from (used in) operating activities, net of changes in working capital. The method used to calculate the FFO for the current and previous years is shown in the reclassified statement of cash flows in the "Net financial position" section.

- **Economic value added (EVA)**: the difference between operating profit net of income taxes and the cost of the average invested capital of the two years under comparison, calculated using the weighted average cost of capital (WACC).
- **Net working capital:** includes trade receivables and payables, inventories and work in progress, advances from customers and provision for risks.
- **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.
- **Return on Sales (ROS)**: the ratio of operating profit to revenue.
- **Return on Equity (ROE)**: the ratio of the profit or loss for the year to the average amount of equity at the reporting date and the corresponding prior year 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.

Other indicators

- **New orders**: the sum of the contracts agreed with customers during the year that meet the contractual requirements to be recorded in the orders book.
- **Order backlog**: the difference between new orders and revenue for the year (including the change in contract work in progress). This difference is added to the backlog for the previous year.
- **Headcount**: the number of employees recorded in the relevant register on the reporting date.

2.5 Related party transactions

Transactions with related parties relate to ordinary operations. They take place on an arm's length basis (unless governed by specific contractual terms), as does the settlement of interest-bearing receivables and payables.

They mainly comprise the exchange of goods, the provision of services and the obtaining/granting of financing from and to the ultimate parent, associates, joint ventures, consortia and unconsolidated subsidiaries.

During the year, no atypical and/or unusual transactions took place[1].

Related party transactions (see notes 14 and 15 to the consolidated financial statements for greater detail) are as follows at 31 December 2017 and 2016.

31.12.2017 (€'000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Non-current financial assets							
-loans and borrowings	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	25,445	-	182	-	**25,627**
Current financial assets							
-loans and borrowings	-	-	232	-	-	-	**232**
-trade payables	114	341	8,551	-	41,399	4,803	**55,208**
-other financial liabilities	17	-	-	-	4	-	**21**
Non-current financial liabilities							
-loans and borrowings	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	-	-	-	-	**-**
Current financial liabilities							
-loans and borrowings	-	-	-	-	-	-	**-**
-trade payables	51	291	7,082	-	2,083	20,366	**29,873**
-other financial liabilities	-	3	370	-	37	-	**410**

31.12.2017 (€'000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Revenue	846	1,049	8,362	9,850	45,141	12,442	**77,690**
Other operating income	-	14	1,345	-	129	-	**1,488**
Costs	512	847	52,718	9	2,701	32,704	**89,491**
Financial income	-	-	10	-	-	-	**10**
Financial expense	-	-	-	-	-	-	**-**
Other operating expense	-	-	-	-	-	-	**-**

(*) Consortia over which significant influence is exercised or subject to joint control. Please refer to note 12.2.1 of the consolidated financial statement for the evaluation and description of Consortia.

[1] as defined by CONSOB communication no. DEM/6064293 of 28 July 2006.

31.12.2016 (€'000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Non-current financial assets							
-loans and borrowings	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	25,068	-	454	-	**25,522**
Current financial assets							
-loans and borrowings	-	-	267	-	-	-	**267**
-trade payables	468	331	4,075	2,246	48,916	6,340	**62,376**
-other financial liabilities	-	-	-	-	4	-	**4**
Non-current financial liabilities							
-loans and borrowings	-	-	-	-	-	-	**-**
-other financial liabilities	-	-	-	-	-	-	**-**
Current financial liabilities							
-loans and borrowings	-	-	-	-	-	-	**-**
-trade payables	-	234	2,765	-	3,103	13,569	**19,671**
-other financial liabilities	-	3	370	-	37	-	**410**

31.12.2016 (€'000)	**Ultimate parent**	**Unconsolidated subsidiaries**	**Associates**	**Joint ventures**	**Consortia (*)**	**Other group companies**	**Total**
Revenue	517	162	19,531	(2,330)	60,799	13,439	**92,118**
Other operating income	-	-	1,300	-	-	-	**1,300**
Costs	556	353	33,158	41	2,840	28,039	**64,987**
Financial income	-	-	-	-	-	-	**-**
Financial expense	-	-	-	-	-	-	**-**
Other operating expense	-	-	4	-	-	-	**4**

(*) Consortia over which significant influence is exercised or subject to joint control. Please refer to note 12.2.1 of the consolidated financial statement for the evaluation and description of Consortia.

Finally, the group's Corporate Governance framework includes specific guidance on conduct to ensure related party transactions comply with criteria of procedural and substantial correctness.

Related party transactions between the Parent and related parties take place on an arm's length basis.

2.6 Performance

2.6.1 The market and commercial situation

New orders acquired in 2017 approximated €1,501 million (2016: €1,476 million).

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

ITALY

The orders acquired during the period amount to roughly €762 million. In the railway sector these mainly relate to the project for the high speed Verona-Vicenza line as part of the IRICAV DUE consortium for around €336 million, the framework agreement with RFI for technical support and maintenance of the Ansaldo STS systems operating on the RFI network (€100 million), the contract signed with Hitachi Rail Italy for the supply of on-board devices on Caravaggio trains (€63 million) and the supply to RFI of ACC and ACC-M signalling systems (€40 million).
As regards the Mass Transit sector, note the variations to Line 6 of the Naples metro (€24 million) and to the Alifana Line (€16 million).

REST OF EUROPE

New orders amounted to roughly €210 million, mainly in France (€65 million) and Denmark (€85 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, the orders refer mainly to the southern extension of the Cityringen in Copenhagen for approximately €60 million, plus other agreed variations - including Operation&Maintenance - for a total of €82 million.
Note the approximate €16 million in Spain, mainly relating to the maintenance contract for the high speed Madrid-Lleida line for €14 million.
Lastly, note the €20 million in Turkey relating to the Ankara Metro Depot and interconnection of lines M1-M4, as well as variations to the Mersin-Toprakkale line.

NORTH AFRICA AND THE MIDDLE EAST

The orders in this area amount to around €29 million, mainly relating to the variations on contracts for line 3 of the Riyadh metro (€19 million) and for the maintenance of the Princess Noura University line (€5 million).

AMERICAS

The orders acquired during the period amount to roughly €322 million. Of these, about €56 million refer to the sale of components, maintenance and modernisation for freight lines.

The main contract is that for the Baltimore metro, for the replacement of track circuits with CBTC units both wayside and on 90 trains for around €133 million.

Other contracts were signed with MNRR (Metro North Railroad) for resignalling of the Stamford-New Haven line for roughly €22 million, with LIRR (Long Island Rail Road) for the supply of on-board and wayside equipment signed at the Jamaica station for around €10 million, and with MBTA (Massachusetts Bay Transportation Authority) for approximately €11 million.

Also note the contract signed with LACMTA for the western extension of the Los Angeles metro (Westside Extension section 2) valued at around €21 million.

Lastly, note the variations relating to the Honolulu metro for about €10 million.

ASIA PACIFIC

New orders for the reporting period come to approximately €178 million, including roughly €102 million acquired in Australia and mainly relating to variations to mining and freight transport railway lines (Rio Tinto) for roughly €55 million as well as the contract signed with Hyundai Rotem for the supply of on-board ETCS L.2 equipment for around €20 million.

For the Far East, note around €9 million in South Korea relating to the contract with Rotem for the supply of on-board devices and approximately €9 million finalised in Malaysia (MNDT Claim for proprietary technologies).

Lastly, note the contract signed in India with Hitachi Ltd relating to DFCC (Dedicated Freight Corridor Corporation) for around €6 million.

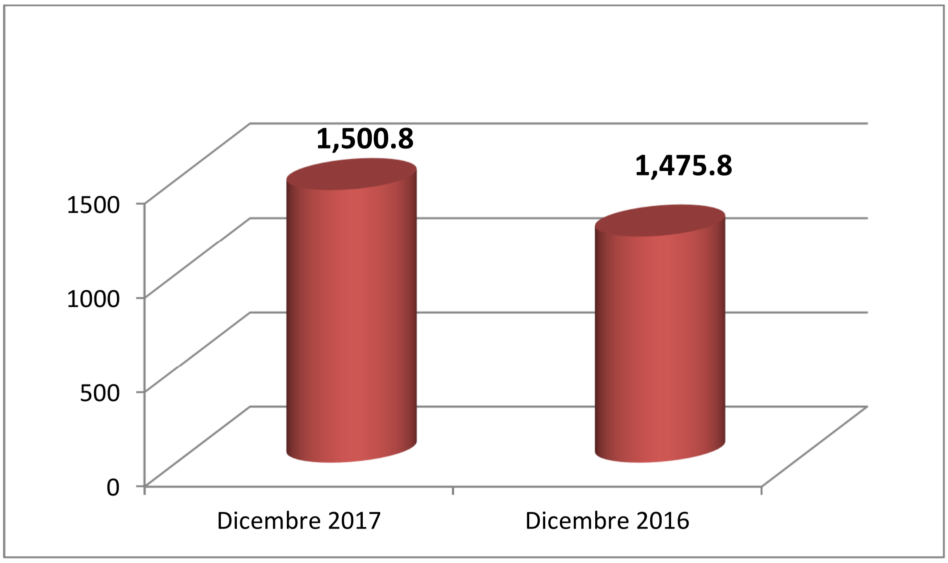
2.6.2 Sales information

New orders for the year totalled €1,500.8 million compared to €1,475.8 million in 2016.

Key orders acquired in 2017 are as follows:

Country	Project	Customer	Amount (€m)
Italy	Verona-Padua high speed	IRICAV DUE consortium	336
USA	Baltimore metro	MTA	133
Italy	RFI framework agreement	RFI	100
Denmark	Copenhagen Cityringen change orders (includes O&M)	Metroselskabet	82
Italy	On-board devices for Caravaggio trains	Hitachi Rail Italy	63
Australia	Rio Tinto change orders	Rio Tinto	48
Italy	ACC and ACC-M signalling systems	RFI	40
Italy	Naples metro Line 6 - change orders	Naples municipality	24
USA	New Haven signalling systems	MNRR	22
USA	Los Angeles – Westside extension – section 2	LACMTA	21
Australia	On-board devices	Rotem	20
Sundry EU / Asia	Components	Sundry	82
Sundry EU / Asia	Service & Maintenance	Sundry	58
USA	Components	Sundry	56

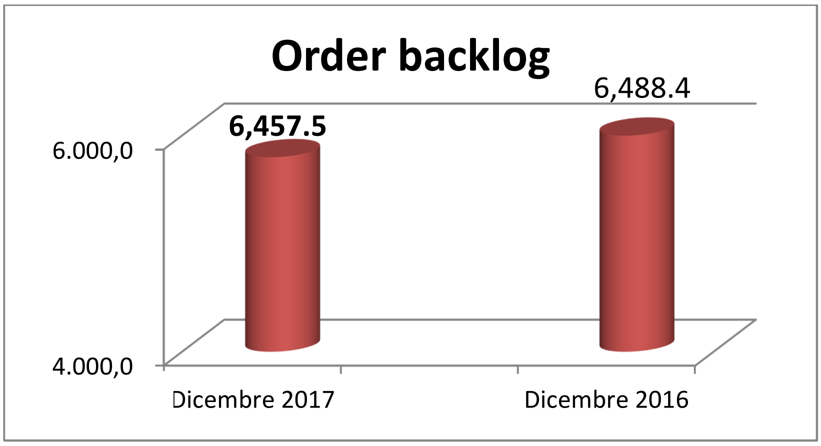
New orders for 2017 - 2016 (€m)



The order backlog at 31 December 2017 amounted to €6,457.5 million compared to €6,488.4 million at 31 December 2016. Note that the total value of the order backlog includes €427.3 million relating to the Libya project, still suspended due to the socio-political situation in the country, and around €31 million, gross of prudent accruals, relating to the Red Line project in

Sweden, also suspended following a contractual dispute arising with the customer during the year, for which reference should be made to the “Business Performance” section for further details.

Order backlog at 31 December 2017 - 2016 (€m)



2.6.3 Business performance

Revenue for the year totalled €1,361 million (€1,327 million at 31 December 2016).

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

ITALY

RAILWAYS:

Production mainly related to the project for the technological upgrade of the Turin-Padua line, for which phases 3.2.1, 1.4 and 1.2.2 were activated as scheduled.
As part of the ACCM Genoa projects (Multistation Central Automated Systems), January saw the inauguration of the new SCCM (Multistation Command and Control System) Control Room in Teglia, and in March and July activation phases 2B and 2C for the Voltri area were completed.
As regards the Florence-Rome direct line project, the design and procurement activities have progressed.
As part of the Ventimiglia ACC projects, December saw the activation of phase 1B relating to the ACC systems in Ventimiglia and Bordighera.

MAINTENANCE & SERVICE AND SPARE PARTS:

Activities in the component area mainly involved the supply of spare parts to RFI (for the conventional and high-speed networks), 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 works and system installations on the Mergellina-Municipio line continued on schedule. The Municipality of Naples approved the variation projects for completion of the interim stations of Arco Mirelli and Chiaia and therefore civil works could recommence.

ROME METRO LINE C:

Excavation works for construction of the T3 line (from San Giovanni to Fori Imperiali) are progressing slowly due to archaeological findings, whilst rollout activities have continued for the

San Giovanni station. In particular, integration testing was completed in December and pre-startup activities have commenced.
The economic/financial disputes of Metro C with the customer are still under way and there were no significant updates during the year.

MILAN METRO LINE 5:

The project relating to Milan metro line 5 has been completed, the entire line is operating and the management is currently focused on the guarantee phase. 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 during the period. Initial access to the line was granted and installation activities began in the Expo section.
A new works schedule is awaiting approval and envisages partial opening of the line and overall extension of the contract timing.

GENOA METRO:

At the end of February the Dinegro depot was completed on schedule and delivered to the customer. The vehicle rollout activities continue: the last train has been delivered and is currently at pre-startup stage.

ALIFANA:

The ongoing dispute between the Concessionaires Consortia of works involving the Company and the customer Metro Campania Nord Est ended in February 2017 with the parties signing of a settlement agreement, after which Metro Campania Nord Est deposited its first payments and scheduled the next. Lastly, note the opening of work sites at 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 preliminary documentation for rollout of the ETCS Level 1 system for Multistations 01 to 05 was released.

In relation to the Ankara metro, Line 3 (M3, in March) and Line 4 (M4, in October) went into operation with the CBTC system, whilst work continues to reach similar goals on the other lines.

As regards the Gebze Kosekoy project, the line has been operational since April 2017 and an agreement is being formalised with the customer for settlement of the variations and of claims arising in relation to the project.

GREECE:

With reference to the project to construct the Thessaloniki metro, design and procurement activities continue in relation to the technological systems and installation work has begun.

Extension of the project timing was made formal in 2017, now envisaging works completion by the end of 2020. The arbitration proceedings can be said to be nearing conclusion.

DENMARK:

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

As regards construction of the tramway in Aarhus, the urban section of the line went into operation in December whilst installation activities and testing continue on the suburban sections.

SWEDEN:

As regards the Red Line project for the Stockholm metro, June saw the completion of the installation activities on the first functional section (the Trial Line) using the CBTC system.

However, in the last quarter of the year the customer first requested reimbursement of part of the advances paid on the project due to failure to reach an agreement on the installation scheduling with variations. As requested by the customer, the company refunded part of the advances previously collected for about €34 million (plus VAT and interest).

The customer later served notice of cancellation of the contract, requesting reimbursement of the remaining advances plus compensation for damages.

The company challenged both the unilateral termination of the contract and the request for reimbursement of the advances and compensation for damages, considering them unfounded. An agreement was signed envisaging, on the one hand, reimbursement of the residual advances received (about €24 million plus VAT and interest), but on the other hand the return of all bonds previously released by the customer.

Reference should be made to the "Litigation" section for further details.

Note that at 31 December 2017 the Red Line project as a whole had gross work in progress for €98 million and an allowance for impairment of around €35 million allocated following assessment of the risk deriving from the existing contractual termination dispute. It should be remembered that, in October, the customer's request was met as regards the reimbursement of advances for around €34 million (plus VAT and interest) and, as per the settlement agreement signed at the end of December, arrangements were made in January 2018 to refund the remaining €24 million in advances collected in previous years (plus VAT and interest) against the customer's return of the bonds previously given.

FRANCE:

Two major high speed projects became operational at the beginning of July: 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. 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 the UK, design and procurement activities for the technological systems relating to the Glasgow metro continue, despite delays in the works schedule.

As regards the technological upgrading of the signalling system on the Ferriby-Gilberdyke railway line, the design and procurement activities are in line with the updated works schedule.

BELGIUM:

In Belgium, design and procurement activities for technological systems relating to the resignalling project for lines 1 to 5 of the Brussels metro continue, despite delays in the works schedule.

AMERICAS

USA:

In Hawaii, activities for the construction of the Honolulu metro have progressed in terms of design and production activities and mobilisation of the construction team. Furthermore, dynamic testing began in October. Delays are reported in completing the civil works.

As regards the MBTA PTCS (Positive Train Control System) project in Boston, installation activities are in progress. Note that technical, contractual and customer relations critical issues have arisen for which the company is preparing suitable remedial action.

With regard to the technical upgrading of the signalling system on the Media Sharon Hill line in Philadelphia, design and materials procurement activities continue despite delays in the works schedule.

PERU:

The phase 1A design has been approved and the design for phase 1B for the construction of Lines 2 and 4 of the Lima metro is now pending approval; in the meantime, the civil works are still affected by the delays caused by the difficulties in acquiring the areas to be expropriated and consequently also having an impact on works covered by the scope of Ansaldo STS work. In this respect, note that depot works have commenced at 3 stations, with around 5km of tunnel completed. In addition, 20 trains and various materials and machines relating to the railway works have been produced and shipped to the location.

Arbitration proceedings have been requested through the ICSID (International Center for Settlement of Investment Disputes) in Washington by the concession holder against the contracting party, with a view to obtaining recognition of expense relating to these delays and to changes in the construction sequence, as well as works not included in the technical bid.

NORTH AFRICA AND THE MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, activities continue on the Riyadh Metro Line 3 and installation activities in the functional section have commenced. The integration tests conducted in Canada for the Ansaldo STS on-board system installed on the vehicle manufactured by Bombardier were completed with satisfactory results.

Also note the delay in assigning the O&M contract for the Riyadh PNU, pending which a temporary extension to the current maintenance contract has been defined.
In a consortium with other partners, Ansaldo STS is competing in the tender for the management and maintenance of the Riyadh metro.

LIBYA:

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

MOROCCO:

In Morocco, activities continue on the high speed project for the Kenitra-Tangier line.
The railway traffic control system at Tangier station became operational in December.

ASIA - ASIA PACIFIC

TAIWAN:

Activities continued for the construction of the Taipei Metro Circular Line. The delays accumulated by the entities responsible for the civil works have heavily impacted the metro construction times, and this postponement is currently under discussion with the customer. The installation activities have continued, of note among which is completion of the 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 San-Ying metro line, acquired in the first half of 2016.

CHINA:

Upgrading of the CBTC lines continues with the installation of the new software version, improved in terms of performance compared to that currently installed. Note that Line 10 of the Chengdu metro became operational in September.

INDIA:

With regard to the Calcutta metro, an agreement has been finalised with the customer for a variation in the scope of work (from DTG technology to CBTC). The design and production activities continue according to schedule.

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

Lastly, the executive design for the project relating to Line 1 of the Navi Mumbai metro has been completed and is pending approval by the customer. Materials procurement and site delivery are, however, in progress.

MALAYSIA:

In Malaysia, the BBAS JV consortium has reached a positive conclusion to the dispute with the customer MGJV. With regard to this agreement, ASTS has successfully completed its negotiations relating to claims for extra time and higher costs incurred for the MNDT contract.

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

AUSTRALIA:

In Australia, production as focused mainly on the AutoHaul project, part of the Framework Agreement with Rio Tinto (RAFA), in which testing of the first fully independent heavy goods transportation has been carried out and the 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.

As regards the Roy Hill project, all system functions have been released, the warranty period has commenced and negotiations have been completed with the customer in relation to claims for the higher costs incurred.

In Queensland, rollout activities have been completed on the Moreton Bay Rail Link and QR Stabling Yard projects.

2.7 Reconciliation between the profit for the year and equity of the parent and the group at 31 December 2017

(€'000)	Equity	of which: Profit for the year
Parent's equity at 31 December 2017 and profit for the year then ended	**532,191**	**71,988**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	136,554	30,873
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in equity-accounted investees	5,787	(304)
Goodwill	34,569	-
Consolidation adjustments for:		
- Dividends from consolidated companies	-	(36,532)
- Net exchange rate gains or losses	12,177	
- Impairment losses (reversals) on consolidated companies and loan assets of subsidiaries	7,614	(1,050)
Total attributable to the owners of the parent	**728,892**	**64,975**
- Non-controlling interests	101	(107)
Total equity at 31 December 2017 and profit for the year then ended	**728,993**	**64,868**

3 KEY EVENTS OF AND AFTER THE REPORTING PERIOD

On 19 January 2017, the ordinary shareholders' meeting of Ansaldo STS S.p.A., acknowledging the resignation of KPMG S.p.A. on 14 November 2016, appointed EY S.p.A. to audit the company's accounts for the years 2016-2024.

On the basis of a request to supplement the agenda submitted on 29 December 2016 and pursuant to art. 126-bis of the Consolidated finance act by the shareholder Hitachi Rail Italy Investments s.r.l., the meeting also resolved to lodge a corporate action for liability pursuant to art. 2393 of the Italian Civil Code against director Giuseppe Bivona who, as a result, was removed from office. Therefore, as set forth in relevant legislation and the by-laws, the shareholders' meeting appointed Michele Alberto Fabiano Crisostomo as company director, as he was the first unelected candidate on the non-controlling shareholder list submitted jointly on 21 April 2016 by the non-controlling shareholders Elliott Associates L.P., Elliott International L.P. and The Liverpool Limited Partnership ("Elliott Funds"); when the list was submitted, the candidate had declared that he met the independence requirements laid out by relevant legislation and the Code of conduct for listed companies promoted by Borsa Italiana S.p.A.. The Elliott shareholders declared during the meeting that the office was accepted and that the independence requirements were fulfilled.

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 CO2 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 Metroselskabet for the development of a Proof of Concept (prototype) for the new Dynamic Headway Solution created from Hitachi technology for the Copenhagen metro lines M1 and M2.

The Dynamic Headway Solution will be developed using Ansaldo STS railway control systems and the Hitachi technological digitization IoT (Internet of Things), characterised by its sensor detection of passenger flow on the platforms to analyse passenger needs. And on the basis of this mobility demand, the number of carriages available can be optimised automatically, responding dynamically to sudden changes in the number of users present.

This technology is particularly useful if there is an increase in the demand for vehicles during metro operations. A dynamic solution that will help to resolve potential congestion even before the repercussions on passengers are felt, thereby also increasing passengers' level of satisfaction. For the operator, this solution that is highly reactive and adapts the numbers of trains to actual demand in real time, equates to an opportunity to reduce energy costs and operating costs, so improving service operations.

In July, Hitachi Ansaldo Baltimore Rail Partners LLC, a company established by Hitachi Rail Italy S.p.A. and Ansaldo STS USA, Inc. (the US subsidiary of Ansaldo STS S.p.A.), was awarded a contract by Maryland Transit Administration (MTA) valued at USD 400.5 million for the Baltimore metro. The contract is for the supply of new trains and the Communication Based Train Control (CBTC) system for the Baltimore Metro Subway Link.

As regards replacement of the existing signalling system with Ansaldo STS's innovative CBTC system, the value is around USD 148 million.

At the end of December, the CIPE approved the final project for the high speed Verona-Vicenza junction line and authorised the start of construction works on the first functional section of the high speed/high capacity Verona-Padua line. Ansaldo STS participates in this project's implementation through its involvement in the Iricav Due consortium (investors: Astaldi 37.49%, Salini Impregilo 34.10%, Ansaldo STS 17.05%, Società Italiana per Condotte d'Acqua 11.35%, Fintecna 0.01%), the concession holder. The value of Ansaldo STS's portion of the work equals roughly €336 million.
In connection with the significant event occurred after the closing date no further significant events have been noted in addition of what is stated in the paragraph 2.3 "Net financial position" in the Management Report related to the Red Line project topic.

4 RISKS AND UNCERTAINTIES

The risks described below stem from a consideration of the features of Ansaldo STS group's market and business, together with the key findings of the updated risk assessment process. Risk assessment aims at identifying and evaluating the main risks that could have an impact on achieving objectives, for those processes identified as relevant, and the related mitigating actions, as well as defining additional actions to be taken to further reduce the risk or improve process performance.

Ansaldo STS's risk assessment process is based on the Committee of Sponsoring Organisations of the Treadway Commission's internationally-recognised Enterprise Risk Management framework (COSO report) and seeks to integrate risk assessment into the processes of planning, pursuing corporate and internal control targets in order to create value while properly managing risks and mitigation plans, in addition to exploiting any opportunities.

The key risks and uncertainties faced by the group as a result of its adopted classification are outlined below (strategic, operational, financial and IT risks). Risks may exist that have not yet been identified or that are deemed immaterial but which could nonetheless impact group operations.

4.1 Strategic risks

4.1.1 Changes in the macroeconomic and market context

Ansaldo STS group operates internationally and is exposed to risks arising from macroeconomic/geopolitical changes and a reference market presenting the greatest opportunities in emerging nations and those with the highest growth rates. Moreover, the market has seen greater volatility in the acquisition of contacts, due partly to the fact that projects tend to grow in size and scope and there is an increasingly consolidated trend towards the standardisation of products and technological solutions, especially in the signalling business unit. This leads to tougher competition, with decreasing prices and market consolidation even though the market shows modest growth in the medium term.

Macroeconomic and geopolitical factors that could impact the group's operations include the growth rate in the reference countries, public spending on infrastructure and the decrease in raw materials prices which diminishes the spending power of customers in certain markets.

The economic and geopolitical instability arising from external factors such as Brexit, financial and monetary volatility, increased geopolitical tension, terrorism, uncertainty as regards national and international leadership and potential international trade restrictions could seriously compromise global growth. This in combination with the weakness of Italy's role in the global economy and the slowdown in economic growth in the Ansaldo STS group's areas of operation could have a negative impact on the confidence level and economic stability.

This scenario could translate into new orders with a lower profit margin, cancellations or delayed acquisition of contracts, payment delays, less favourable contractual conditions with a resulting negative impact on group profit and loss of competitiveness on the market.

Furthermore, with the worsening of contractual and financial terms in new contracts, along with the increased complexity of the contracts themselves that involve greater risks and, among these, due to reduced customer funding sources, there is greater recourse to Project Financing. This market situation could negatively impact Ansaldo STS group's competitive edge and performance, e.g., difficulties in obtaining new contracts, contracting margins on new orders and exposure to less advantageous contractual terms.

The group's strategy may not be immediately updated and adjusted in response to these many variables and uncertainties in the macroeconomic and market context, negatively impacting its competitiveness and performance.

A key element of Ansaldo STS group's strategy is to optimise its operating structure by standardising the solutions and products offered and greater efficiency/optimisation in the use of resources during project implementation.

4.1.2 Innovation: a competitive factor

The group's business units feature a high level of technological innovation and this represents an important competitive factor.
Developments in technical standards that are not promptly adopted by the company could have a negative effect on competitiveness and market shares.
Ansaldo STS group's ability to anticipate technological changes and implement an efficient investment policy is therefore paramount. If it fails to accurately assess innovation requirements, the contents of innovation and development projects, their benefits and related priorities, the group runs the risk of delays in the availability of new products and technical solutions, instability of new products, additional development costs on projects and lost sales.

Processes to update the product portfolio and regularly assess products' technical competitiveness are in place to mitigate these risks and ensure greater optimisation when making bids.

Rapid technological developments conflicting with contractual obligations that impose long-term availability of spare parts generate a risk of obsolescence. There are specific processes in place to ensure its effective management.

4.2 Operational risks

4.2.1 Country risk

The group's policy of penetrating new markets, particularly those with the highest rates of development, expose it to risks such as: political, social and economic instability, not accurately evaluating local legislation (as applies to companies, the sector and tax), the challenge of protecting intellectual property, exchange rate fluctuations, as well as the creditworthiness of counterparties, which can negatively impact the group's financial position and results of operations. Country risk is assessed when the group decides which offers and bids to make. Any mitigating actions are also contemplated at the time the bids are prepared and contracts managed.

4.2.2 Reliance on public customers and complex long-term contracts

Group operations are highly dependent on public customers and, particularly in the turnkey systems business, on complex long-term contracts of a significant amount.
Delays, amendments, revisions or cancellations of one or more significant contracts acquired could negatively impact the group's operations and its financial position and results of operations.

Assessing long-term contracts using the percentage of completion method requires the estimates of costs to complete the activities, project risks (technical, legal, tax and commercial) and contract progress. These estimates are based on assumptions related to the impact of future events which, by their very nature and given the complexity of the projects underway, may not occur as envisaged, thus negatively impacting the project's financial and economic performance. Indeed, there is often an element of uncertainty related to third-party performance of civil works for transportation infrastructure and the group cannot always cover the related impacts on programs with contractual clauses.

Market diversification and monitoring of country and compliance risk, structured project review processes involving senior management, the regular review and adjustment of contract and programme estimates and the adoption of risk management processes both at the time the bid is made and throughout project implementation, as well as lifecycle management processes involving the regular comparison of physical and accounting progress are in place to mitigate these risks.

4.2.3 Budgeting and project planning

Ineffective project planning and control processes, weak project technical management and contractual requirements open to differing interpretation could mean the project team cannot implement the project within the set budget and timeframes, especially complex projects. These risks could cause delays in identifying issues during project roll-out and related remedial actions as well as inaccurate reporting and planning, with a consequent negative impact on the group's financial position and results of operations.
To mitigate this risk, there are formalised and monitored processes to check physical and accounting progress and risk management, clear allocation of responsibilities within the project team, managerial review of project performance, review of the estimates during the bidding and project phases and an independent review carried out by the risk management department.

4.2.4 Third parties (subcontractors and subsuppliers)

Ansaldo STS group makes considerable use of subcontractors to supply subsystems or assembly and installation services and of subsuppliers for goods or services in its business. The group's ability to fulfil its obligations to customers therefore relies on both subcontractors and subsuppliers properly fulfilling their contractual obligations. A breach thereby could in turn cause a breach by Ansaldo STS group, negatively impacting its reputation and, unless it is possible to obtain compensation from the subcontractors and subsuppliers, the group's financial position and results of operations.

Moreover, particularly in the turnkey projects business, the Ansaldo STS Group also carries out contracts in conjunction with other operators. In these cases, each operator generally has joint and several responsibility vis-à-vis the customer for the completion of the entire contract. In the event of a breach or damage caused to the customer by an operator, the group could be called on to replace the operator causing the breach or damage, and to compensate the damage caused to the customer in full, without prejudice to the group's right of recourse vis-à-vis the defaulting operator. If the right of recourse against the operator responsible for the breach or damage is ineffective or protracted, this could negatively impact the Ansaldo STS group's operations as well as its financial position and results of operations.

The preliminary assessment and consequent qualification of suppliers, subcontractors and subsuppliers, particularly in new markets, may be inadequate, with negative impacts on the competitive nature of the technical solutions offered and on project performance.
To mitigate these risks, the group has processes in place to select and evaluate suppliers, subcontractors and subsuppliers, it defines, agrees and manages appropriate contractual and joint venture clauses, it has risk management processes and it requests specific guarantees, where applicable.

4.2.5 Management of requirements and relevant technical references

A different interpretation of unstable or incomplete requirements with specific shortcomings could have a negative impact on product compliance, on compliance with the budget and deadlines, on project performance and on customer satisfaction.
Ineffective configuration management due to difficulties in product/component traceability could result in poor spare parts, repairs and maintenance management.

To mitigate this risk, the group has requirement and configuration management processes in place to ensure quality, compliance with deadlines and efficiency in projects and development management. It has rolled out special projects to monitor the proper implementation of these processes during projects.
Furthermore, if Ansaldo STS group does not have adequate market and operating references for products, this could lead to lost sales and non-compliant project implementation, damage to reputation and the application of penalties, negatively impacting the group's competitiveness and its financial position and results of operations. Such risk is carefully assessed when the bid is being prepared. It is managed through processes designed to ensure adequate interaction between the engineering unit, which communicates the customers' requirements, the portfolio unit, which assesses the market's technical requirements and possible technical solutions, and the development unit, as well as via the development and monitoring of the product development roadmap.

4.2.6 Liability to customers or third parties for product defects or delivery delays

Technological complexity and tight delivery times for group products and systems could leave it liable for delays in or failure to supply contractually-agreed products or services, for their non-compliance with customer requirements (for instance, due to design or construction faults) and for breaches of and/or delays in roll-out, the provision of post-sales services and product maintenance and servicing. Moreover, many products and systems supplied by the group are subject to certifications and approval, including by third-party bodies.
Such liability could be directly attributable to Ansaldo STS group or to third-party operators such as subsuppliers or subcontractors. These risks could negatively impact the group's operations, its financial position and results of operations and its reputation, and could also result in the company incurring costs to repair faulty products or their withdrawal from the market in extreme cases. Even if adequate insurance is in place, the sum insured could be exceeded or the premiums could be raised following a claim, negatively impacting the group's financial position and results of operations.

4.2.7 Legal disputes and Governance

The complexity of dealings with third parties (customers and subcontractors/subsuppliers), especially for international projects and the content of systems and products developed, as well as specific business risks expose the group to a significant risk of legal disputes. Legal disputes could also relate to the awarding of bids. The settlement of disputes could be complex and take a long

time, leading to delays in completing projects and negative impacts on the group's operations and its financial position and results of operations.
To mitigate this risk, there are risk management processes in place during both the bid and management stages, disputes are monitored closely, contractual clauses are examined carefully with the legal department, and a prudent approach is adopted in recognising specific items under contract costs and provisions for risks.
In addition, as the company operates within a complex international environment, it could be exposed to trade compliance risks. The lack of awareness or underestimation of trade compliance risk could negatively impact the company's reputation and profitability.
To mitigate this risk, the company has initiated a process of mapping and evaluating the controls in place and those to be implemented, which is currently in the completion phase.

An unfavourable news report due to incorrect interpretation of corporate governance decisions and financial data could have a negative impact on reputation and result in dispute-related costs.

4.2.8 Human resource management

Ansaldo STS group supplies products and systems featuring cutting-edge technology on a global scale and to do so, it requires human resources with specific expertise, which can be difficult to procure on the labour market and can mean long local engagements for the project team.
The success of the business development plans, especially in new markets, also depends on the group's ability to attract, retain and develop the skills of its human resources, particularly in order to operate in a global group and market context and on complex projects.

To mitigate this risk, human resource management policies reflect the business needs. Ansaldo STS group also has an integrated human resource management and development system under which regular checks of expertise and performance are carried out and relevant training initiatives identified, as well as enabling the best possible allocation of resources.

4.2.9 Health, safety and environmental compliance

Ansaldo STS group has to comply with health, safety and environmental legislation in the various countries in which it operates. Failure to comply with such legislation as a result of operating processes which are not adequately monitored or - especially in new markets in countries where standards are below-par or that are exposed to specific risks (e.g., high crime rates, terrorist attacks or epidemic risks) - due to an inadequate evaluation of such requirements and necessary measures, could expose the group to risks having significant impacts on its operations, its financial position and results of operations and its reputation.

To mitigate this risk, Ansaldo STS group adopts health, safety and environmental management systems ensuring rigorous compliance with legislation in accordance with best practices, subject to internal and external monitoring and integrated with the security processes monitored by an independent internal unit. These management systems are certified (to OHSAS 18001 standard for workplace safety and ISO14001 for the environment) in the group's key companies.

Requirements in new markets are evaluated at the time the bid is prepared and the assistance of external consultants is also sought. Policies and procedures have also been set to ensure a consistent approach throughout the group's various companies while still allowing for specific local legislation.

4.3 Financial risks

4.3.1 Ability to finance a high level of current assets and obtain guarantees

To carry out contracts, Ansaldo STS group requires:
- adequate funding of current assets;
- bank and/or insurance guarantees issued to the customer in the various project stages (bid bond, advance payment bond, performance bond, retention money bond and warranty bond) and/or guarantees issued by the parent (parent company guarantees).

Current assets are usually funded by customer advances and progress payments.

The group's ability to obtain guarantees at good rates depends on the evaluation of its financial position and results of operations, which is usually based on various indices including an analysis of its financial position, analysis of the contract risk and experience and competitive positioning in the reference sector.

Difficulty in negotiating suitable financial terms for new contracts, payment delays and/or suspension and deterioration of existing terms of payments, or the inability or greater difficulty in obtaining guarantees at good rates, would negatively impact the group's and the parent's operations and financial position and results of operations.

To mitigate these risks, Ansaldo STS group has commercial and contract management policies focussed on financial aspects, centralised treasury management which optimises the cash flows of the various group companies; its financial position is solid and the contract parameters are assessed right from the time of the bid stage.

In the present economic and market context, due to new contracts which have less favourable financial terms, working capital is monitored closely and specific initiatives are in place to mitigate its impact.

4.4 IT risks

4.4.1 IT systems

IT systems are a vital part of Ansaldo STS group's operating structure and their management must be in line with the group's strategic objectives. IT solutions that do not match business needs, or upgrades thereof that do not meet users' needs, or inefficient system or outsourcer management, could compromise the efficiency and effectiveness of group operations.
Moreover, the unavailability or interruption of IT services or network and data loss or damage (including sensitive data or intellectual property), also as a result of hacking, could compromise group operations.

To mitigate this risk, the IT policies took into account the organisational and process change initiatives. Moreover, Ansaldo STS group has a governance system based on best practices and follows structured and monitored processes for hardware and software management, including cyber-security aspects.

5 THE ENVIRONMENT

Ansaldo STS group has pursued sustainability in recent years in the belief that respecting environmental and social values leads to the creation of long-term value for the group. In its Sustainability report, the group transparently discloses its values, strategies, policies and decisions in terms of economic, environmental and social sustainability, in accordance with the new Global Reporting Initiative criteria and corresponding to complete application of requirements of the GRI Guidelines.

The new GRI-G4 Guidelines place increasing attention on detecting and analysing stakeholder expectations, identifying issues of most importance to the Group and its stakeholders through the materiality matrix which forms the basis for the Sustainability Report preparation process.

In full compliance with ruling legislation, the law, the code of ethics, 231 Model, policies and all health, safety and environmental (HSE) regulations, Ansaldo STS pursues sustainable management of social and environmental matters linked to the services in all its business areas.
The group's commitment to "sustainable development" has seen it focus on the quality of life, ensuring the protection of natural resources, the safeguarding and protecting the environment and the adoption of environmental sustainability principles and values and avoiding permanent environmental damage.

Environmental protection is part of our social responsibility and is key to our business strategy promoting growth in the group's value over the long term. We want to do our bit to ensure a safe, sustainable future by minimising our ecological footprint and encouraging our employees, suppliers and customers to do the same. Our aim is to produce in the safest way possible, using the minimum resources possible.

From an environmental point of view, Ansaldo STS group is involved:

- as a producer, committed to pursuing environmental protection policies not only by just complying with existing laws, legislation and directives but by pursuing ongoing improvement in the environmental impact of its products and production processes;
- as a supplier of railway operators, in the knowledge that offering increasingly evolved, safe and reliable railway traffic control and automation products promotes the rapid development of the most environmentally-friendly transport system available today.

Strategic orientation and management approach

The company has implemented an Integrated Management System (IMS) for environment, safety and quality issues. At group level, it has set policies and procedures to ensure the controlled management of the processes and workplace safety and environmental protection activities. The integrated management model steers and coordinates the procedures, outlining short and long-term guidelines and principles, stimulating interiorisation of the sustainability and environmental and safety strategies.

Through a constant process of action, monitoring and assessment, Ansaldo has achieved environmental benefits associated with its business activities, particularly as regards the rational use of resources and the reduction in CO_2 emissions.
Each certified group company subsequently set local policies in relation to the environment, safety and instructions, based on the framework of legislative requirements and group policies and procedures, in order to achieve the following objectives:

- ensuring the best available technologies are used and international best practices adopted in order to continuously improve operating management, the rational and efficient use of energy, the prevention of pollution and the reduction of the environmental impact related to the use of fossil fuels;
- ensuring liquid waste, gas emissions and waste from assets in running conditions and activities performed are controlled, gradually reduced and kept at a minimum;
- ensuring compliance with legal requirements applicable to its processes in the various countries in which the subsidiaries operate, by formalising procedures that increase awareness of the applicable legislative framework;
- identifying significant direct and indirect environmental issues in order to reduce and control the related impact, both as relates to the group and its suppliers and partners;
- defining key indicators with a view to facilitating the assessment of performance;
- defining roles, duties and responsibilities within the scope of activities.

Ansaldo STS S.p.A. recommends its subsidiaries follow the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing their management systems. Certification is regarded as key to developing an entrenched environmental awareness both among company personnel and suppliers and subcontractors and has been obtained for the Tito production site. In 2017 Ansaldo STS launched the migration process to the new UNI EN ISO 14001:2015 standard which, compared to the previous version, promotes deep rooting of the Management System into company activities, extending the improvement strategies to a much broader view of environmental sustainability. In this context, Ansaldo STS has begun a procedure to integrate the sustainability principles into its business.

Innovation and the promotion of good practices

The environmental management system adopted by Ansaldo STS is applied to the following:

- PRODUCTION FACILITIES for products used in safety, control and monitoring systems supplied;

- OFFICES (non-production sites) mainly for signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection;
- WORK SITES Ansaldo STS group's direct activities at work sites relate to management and coordination, surveillance and control of production, commissioning and roll-out of plant and delivery to the customer. With respect to environmental issues as a result of such activities, Ansaldo STS group operates in accordance with operating control procedures, based on an initial environmental analysis of the work to be performed at the site, prepared and agreed with the subcontractors, followed by an environmental monitoring plan to continuously ensure legal compliance and that all steps are taken to limit the environmental impact that the opening of any site inevitably entails.

Ansaldo STS group is also committed to providing the best and safest products and the best system solutions, using the best design methodologies and procedures and the best possible manufacturing methods and processes, in line with its aim of reducing energy consumption and both direct and indirect environmental impact.

Energy efficiency

The Ansaldo STS Group's search for energy efficiency is broken down into the following macro-areas:

- Support for the design of turnkey systems through holistic hardware-in-the-loop type simulators intended to provide a transport system that uses energy efficiently.
- "Operation-rail & driverless", the focus of which is seeking out the optimal speed profile, taking into account scheduling and driving conduct;
- "Energy saving technologies", with a focus on wayside recovery systems, geothermal heat pumps and simulators for the optimal sizing of supercapacitor battery systems.

These areas are developed in the MERLIN (Management of Energy in Railway Systems), OSIRIS (Optimal Strategy to Innovate and Reduce energy consumption In urban rail Systems) and SFERE (Sistemi FERroviari: eco-sostenibilità e risparmio Energetico [Railway Systems: eco-sustainability and energy savings]) projects.

Eco-design

Partially due to certain existing projects, Ansaldo STS is focusing more closely on eco-design aspects, also in relation to customer environmental requirements, regarding for example:

- Analysis of conformity with the REACH – Registration, Evaluation and Authorisation of Chemicals regulation (an integrated chemical substance registration, evaluation, authorisation and restriction system established by the European Union);
- Analysis of material reuse and recyclability;
- Life Cycle Assessment (LCA).

LED technology

For some years now Ansaldo STS has been manufacturing safety semaphore systems in its Tito Scalo and Batesburg (USA) plants using LED technology. This innovation has a positive impact on energy consumption, maintenance management and the disposal of materials after maintenance works. It is sufficient to think that in the past lamps were changed every 4 months on average, while LEDs operate continuously for at least 10 years.

Commitment to fight climate change

The group is committed to progressively reducing CO2 emissions in all areas of operations. The activities and initiatives to deal with climate change are undertaken within the context of a global-level carbon management strategy.

The following principles underpin Ansaldo STS group's climate strategy:

1. a global approach in developing mechanisms that take into account the commitment of all Ansaldo STS group facilities;
2. reasonable and feasible long-term objectives in order to establish a clear and realistic vision of the steps to be taken;
3. support in developing advanced technological solutions.

Consolidating the carbon management strategy involves defining an overall target for emissions reduction.

Communication, training and education

The group is increasingly focussed on training related to environmental issues.

The company's specific training programme is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.

The group's training and educational programmes are designed to increase awareness of:

- the importance of complying with the environmental policy and the environmental management system procedures and requirements;

- actual or potential significant environmental impacts of activities and the environmental benefits that each individual can pursue;
- roles and responsibilities in order to comply with the environmental policy and environmental management system procedures and requirements, including the preparation of contingency and response plans;
- the potential consequences of deviating from the operating procedures;
- the potential offered by the effective implementation of a combined quality, environment and safety policy for business development and for the development of railway transport.

Subsequent environmental management system training sessions are held for personnel based on the specific corporate processes and related environmental aspects relevant to their activity.
Records are kept of all training provided to personnel in its facilities.
Training and educational sessions are coordinated by experts, who also produce relevant documentation.

General environment-related information

The operations of Ansaldo STS group's subsidiaries mainly comprise office-based activities which ensure the group's full control in terms of direct and indirect environmental aspects.
The operations of several production facilities are fully compliant with the concepts of environmental protection and are among those which have been certified or for which the certification process is underway. Ansaldo STS monitors the environmental aspects of its business with a view to enhancing local resources and reducing interference with the ecosystems to a minimum.

Management of water resources

Ansaldo STS remains committed to the rational use of water resources, also through training and sensitisation on this issue. Water consumption is purely for sanitary uses, except for at the Batesburg facilities, and is monitored and subject to regular sampling.

Generation and management of special waste

The activities carried out at the facilities involve the generation of non-toxic special waste, mainly paper and cardboard and plastic packaging. This is handled by companies authorised for its transport and recycling. Hazardous special waste generated by maintenance activities is disposed of by the global service companies contracted by Ansaldo STS group.

Energy consumption, CO2 emissions, emission trading and other emissions

Energy consumption mainly stems from heating, lighting and utility power; it is monitored and is in line with consumption levels reported for similar businesses.

Ansaldo STS group regularly obtains RECS (Renewable Energy Certificate System) certification for the consumption of electrical energy at its Italian facilities. These 1 MWh certificates attest the use of renewable resources.

Through the purchase and subsequent withdrawal of the certificate from the market, the group demonstrates its environmental commitment as it pays a higher amount than it would for electricity from conventional sources.

Management of dangerous substances

Dangerous substances used in group processes are handled in full respect of the environment by adopting all possible precautions.

6 RESEARCH AND DEVELOPMENT

Research and development expense taken directly to profit or loss for the year ended 31 December 2017, net of grants, totalled €41.3 million (€36.7 million in 2016). In particular, total research and development expense was €43.6 million (€38.6 million in 2016), against grants approximating €2.3 million (€1.9 million in the previous year).

The stronger investments were concentrated on the range of on-board systems to adapt to ERTMS standards and to improve CBTC application performance. In addition, the project was launched for the new automation products platform ready for the digital technology developments.

As regards projects funded by the Italian Ministry of Research, note the following:

- Tesys Rail, to define strategies for the energy optimisation of rail traffic;
- PON3, through the Campania district DATTILO (High technology district for transport and logistics) and the Campania laboratory TOP IN (Optoelectronic technologies for industry):
  - ✓ MODISTA, which dealt with innovative solutions for the monitoring and preventative diagnosis of infrastructure and vehicle fleets in order to increase the levels of availability, efficiency and safety. This project terminated at the end of June;
  - ✓ OPTOFER for the application of innovative optoelectronic technologies for railway infrastructure monitoring and diagnosis. This project terminated at the end of the first quarter;
  - ✓ FERSAT, which studied a railway signalling system suitable for urban environments based on the innovative use of satellite technologies and their integration with existing technologies. This project terminated at the end of June;
  - ✓ NEMBO for the study and experimentation of highly-efficient innovative embedded systems for railway applications. This project terminated at the end of the third quarter.

Of note among the projects financed by the European Commission are:

- NGTC, aimed at developing future rail and urban traffic control systems. Ansaldo STS headed up the work package related to satellite positioning and actively participated in definition of the IP Communications. This project terminated in the first quarter;
- MANTIS, financed by the ECSEL Joint Undertaking (a public private body which provides European Commission grants for embedded system innovation) and the Ministry for Research, which aims to increase knowledge regarding the decision-making process for railway system maintenance;

- IN2RAIL, linked to the Shif2Rail initiative which is aimed at optimising railway infrastructure reducing construction and maintenance costs and increasing capacity.

The following projects form a broad part of the SHIFT2RAIL European programme related to the railway inter-operability:

- CONNECTA, CONtributing to Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes, which aims to contribute to the next generation of TCMS architecture and components with wireless functionality, as well as the next generation of electronic braking systems;
- X2RAIL1, Start-up activities for Advanced Signalling and Automation System, which aims to respond to the long-term requirements of a future flexible and intelligent traffic management system;
- IN2SMART, Intelligent maintenance systems and strategies to provide a holistic, innovative solution for the maintenance of railway assets;
- ATTRACTIVE, Advanced Travel Companion & Tracking Services, which aims to improve the travel experience of passengers using railway transport systems through the development of an integrated solution;
- FR8RAIL, Development of functional requirements for sustainable and attractive European rail freight, with a focus on facing the main challenges to the development of sustainable and attractive rail freight in Europe;
- PLASA, Smart Planning and Safety for a safer and more robust European railway sector, which intends to improve the customer experience and the robustness of the European railway sector. The objectives are, on one hand, to improve the planning activities of the various railway system operators through railway simulation and, on the other hand, to provide a methodology for managing railway system safety based on a risk assessment;
- IMPACT1, Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains – Phase 1, for the creation of an integrated sub-system which allows for the representation of all Shift2Rail innovations;
- ARCC, Start-up activities for freight automation, essentially relating to freight traffic matters.

The following projects were added to the aforementioned programme at the beginning of September:

- IN2STEMPO, *Innovative Solutions in Future Stations, Energy Metering and Power Supply,* for the definition of smart energy metering solutions for the system and future solutions for the stations;
- CONNECTIVE, *Connecting and Analysing the Digital Transport Ecosystem,* which will define a new level of interaction and access to services and data on the transport systems in a distributed multimodal environment;
- FR8HUB, *Real-time information applications and energy efficient solutions for rail freight,* which aims to increase the percentages of freight traffic by rail through greater transport system efficiency, with particular reference to terminals, junctions and hubs;
- IMPACT-2, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains–Phase 2,* the aim of which is to assess and increase the effects on mobility and on the environment of the technology solutions and developments made as part of the Shift2rail programme;
- X2RAIL-2, *Enhancing railway signalling systems based on train satellite positioning; on-board safe train Integrity; formal methods approach and standard interfaces, enhancing Traffic Management System functions,* which aims to promote signalling innovation (introduction of satellite technology and *Train Integrity*), supervision (*Traffic Management evolution*) and development process management (introduction of *Formal Methods*).

Note that certain satellite technology projects are also financed by the European Commission. Specifically, the aim of the ERSAT EAV project, coordinated by Ansaldo STS, is to adopt and customise satellite technologies for railway signalling, notably with respect to checking that the EGNSS/EGNOS technology and the new Galileo services can be used in ERTMS signalling. In addition, the verifications were conducted on the accuracy of the open and modular architecture of the Ansaldo augmentation system. Demonstrations of the proper functioning of the trial site were later arranged in Sardinia as part of national workshops. ERSAT EAV was completed at the end of April.
Again in the satellite environment, activities are in progress for the STARS project, whilst RHINOS terminated at the end of October. Both projects are part of the European GNSS Agency (GSA) research programme, Horizon 2020.

For STARS in particular, important research activities were completed relating to the definition of methodologies and tools required to calculate the ground truth (temporal and spatial reference) with respect to which performance measurements can subsequently be taken. In addition, measurement activities continued at the Sardinia and Pontremolese trial sites in order to acquire Signal In Space (RF signal) and observation data relating to GPS, EGNOS and Galileo in different railway environmental conditions. The development of EGNSS services were also defined to satisfy performance and safety requirements for railways and to identify any impact on the ERTMS/ETCS systems.

For RHINOS, the phase of defining a functional architecture of an ERTMS system was completed, based on future satellite technology. This technology is suitable for the most stringent requirements, such as track discrimination, high availability and integrity. The results of these activities were discussed at the international workshop held at Stanford University.

Still part of the satellite environment but funded by the ESA (European Space Agency), the following projects were launched in the last quarter of 2017:

- DB4RAIL (*Digital Beamforming for RAIL*), which will develop a digital beamforming platform within the context of ERTMS and implement an advanced GNSS antenna and signal processing techniques to increase immunity from intentional electromagnetic interference (EMI);
- SAT4TRAIN, with aims to develop an economically efficient *Multi Link Communication Platform* (MLCP) to replace the GSM-R system which is destined to become obsolete in the next few years;
- SIM4RAIL, has the purpose of specifying and developing highly controllable laboratory tools for bench testing and to support the development of PNT technologies for railway signalling applications, including the virtual beacon detection system based on GNSS on the ERTMS system).

Development activities also took place on the following projects, which do not receive external funding:

- Ansaldo STS S.p.A.
  - MacroLok Interlocking Platform
    - RBC
    - “FAST” tools suite
  - Automation v2.0
  - OnBoard (ALA)
- Ansaldo STS France S.A.S.
  - *CBTC (Communication-Based Train Control)*
  - OnBoard (DIVA)
- Ansaldo STS USA Inc.
  - *Automatic Train Supervision (ATS) – Metro applications*

    - Automation v2.0
    - MicroLok Interlocking

Specifically:

- activities to develop CBTC to integrate the generic functions requested for new contracts and the testing of the safety of ongoing contracts continued;
- ATS Metro evolutionary developments continued at the same pace as the CBTC roadmap;
- activities began on the new multiyear programme “Automation v2.0”, committing resources both in Italy and the USA. The new development aims to standardise the hardware/middleware to increase platform efficiency, develop a new infrastructure to host future “value added services” and create a new user interface. The aim of Automation v2.0 is to better satisfy demand and keep up with new digitization trends;
- evolutionary development activities continued on the Interlocking MacroLok platform, seeking to improve and expand the functions offered by the platform so as to satisfy global market demand;
- RBC developments (on the MacroLok platform) to adapt the generic application to the more advanced ERTMS and generic product standards;
- development of the new “FAST” tools suite (on the MacroLok platform) dedicated to system design and configuration;
- as regards the MicroLok Interlocking platform, development of a new CPU (ViPro) capable of managing PTC traffic with no need for additional HW continued;
- as concerns Onboard, activities continued for the resolution of obsolescence issues on the Italian platform (ALA), with the design of a new microprocessor card which borrows from the architecture and components of other developments already made by Ansaldo STS with a view to standardising HW solutions. On the SW front, Baseline 3 development activities continue, oriented towards its initial application in the contract in force with SNCF and in other more recently acquired contracts.

  New evolutionary developments began in 2017 on the DIVA onboard platform. The works aim to standardise the HW configurations, primarily for ERTMS applications as well as overall improvement in the platform’s performance.

Research and development expense net of grants, mainly relating to the projects described above, is as follows for the group companies:

- Ansaldo STS S.p.A.: €21.0 million;
- Ansaldo STS France S.A.S.: €10.0 million;
- Ansaldo STS USA Inc.: €10.3 million.

7 HUMAN RESOURCES AND ORGANISATION

The Human resources & organisation department continued to assist the business during the year by strengthening and disseminating specialist technical knowledge and a managerial culture to ensure greater efficiency and effectiveness in implementing internal processes and contract activities.
In particular, the Talent Management process was launched, redefined in terms of general architecture and development programme. The selection process, which led to the identification of 120 persons internationally, focused on three key profiles: Junior, Senior (managerial stream), Senior (technical stream).
The new development programme is based on certain key elements such as know-how management, networking and collaboration, proactiveness, innovation and delivery. A project work, the topics for which were defined with senior management, will represent the guiding thread of the initiative and will facilitate the sharing of skills and experience between individuals from different geographic areas and professional backgrounds, at the same time guaranteeing a strict connection with the business.
First and foremost among the programme's objectives is the strengthening of personal skills and the transfer and sharing of know-how, aiming to ensure that the flow of experience and expertise stays strong and continues within the company, supporting growth and also promoting other new and alternative ways of thinking.
This one-year programme was launched in November with a kick-off meeting and an initial workshop on Knowledge Management, and is due to end in December 2018.

2017 was also the year that, within the Talent Management system, the pilot programme known as Knowledge Owner came to an end. As it progressed it achieved the objective of sharing technical skills considered to be fundamental. For year two, the resources previously identified at global level (76) were committed to providing specialist technical courses, reaching the major milestone of around 60 sessions, 940 attendees and 10,000 training hours (more than 10% of the global plan). It is important to mention that all these courses now form part of the company's training catalogue.

In 2017, after last year's "Global Employee Survey", the Human Resources Department identified and carried out a series of actions to improve the perceptions emerging from responses in relation to certain areas. Each manager with more than 6 employees under his direct control was also given access to the aggregate results for his team, inviting him to include improvement goals deriving from the feedback illustrated in the survey among his annual goals. In September a new questionnaire was launched which saw a response from around 76% of company employees. The 2017 results showed net improvements over 2016 in all areas covered by the survey.

7.1.1 Ansaldo STS

The following changes were made in the company's governance during the year:

On 30 January 2017, the board of directors approved a new organisational structure. This change involved a simplification and optimisation of the organisational structure in relation to those reporting directly to the Chief Executive Officer, reducing the number from 14 to 11.

On 28 March 2017, the board of directors appointed Renato Gallo as the company's new CFO.

On 28 April 2017, Mr. Corsi and Mr. Gallo were included among the key managers, in addition to Mr. Andi, Mr. Gaudiello and Mr. Fracchiolla.

Following termination of the employment relationship with Francesco Romano with effect from 30 June 2017, on 15 June 2017 the board appointed Andrea Luzinat as the new head of the Human Resources & Organization Department.

The following people are in office at 31 December 2017:

- Chairperson of the board of directors: Alistair Dormer;
- Deputy chairperson of the board of directors: Alberto de Benedictis;
- Chief executive officer and general manager: Andrew Thomas Barr.

Again following termination of the employment relationship with Mr. Romano, on 15 June 2017 the board of directors resolved to delegate powers of representation for duties required of the company as "Personal Data Controller" pursuant to article 28 of Legislative decree no. 196/2003 (Personal Data Protection Code) to Giovanni De Liso, as proposed by the chief executive officer.

On 28 July 2017 the board appointed Andrea Crespi as Internal Audit Manager with effect from 1 October 2017.

7.1.2 Subsidiaries

Therefore, the country representatives of Ansaldo STS's major entities at 31 December 2017 are as follows:

Country Representative Ansaldo STS France S.A.S.: Gilles Pascault.

Country Representative Ansaldo STS USA INC.: Joseph Pozza.

Country Representative Ansaldo STS Australia PTY LTD: Raphael Ferreira.

Country Representative Ansaldo Railway System Trading (Beijing) LTD: Luciano Libanori

7.1.3 Headcount at 31 December 2017

The group's headcount at 31 December 2017 numbered 4,228, up 277 employees (7.0%) on the 3,951 employees at 31 December 2016.

The group's average workforce for the year numbered 4,081 compared to 3,828 in the previous year.

The headcount may be analysed as follows:

COMPANY/REGION	2017	2016	Change
ASTS Italy*	1,863	1,712	151
ASTS France**	913	868	45
ASTS USA	754	712	42
ASTS APAC	635	597	38
ASTS China	63	62	1

*Includes the employees of Ansaldo STS Deutschland GmbH

**Includes the employees of Ansaldo STS UK Ltd. and Ansaldo STS Sweden AB

The increase in Italy is mainly due to the hiring of resources from staffing providers (temporary staff/staff leasing and personnel from external firms) and the rise in personnel numbers at foreign branches.

The increase in the workforce in France and the US relates to the acquisition of new projects.

The increase in APAC resources is linked to the expansion of business activities in India.

7.2 Incentive plans

The Ansaldo STS group developed and regulated:

- a medium-term stock grant plan;
- a long-term cash incentive plan (LTIP).

These plans form part of a series of short-, medium- and long-term incentive plans, and represent a considerable portion of Ansaldo STS group management's total remuneration.

They are designed to link a significant portion of managers' remuneration to the achievement and improvement of financial ratios, as well as strategic objectives that are especially important for Ansaldo STS group's creation of value.

7.2.1 Stock grant plans

2014-2016 stock grant plan

On 20 February 2014, the board of directors based of the proposal of the remuneration committee of 17 February 2014, which was subsequently passed by the shareholders on 15 April 2014, approved a three-year stock grant plan. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share index).

Like the previous plan, the 2014-2016 stock grant plan complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011, and confirms:

- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

The group formally checked that the objectives underlying the granting of the portion related to 2016 were achieved.

All three objectives assigned of EVA, FOCF and share performance compared to the FTSE IT All-Share index were met for 2016. The tolerance band principle was applied in order to successfully meet the EVA objective. Accordingly, in compliance with the plan regulation, 94.5% of the shares initially earmarked were assigned to the beneficiaries.

The total shares due to the 33 current beneficiaries numbered 394,182. As a result of the three-year vesting period, the shares will actually be delivered in April 2019.

2017-2019 stock grant plan

On 24 March 2017, the Board of Directors, based of the proposal of the remuneration committee of 23 March 2017, which was subsequently passed by the shareholders on 11 May 2017, approved a three-year stock grant plan, addressed to the CEO, key managers and other executives (or equivalent categories) of Ansaldo STS considered key resources by the Company. The objectives of the Plan are the same as those of the previous 2014-2016 Plan (EVA, FOCF and share performance compared to the FTSE Italia All-Share index).

Like the previous plan, the 2017-2019 stock grant plan complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate

Governance committee, and of the current article 6 of such code, as amended in December 2011, and confirms:

- a three-year vesting period for all beneficiaries;
- a two-year lock-up period for 20% of the shares due to the CEO and key managers;
- a very thin (2.5%) tolerance band, within which a proportional amount of the shares will vest on a linear basis, for each objective.

7.2.2 LTIPs

2014-2016 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS S.p.A..

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group's profit for the year which, as it was not reached, meant that no incentives were earned. Accordingly, checking that the 2016 objectives were met was immaterial even though the company did check them for documentary completeness.

In May 2017, in accordance with the annual vesting period and related accrual, 50% of the 2015 tranche was disbursed.

2015-2017 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS.

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group's profit for the year.

As the access threshold and the two performance objectives (Invested Capital and ROS%) were met, 100% of the amounts due will be paid to the beneficiaries. As a result of the annual vesting period, the cash will actually be paid in May 2018.

In May 2017, in accordance with the decisions made in board of directors resolution of 3 November 2015, the share disbursed for the 2015 tranche was equal to that disbursed for 2014, i.e. 100%.

2016-2018 cash plan - 2016 instalment

This plan was set up for the CEO and three key managers of Ansaldo STS S.p.A..

It has a three-year term and provides for a cash payment not exceeding one year's gross remuneration based on the achievement of agreed objectives.

The plan also includes an access threshold defined as the group's profit for the year.

As neither objective was reached (new orders and working capital), the beneficiaries will receive no cash payment.

7.3 Investments held by directors

Following the amendments made by CONSOB (the Italian commission for listed companies and the stock exchange) with resolution no. 18049 of 23 December 2011 to the Regulation adopted with resolution no. 11971 of 14 May 1999 (the "Issuer Regulation"), information on investments held in the issuer or companies controlled thereby by members of management bodies, general managers and key managers, as well as their spouses, unless legally separated, and minor children, directly or via subsidiaries, trustees or nominees referred to in the repealed article 79 of such regulation is now presented in compliance with the provisions of article 84-quater.4 of the regulation, in the remuneration report prepared pursuant to article 123-ter of Italian Legislative decree no. 58/98 and in compliance with schedule 7-bis of annex 3A to the Issuer Regulation. The remuneration report is made available to the public as provided for by law and regulations.

8 FINANCIAL DISCLOSURE

Financial market transactions

The primary objective of Ansaldo STS is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information for the market in a timely and transparent manner and ensuring that the company is presented properly.
The Investor Relations Department, reporting directly to the Chief Financial Officer, liaises constantly with analysts and investors in order to grasp market disclosure requirements and accurately tailor communications from senior management.
The regular surveys carried out with stakeholders have always confirmed the overall positive impression of the Investor Relations team's operations, recognised as the main point of contact between the company and the financial community.
Total share coverage remained basically the same as last year, with 10 investment banks; in particular, only 5 of them maintained active involvement after the conclusion of the takeover bid by Hitachi on the Ansaldo STS share capital and the entry into the shareholding structure of the US Elliott fund, while the other 5, despite the fact that they did not officially stop their coverage, maintained a more detached attitude pending future developments.
A number of investment banks provide periodic industry studies and competitor analyses which the Investor Relations Department collects, studies and disseminates internally, along with official market announcements.
On a quarterly basis before the financial results are issued, the Investor Relations Department requests brokers assigned to the parent's share for their latest forecasts on its key financial indicators. This is an accurate update of sell-side analysts' perception, which is discussed and considered by management.
With regard to communication activities, the annual communications plan is used to plan and develop Investor Relations activities. The aim is to disseminate and communicate the company's market analyses, policies and strategies.
With the same resources and quality of its activities compared to the previous year, the Investor Relations Department continued to monitor and analyse the market and the competition in reporting period, in order to support management.
In addition to the usual daily focus on and weekly collection of market "rumours" (IR NEWS), the department periodically analyses and updates the performance of competitors, markets and main business sector analyses.

The website, which contains a section specifically dedicated to all Investor Relations topics, remains the main instrument for the collection and disclosure of financial information to stakeholders.

Share performance

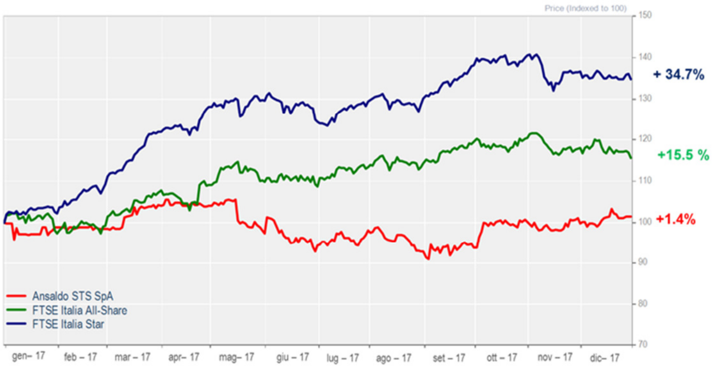
The official share price in the **31 December 2016** to **31 December 2017** period rose from €11.84 to €12.00, up 1.4%.

The share's high for the year and all-time company record of €12.50 was recorded on 5 April 2017 and its low for the year of €10.78 on 4 September 2017.

An average of 112,750 shares were traded daily in the year, compared to 201,762 in 2016. The decline in volumes is a direct consequence of the reduced float.

The FTSE Italia All-Share index gained 15.5% during the year while the FTSE Italia STAR index gained 34.7%.

Share performance compared to the main indices (base 100)



Key shareholders at 31 December 2017

Considering the communications sent to CONSOB and received by the parent as required by Italian Legislative Decree no. 25 of 15 February 2016, which entered into force on 18 March 2016, in implementation of directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013, which amended art. 120, paragraph 2 of the Consolidated finance act, the table below gives a list of the investors which hold more than 3% of Ansaldo STS S.p.A.'s share capital at 31 December 2017:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50,772
PAUL E. SINGER (as general partner, directly and indirectly, of the Limited Partnership Elliott International and The Liverpool Limited Partnership)	51,330,030	25,665
UBS	10,068,228	5,034
LITESPEED MASTERFUND	7,532,322	3,766

Key data per share

Earnings per share

(€)	2017	2016
Basic and diluted EPS	**0.32**	0.39
Dividend per share	**0.15***	-

*proposed to the shareholders

The amount proposed to the shareholders to be distributed as dividends on the 2017 profit totalled €30,000 thousand (the shareholders' meeting had decided not to distribute a dividend for 2016).

9 LITIGATION

In general, the following should be noted:

1. Metro C Società Consortile per Azioni versus Roma Metropolitane S.r.l.

In 2007, the contractor of the works, design and construction of the new line "C" of the Rome metro (Metro C consortium, 14% held by Ansaldo STS S.p.A.), served the customer (Roma Metropolitane S.r.l.), with a request for arbitration concerning the additional fees and time required following delays in validating the T4 and T5 section executive designs.

Pending the conclusion of the arbitration, a compromise committee was set up, which at the end of 2011, proposed an outline agreement with redesign of the work plan and reformulation of the claims on a lump-sum, all-inclusive basis, in the amount of €230 million. In December 2012, CIPE (Interministerial economic planning committee) granted Roma Metropolitane the amounts necessary to financially cover the settlement agreement between Roma Metropolitane and Metro C; this resolution took effect and came into operation with its publication in the Italian Official Journal in June 2013. Instead of implementing the provisions of the settlement agreement, the newly-installed municipal council challenged the contents. The situation became more tense and Metro C was forced to suspend/slow works given the enormous financial difficulties produced by the persistent failure to pay. In September 2013, Metro C and Roma Metropolitane signed the "Implementing Deed for CIPE resolution no. 127 of 11 December 2012 and resulting adjustment of the Contract of 12 October 2006" which, inter alia, recalculated the deadlines for the completion of the functional stages following the variations made during the work, ruled that Metro C was due €230 million plus €90 million for general contractor costs and VAT for the higher costs claimed, excluding any amounts related to additional claims, provided that Metro C waived all claims recognised at the deed date and that Roma Metropolitane would renounce appealing the partial award.

As the amounts certified and invoiced as per the Implementing deed were not paid (mainly the general contractor costs), in January 2014 Metro C was forced to notify Roma Metropolitane of the order of the court for the total amount of approximately €269 million plus VAT. Roma Metropolitane opposed such court order, requesting authorisation to summon the financing bodies, which was granted by the appeal judge at the first hearing held in September 2014. Accordingly, a second hearing was scheduled, where Metro C was not granted the provisional seizure of the amounts not yet paid by Roma Metropolitane to date, in addition to accrued interest.

At the subsequent hearing in September 2016, the Parties presented their conclusions and the Judge assigned a deadline for the submission of final statements and reply briefs, with the resulting reservation of judgment in the case.

At the end of 2015, as the amount provided for in the Implementing deed had not been paid nor the amounts invoiced for work regularly performed and certified, Metro C sued Roma Metropolitane S.r.l. and the Rome municipality, challenging a number of instances of non-compliance in the period from September 2013 to October 2015. It also requested payments of various amounts including the outstanding receivables of approximately €350 million.
The hearing was held in September 2016 to discuss the claim pursuant to article 186-*ter* of the Italian penal code; the Court assigned a deadline to Roma Metropolitane for any observations on the new calculations carried out by Metro C.
At the October 2017 hearing, Roma Metropolitane filed documents relating to works progress report no. 4 for the add-on agreement of July 2014 relating to maintenance. The lawyers raised objection to this late filing but the court accepted the documents in question, assigning Metro C a deadline to file their own documentary evidence in good time before the new hearing to define conclusions set for the end of November 2017. At that hearing, the decision on the case was adjourned to early 2018, establishing legal deadlines for the filing of conclusions and reply briefs.

Also note that the judicial authority intervened for analyses and the acquisition of documentation as part of the investigations initiated in relation to the construction of Line C of the Rome Metro, in particular in the relationships between the company and the client relating to the use of the system of reserves and the associated settlement agreements.

2. *Ansaldo STS – Collapse of a building in Via Riviera di Chiaia*
The company is involved in the criminal proceeding following the accident of 4 March 2013 where a building located in Via Riviera di Chiaia 72, Naples, partially collapsed, allegedly due to the works underway to construct the Arco Mirelli station for Line 6 of the Naples metro. In this project, the company is the operator appointed by the Naples municipality.
The alleged crimes are those assumed when recorded in the criminal records registry, i.e. articles 676 and 434 of the Italian Penal code: "*Destruction of buildings or other constructions*" and "*Collapse of constructions or other malicious disasters*".
In 2015 and until the first hearing before the Judge for the Preliminary Hearing, the company's defendants were called for spontaneous questioning. Based on the results of this questioning and the findings of the preliminary investigations, two employees were committed for trial while the motion to dismiss the case for the third employee is pending. During the preliminary hearing of June 2015, certain third parties joined the proceeding as civil parties seeking damages, including the Naples municipality. The Judge for the Preliminary Hearing set another hearing for December 2015, during which the company was held liable for compensation for pecuniary and moral damage to the civil parties. Following the request for the exclusion of ASTS as the civilly liable

party and the integration of the notices to the civil parties, a series of scheduled hearings were held for the relative measures, as a result of which the exclusion of ASTS as the civilly liable party was declared and the requests for the admission of the requested evidence were handled. After the examination by experts appointed during the initial phase of the proceedings, the later hearings in 2016 and 2017 were subject to a number of adjournments and hearing of the admitted witnesses is now being scheduled.

With respect to the civil proceedings related to the collapse of the buildings, 32 cases for claims for damages, 1 for prior technical ascertainment and 1 for expected damages were pending in 2017.

3. AIASA JV - Attiko Metro arbitration

In January 2014, the AIASA joint venture (of which Ansaldo STS holds 22%) issued an arbitration request to the Greek company ATTIKO METRO S.A. and the Greek Ministry for Infrastructure and Transport.

The aim is to request payment of greater expense and/or curtailments on some progress reports and/or extra costs incurred by the AIASA joint venture in completing the contract for the design and construction of the Thessaloniki metro. Given the considerable number of issues under arbitration, and for a more efficient settlement of the dispute, six different arbitration panels were set up, each resolving on a certain group of claims made by the joint venture against ATTIKO METRO. In this respect, note in particular the arbitration panel decision of December 2014 on "Dispute 66" which ruled that the current work schedule discretionally set by the customer is illegitimate. In light of such award, the JV informed the customer Attiko Metro that the contract was terminated as its term had expired now that the discretional extension had expired.

Subsequently, the JV and the customer tried to define a contractual solution in order to resume the work.

To date the Parties have essentially finalised most of the disputes covered by the 6 different arbitration proceedings and the initial payments are in progress.

4. ASTS /Alstom Consortium - Société Nationale des Chemins de Fer Tunisiens arbitration

An arbitration panel was set up in May 2014 to resolve the dispute between the Ansaldo STS – Alstom consortium and Société Nationale des Chemins de Fer Tunisiens (SNCFT), in relation to the claim for compensation of greater expense and higher costs incurred by the consortium due to the technical variations and additional works requested by the customer in the technological upgrading of the railway line from Tunis Ville to Borj Cédria.

The parties formally set up the arbitration panel that will rule in accordance with the procedural rules of the International Chamber of Commerce (ICC) and pursuant to applicable French law.
The arbitration panel issued its final award in September 2016 in favour of the Ansaldo STS - Alstom consortium; with reference to the party ASTS, sums were recognised for damages due to delays and variations in the amount of roughly €2.5 million, plus interest, outstanding invoices and legal costs.
In December 2017, SNCFT filed an appeal for annulment of the arbitration award, instigating the related proceedings before the Paris Court of Appeal. It is expected for the first half of 2018 SNCFT's filing of its introductory brief, triggering the deadlines for Ansaldo to file its own defence briefs. After this the appointed Court of Appeal will establish the dates for filing of additional defence statements. The first hearing should be scheduled within a year.

5. Alstom Ferroviaria S.p.A. – Ansaldo STS S.p.A. / RFI

In 2016, proceedings began before the Puglia Regional Administrative Court in Bari, lodged by Alstom Ferroviaria S.p.A., which requested the cancellation of the measures awarding tender no. DAC1.2015.0008, for a contractual value of roughly €15.0 million, relating to the design and implementation of a line ACC-M system located in Bari Lamasinata and for the line systems in the Foggia-Bari section. The applicant requested the cancellation, after precautionary suspension, of the awards in favour of ASTS by way of succession. Following the ruling of the Puglia Regional Administrative Court in Bari no. 1210 of 20/10/2016 accepting Alstom's petition against the acts of the tender carried out by RFI, an appeal was lodged before the Council of State. The hearing for discussion of the suspension was held on 4 May 2017. Ruling no. 3640/2017 was filed on 24 July 2017, confirming the first instance decision. These proceedings are therefore considered closed.

6. ISAF SA – Ansaldo STS S.p.A.

In the second half of 2016, the company ISAF SA submitted an application for arbitration to the International Chamber of Commerce, Bucharest, Romania. The arbitration regards the Consortium formed by ISAF and ASTS in relation to the "*Rehabilitation of the section Campina-Predeal on the railway line Bucharest – Brasov, Lot 4*" project. It regards a demand for compensation for damages of up to around €5.0 million from ISAF SA in relation to non-payments in its favour by the customer, allegedly attributable to delays and/or omissions of ASTS. The arbitration proceedings were suspended pending the resolution of the separate arbitration between ISAF SA and the customer concerning the demand for compensation for damages caused by the above-mentioned non-payments in its favour and the relative delays and/or omissions. If it loses, ISAF

SA would continue with the arbitration against ASTS, as it deems it liable for the damages suffered. Following the successful conclusion of the arbitration proceedings against the customer, which constituted a precondition, in November 2017 ISAF informed the ICC that it did not wish to pursue the suspended arbitration proceedings against Ansaldo.

7. Stockholm Red Line.

With regard to the “System Delivery Agreement” signed on 3 November 2010 between Ansaldo STS Sweden (a 100% subsidiary of Ansaldo STS S.p.A.) and AB Storstockholms Lokaltrafik (“customer”) for updating of the signalling system of one of the lines of the Stockholm metro, i.e. the “Red Line” (for a total value of around €127 million), in October 2017 the customer requested reimbursement of the advances paid for roughly €35 million, plus VAT and interest. Then on 7 November 2017 it served notice of its unilateral termination of the contract, claiming default by Ansaldo STS Sweden (“company”) and requesting the reimbursement of residual advances paid (around €24 million, plus VAT and interest), as well as the application of penalties and compensation for damages estimated at a total of €17 million. The company challenged both the unilateral termination of the contract and the request for reimbursement of the advances and compensation for damages, considering them unfounded. On 20 December 2017, the Parties signed an agreement for the return to Ansaldo STS Sweden of all bonds previously released to the customer, against the reimbursement of residual advances paid by the customer for a total of around €31 million (VAT and interest included). Based on this agreement, the company paid the aforementioned amount on 25 January 2018, in exchange for the same-time return of all bonds by the customer. This payment, and likewise the previous amounts paid to the customer for €45 million (VAT and interest included), was made by the company, reserving the right to re-enact all measures without prejudice to its own rights and pending legal conclusion of the dispute.

The company is assessing all possible legal options to defend its rights, including the right to receive full payment for all works carried out to date as well as compensation for damages incurred, “also” due to the unilateral termination of the contract by the customer. In this respect note that, amongst other things, a report by a well-known international expert on such matters has been sent to the customer. The report analyses the contractual delay challenged, from which preliminary liability of the customer emerges for having caused the delay beyond the originally agreed work schedule, consequently resulting in postponement of the planned deadline for final acceptance from 30 September 2014 (contractual date) to at least 4 June 2021.

Pending conclusion of this dispute, Ansaldo STS Sweden and AB Storstockholms Lokaltrafik have agreed upon provisional activities to be implemented from January 2018.

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

The Ansaldo STS shares have been listed on the Star segment of the markets organised and managed by Borsa Italiana S.p.A. since 29 March 2006.

They were 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 in the FTSE MIB index from 7 April 2015 until 20 December 2015. Since 21 December 2015, the shares have been included in the FTSE Italia Mid Cap index again.

With the approval of the board of directors given on 19 December 2006, Ansaldo STS adopted the Code of conduct endorsed by Borsa Italiana S.p.A. in March 2006 and came into line with its requirements during 2007.

Borsa Italiana S.p.A.'s corporate governance committee adopted a new Code of conduct in December 2011. On 18 December 2012, Ansaldo STS's board of directors resolved to comply with the principles of this new code and to update its own governance systems to comply with them. The committee adopted a new version of such code in July 2014 and, furthermore, in July 2015; Ansaldo STS's corporate governance system basically complies with the latest version.

Detailed disclosure on the parent's corporate governance structure is provided in the section of the directors' report covering corporate governance and the adoption of the Code of conduct for listed companies related to 2017, approved by the board of directors on 14 March 2018, published at the same time as this annual report.

The shareholders' meeting held on 13 May 2016 determined that there would be nine directors and appointed the new board for 2016-2018. In particular, the meeting appointed the following as new directors of Ansaldo STS S.p.A.: Alistair Dormer (chairperson), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Subsequently, at its meeting on 16 May 2016, the board of directors appointed Katherine Jane Mingay as deputy chairperson of the board of directors. On 24 May 2016, the board of directors appointed Andrew Thomas Barr as chief executive officer and general manager of Ansaldo STS S.p.A. Lastly, following the resignation of Katherine Jane Mingay from the role of deputy chairperson of Ansaldo STS S.p.A. on 21 October 2016 effective immediately, during its meeting on 28 October 2016 the board of directors appointed Alberto de Benedictis as deputy chairperson of the board of directors.

During the meeting held on 28 October 2016, the board of directors resolved by majority to establish an executive committee (the bid committee). The committee was vested with the power to evaluate and approve bids for the acquisition of contracts for public and private sector customers exceeding €150 million and within the limit of €350 million per transaction. The executive committee consists of chairperson Alistair Dormer, chief executive officer Andrew Thomas Barr and director Katherine Jane Mingay.

Note that the ordinary shareholders' meeting of 19 January 2017 resolved to take corporate liability action pursuant to art. 2393 of the Italian Civil Code against Giuseppe Bivona who, as a result, was immediately removed from office. At the same meeting, the shareholders' meeting appointed Michele Alberto Fabiano Crisostomo as new company director, replacing Giuseppe Bivona. Mr. Crisostomo will remain in office until expiry of the current Board's term of office.

The members of the Board of Statutory Auditors appointed for the period 2017-2019 by the shareholders on 11 May 2017 are: Antonio Zecca (chairperson), Giovanni Naccarato (statutory auditor) and Alessandra Stabilini (statutory auditor), with Valeria Galardi, Cristiano Proserpio and Alessandro Speranza as substitute statutory auditors.

On 16 May 2016, the board of directors appointed Francesco Gianni as Board secretary.

On 16 May 2016, the board of directors appointed the members of the risk and control committee (Alberto de Benedictis – chairperson, Mario Garraffo and Katharine Rosalind Painter) and the appointments and remuneration committee (Katharine Rosalind Painter– chairperson, Alberto de Benedictis and Mario Garraffo).

On 27 February, with effect from 1 March 2017 and with opinion in favour from the Board of Statutory Auditors, the Board appointed Renato Gallo to replace Roberto Carassai as Manager in charge of financial reporting pursuant to art. 154-bis of Italian Legislative Decree no. 58/1998 and, ad interim, as Chief Financial Officer of the Company. Then on 28 March 2017 the Company confirmed the appointment of Renato Gallo as Chief Financial Officer of Ansaldo STS.

At its meeting of 15 June 2017 the board of directors accepted the declarations submitted by the independent directors (Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis, Mario Garraffo and Michele Alberto Fabiano Crisostomo) and confirmed that they continue to meet the independence requirements pursuant to current regulations and to the Code of conduct.

An the meeting held on 24 May 2016, pursuant to principle 7.P.3 of the Code of conduct, the company's board of directors appointed the CEO, Andrew Thomas Barr, as director in charge of the internal control and risk management system. During the same meeting, the board of directors also confirmed the assignment of the internal audit function to the external company Protiviti S.r.l., and Giacomo Galli, managing director and country leader of that company as internal audit

manager. Later, the board meeting of 24 March 2017 confirmed Protiviti as the entity responsible ad interim for internal audit until 30 September 2017. Lastly, note that on 28 July 2017 the board appointed Andrea Crespi, a former consultant of Protiviti, as the new Internal Audit Manager with effect from 1 October 2017.
On 24 May 2016, the board of directors also confirmed Nicoletta Garaventa and Alberto Quagli as chairperson and external member, respectively, of the company's supervisory body, as well as Filippo Corsi, general counsel of Ansaldo STS, as the internal member of the supervisory body.

Pursuant to the Code of conduct, during the meeting of the Board of Statutory Auditors, held on 5 July 2017, the statutory auditors Antonio Zecca, Giovanni Naccarato and Alessandra Stabilini also confirmed that they meet the independence requirements pursuant to current legislation and stated thereby at the time of their appointment.

With respect to the independent auditors appointed to perform the legally-required audit of Ansaldo STS S.p.A.'s financial statements note that, in their meeting of 19 January 2017, the shareholders awarded the audit engagement for the 2016-2024 period to EY S.p.A..

Then on 24 March 2017 the board of directors approved the parent's remuneration policy for the year 2017, in compliance with the recommendations of article 6 of the Code of conduct, on the basis of the proposal prepared by the appointments and remuneration committee dated 23 March 2017. On 24 March 2017, after discussion with the appointments and remuneration committee, the board of directors also approved the remuneration report prepared by the company pursuant to article 123-*ter* of the Consolidated Finance Act and article 84-*quater* of the Issuer Regulation. Finally, pursuant to article 123-*ter*, paragraph 6 of the Consolidated Finance Act, the ordinary shareholders' meeting held on 11 May 2017, approved the first section of the above-mentioned report required by article 123-*ter*, paragraph 3 of the Consolidated Finance Act, which describes the company's remuneration policy for its officers and key managers, and the procedure followed to implement and describe this policy.

Pursuant to articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer Regulation, we note that, on 28 January 2013, in compliance with articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Issuer Regulation, the Board of directors of Ansaldo STS S.p.A. 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.

The disputes regarding corporate and governance aspects can be summarised as follows. In relation to that already reported for the dispute between Ansaldo STS S.p.A. and Giuseppe Bivona, with writ of summons served on 15 May 2017 and as follow-up to the resolution of 19 January 2017, the company exercised liability action against the former director, Mr. Bivona. The company requests i) ascertainment of liability of Mr. Bivona for breach of his duties as director of Ansaldo STS and for conduct harmful to the company's reputation, as well as ii) compensation for the damages suffered. The first hearing will be held in March 2018.

In relation to the dispute Amber Capital Italia SGR S.p.A. ("Amber Fund"), Elliott Funds/Litespeed Management versus Ansaldo STS S.p.A., it should be remembered that by separate writs of summons the Amber Fund, on the one hand, and the Elliott Funds and Litespeed Management on the other, challenged the shareholders' meeting resolution of 19 January 2017 to take liability action against the former director, Bivona.

As part of this dispute, the Amber Fund also requested the appointment of a special receiver, but the Court of Genoa rejected the claim by order (of 24 May 2017) which was not challenged by the legal deadline. Amber was ordered to reimburse all proceedings costs.

Through separate appeals, the Amber Fund, Elliott Funds and Litespeed Management requested suspension of the effects of the decision challenged. Following the hearing to discuss the injunction appeal, the Court of Genoa rejected the appeal by order of 7 July 2017, announcing lack of grounds both for *fumus boni iuris* and *periculum*.

The two cases were combined and will continue through the next hearing set for early 2018. In that it relates to organisational aspects of the company, i.e. the validity of a resolution relating to a director and his termination, no specific economic or asset-related effect on the Company can be calculated per se for this dispute.

With regard to the dispute Elliott International L.P., The Liverpool Limited Partnership, Elliott Associates, L.P. ("Elliott Funds") versus Ansaldo STS S.p.A. an versus Hitachi Rail Investments S.r.l., note that by writ of summons served on 14 July 2016 the Elliott Funds challenged the shareholders meeting resolutions of 13 May 2016 appointing the board of directors and its chairperson and requested an injunction order to suspend the resolutions challenged.

On 18 July 2016 the Elliott Funds submitted a petition for the appointment of a special receiver. The procedure for appointment of a special receiver lapsed on final rejection of the Elliott Funds claim by the Genoa Court of Appeal, by order dated 6 September 2016, which accepted the company's petition and revoked the order of the Court of Genoa issued on 11 August 2016 appointing a special receiver.

The injunction proceedings concluded by order dated 9 November 2016, by which the Court of Genoa rejected the request of the Elliott Funds to suspend the shareholders meeting resolutions challenged, due to its lack of all legal standing.

The hearing on the merits ended with the decision of 28 July 2017 by which the Court of Genoa rejected the Elliott Funds claims. By writ of summons served in October 2017, the Elliott Funds challenged the Court of Genoa's first instance decision. The preliminary hearing will be held in May 2018. In that it relates to organisational aspects of the company, i.e. the validity of the appointment of a board of directors, no specific economic or asset-related effect on the Company can be calculated per se for this dispute.

By petition pursuant to art. 700 of the Italian Code of Civil Procedure, served upon the company on 10 April 2017, director Labruna asked the Court of Genoa to adopt an urgent measure to obtain integration of the agenda for the next meeting of the board of directors as well as a series of documents of special interest. The decision of the sole judge of the Court of Genoa rejected the claim by order dated 24 April 2017 as lacking *fumus* and ordered the petitioner to pay all proceedings costs. After director Labruna proposed a complaint against the monocratic decision, the Court of Genoa pronounced as a united bench, rejecting the complaint and again ordering the petitioner to pay all proceedings costs.

The key corporate governance tools that the company has implemented in compliance with the most recent legislative and regulatory requirements, as well as by the Code of conduct and national and international best practices, are as follows:

- By-laws;
- Code of ethics;
- Organisational, management and control model pursuant to Legislative decree no. 231/01;
- Shareholders' meeting regulations;
- Board of directors' regulations;
- Executive committee (i.e. bid committee) regulations;
- Risk and control committee regulations;
- Appointments and remuneration committee regulations;
- Related party transactions - Procedure adopted pursuant to article 4 of CONSOB regulation no. 17221 of 12 March 2010 as amended;
- Procedure for the handling and disclosure of inside and relevant information and for the setup and updating of the Insider List;

- Internal Dealing code of conduct.

For further details on the parent's corporate governance, reference should be made to the "Corporate governance report", comprising all disclosure required by article 123-*bis* of the Consolidated finance act, available on the company's website www.ansaldo-sts.com.

Genoa, 14 March 2018

On behalf of the board of directors
The Chairperson

Alistair Dormer

Consolidated financial statements at 31 December 2017 and notes thereto

11 CONSOLIDATED FINANCIAL STATEMENTS

11.1 Consolidated Income statement

(€'000)	***Notes***	***31.12.2017***	***of which, related parties***	***31.12.2016***	***of which, related parties***
Revenue	15.2	1,360,967	77,690	1,327,386	92,118
Other operating income	15.3	26,448	1,488	21,256	1,300
Purchases	15.4	(388,973)	(25,862)	(354,006)	(23,648)
Services	15.4	(527,908)	(63,629)	(500,283)	(41,339)
Personnel expense	15.5	(334,220)	-	(332,338)	-
Amortisation, depreciation and impairment losses	15.6	(19,010)	-	(18,325)	-
Other operating expense	15.7	(20,132)	-	(21,507)	(4)
Changes in finished goods, work-in-progress and semi-finished products		265	-	(513)	-
(-) Internal work capitalised	15.8	3,390	-	5,131	-
Operating profit (EBIT)		**100,827**		**126,801**	
Financial income	15.9	22,986	10	12,441	-
Financial expense	15.9	(30,534)	-	(26,938)	-
Share of profits (losses) of equity-accounted investees	15.10	5,798	-	4,345	-
Pre-tax profit (loss)		**99,077**		**116,649**	
Income taxes	15.11	(34,209)	-	(38,746)	-
Profit (loss) from discontinued operations		-	-	-	-
Profit for the year		**64,868**		**77,903**	
attributable to the owners of the parent		*64,975*		*77,968*	
attributable to non-controlling interests		*(107)*		*(65)*	
Earnings per share					
Basic and diluted		0.32		0.39	

11.2 Consolidated Statement of comprehensive income

(€'000)	*Notes*	*31.12.2017*	*31.12.2016*
Profit for the year		64,868	77,903
Items that will not be reclassified to profit or loss:			
- Actuarial gains (losses) on defined benefit plans	14.14	(1,062)	(2,091)
- Income tax	15.11	(87)	703
		(1,149)	(1,388)
Items that will or may be reclassified to profit or loss:			
- Net change in fair value of cash flow hedges	14.14	(1,610)	4,511
- Net exchange rate gains or losses	14.14	(37,524)	7,718
- Income tax	15.11	396	(1,767)
		(38,738)	**10,463**
Other comprehensive income, net of taxes		**(39,887)**	**9,074**
Comprehensive income for the year		**24,981**	**86,977**
Attributable to:			
- the owners of the parent		25,100	87,063
- non-controlling interests		(119)	(86)

11.3 Consolidated Statement of financial position

(€'000)	Notes	31.12.2017	of which, related parties	31.12.2016	of which, related parties
ASSETS					
Non-current assets					
Intangible assets	14.2	47,505	-	49,262	-
Property, plant and equipment	14.3	85,349	-	85,198	-
Equity investments	14.4	78,753	-	73,047	-
Loans and receivables	14.5	43,456	25,627	45,485	25,522
Deferred tax assets	15.11	36,213	-	41,324	-
Other non-current assets	14.5	13,794	-	16,090	-
		305,070		**310,406**	
Current assets					
Inventories	14.6	110,995	-	125,067	-
Contract work in progress	14.7	379,590	-	358,865	-
Trade receivables	14.8	736,664	55,208	728,852	62,376
Tax assets	14.9	35,782	-	22,649	-
Loan assets	14.8	30,633	232	34,233	267
Other current assets	14.10	84,386	21	84,604	4
Cash and cash equivalents	14.11	327,326	-	305,586	-
		1,705,376		**1,659,856**	
Non-current assets held for sale		-	-	-	-
Total Assets		**2,010,446**		**1,970,262**	
EQUITY AND LIABILITIES					
Equity					
Share capital	14.12	100,000	-	100,000	-
Reserves	14.13-14.14	628,892	-	607,626	-
Equity attributable to the owners of the parent		728,892		707,626	
Equity attributable to non-controlling interests	14.15	101	-	220	-
Total equity		**728,993**		**707,846**	
Non-current liabilities					
Employee benefits	14.18	37,572	-	36,048	-
Deferred tax liabilities	15.11	8,830	-	12,175	-
Other non-current liabilities	14.19	14,378	-	12,908	-
		60,780		**61,131**	
Current liabilities					
Progress payments and advances from customers	14.7	683,036	-	598,012	-
Trade payables	14.20	413,639	29,873	458,119	19,671
Loans and borrowings	14.16	424	-	1,780	-
Tax liabilities	14.9	6,021	-	8,978	-
Provisions for risks and charges	14.17	15,967	-	14,040	-
Other current liabilities	14.19	101,586	410	120,356	410
		1,220,673		**1,201,285**	
Total Liabilities		**1,281,453**		**1,262,416**	
Total Liabilities and Equity		**2,010,446**		**1,970,262**	

11.4 Consolidated Statement of cash flows

(€'000)	*Notes*	*31.12.2017*	*of which, related parties*	*31.12.2016*	*of which, related parties*
Cash flows from operating activities:					
Profit of the year		64,868	-	77,903	-
Share of profits (losses) of equity-accounted investees		(5,798)	-	(4,345)	-
Income taxes		34,209	-	38,746	-
Italian post-employment and other employee benefits		932	-	787	-
Stock grant plans		1,621	-	4,731	-
Net gains on the sale of assets		160	-	71	-
Net financial income		7,558	-	14,497	-
Amortisation, depreciation and impairment losses		19,010	-	18,325	-
Accruals to/reversals of provisions for risks		4,212	-	4,814	-
Other operating income/expense		(20,205)	-	3,118	-
Write-downs/reversals of write-downs of inventories and work in progress		27,306	-	(4,498)	-
Gross cash flows from operating activities	***17***	***133,873***		***154,149***	
Inventories		9,271	-	(2,981)	-
Work in progress and progress payments and advances from customers		(56,265)	-	(63,094)	-
Trade receivables and payables		1,425	*(17,370)*	(17,077)	(2,152)
Changes in working capital	***17***	***(45,569)***		***(83,152)***	
Changes in other operating assets and liabilities	17	(15,098)	17	17,041	8
Net financial expense	17	3,810	-	(13,388)	-
Taxes paid	17	(26,890)	-	(20,928)	-
Cash flows generated from operating activities		**50,126**		**53,722**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets and others		(19,927)	-	(15,812)	-
Sales of property, plant and equipment and intangible assets and others		4,049	-	3,278	-
Sales of equity investments		92	-	(39)	-
Dividends received		10	-	-	-
Other investing activities		60	-	-	-
Cash flows used for strategic transactions		(3,128)	-	(2,100)	-
Cash flows used in investing activities		**(18,844)**		**(14,673)**	
Cash flows from financing activities:					
Net change in other financing activities		(1,596)	(35)	(1,290)	(2,796)
Dividends paid		-	-	(36,000)	-
Cash flows used in financing activities		**(1,596)**		**(37,290)**	
Net increase in cash and cash equivalents		29,686	-	1,759	-
Net exchange rate losses		(7,946)	-	(479)	-
Opening cash and cash equivalents		305,586	-	304,306	-
Closing cash and cash equivalents		**327,326**		**305,586**	

11.5 Consolidated Statement of changes in equity

Changes in equity are shown in the following table:

(€'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**	**28,722**	**18,418**	**654,787**	**306**	**655,093**
Change in consolidation scope and companies measured at equity	-	(2,022)	-	-	293	-	**(1,728)**	-	**(1,728)**
Net change in stock grant reserve	-	-	-	3,504	-	-	**3,504**	-	**3,504**
Other comprehensive income (expense), net of taxes	-	-	4,511	-	7,739	(3,155)	**9,096**	(21)	**9,074**
Dividends	-	(36,000)	-	-	-	-	**(36,000)**	-	**(36,000)**
Profit for the year ended 31 December 2016	-	77,968	-	-	-	-	**77,968**	(65)	**77,903**
Equity at 31 December 2016	**100,000**	**544,451**	**3,042**	**8,115**	**36,755**	**15,263**	**707,626**	**220**	**707,846**
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	-	(4,091)	-	-	674	-	**(3,417)**	-	**(3,417)**
Net change in stock grant reserve	-	-	-	(417)	-	-	**(417)**	-	**(417)**
Other comprehensive income (expense), net of taxes	-	-	(1,610)	-	(37,512)	(753)	**(39,875)**	(12)	**(39,887)**
Profit for the year ended 31 December 2017	-	64,975	-	-	-	-	**64,975**	(107)	**64,868**
Equity at 31 December 2017	**100,000**	**605,335**	**1,432**	**7,698**	**(83)**	**14,510**	**728,892**	**101**	**728,993**

12 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

12.1 General information

The parent 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 was listed on Borsa Italiana S.p.A. (Star Segment) on 29 March 2006. Its shares were 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 in the FTSE MIB index from 7 April 2015 until 20 December 2015. Since 21 December 2015, the shares have been included in the FTSE Italia Mid Cap index again.

The parent'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.

Please note that Hitachi Rail Italy Investments S.r.l. currently holds 101,544,702 ordinary shares of the company, equal to 50.772% of the share capital of Ansaldo STS S.p.A.
In addition, please note that Hitachi Ltd. exercises management and coordination activities with respect to Ansaldo STS S.p.A. pursuant to articles 2497 et seq. of the Italian Civil Code.

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

12.2 Basis of preparation

Ansaldo STS group's consolidated financial statements at 31 December 2017 are drafted in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606/2002 of 19 July 2002, integrated by the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standard Interpretations Committee (IFRS IC) issued by the International Accounting Standards Board (IASB) applicable at such date.

These consolidated financial statements have been prepared on a historical cost basis, except for those captions which, as required by the IFRS-EU, are to be recognised at fair value (where fair value means the price that would be received from the sale of an asset, or that would be paid to transfer a liability, in a regular transaction between market operators at the valuation date) or for which this methodology is chosen, as described in the relevant accounting policies.

They are comprised of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows, a statement of changes in equity and the notes thereto.

As permitted by IAS 1, assets and liabilities are presented in the statement of financial position as current and non-current (assets and liabilities are considered current when it is expected to realized or settled in their normal operating cycle), while income statement captions are shown by nature. The statement of cash flows was prepared using the indirect method. The income statements present the Operating profit (EBIT), a significant indicator of the operating performance of the group. The Operating profit is equal to 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 profit or loss of equity-accounted investees".

Amounts are shown in thousands of euros, as allowed by law, unless stated otherwise.

The consolidated financial statements of Ansaldo STS group at 31 December 2017 were approved and authorised for publication on 14 March 2018 by the board of directors in accordance with ruling legislation.

These consolidated financial statements have been prepared in accordance with the IFRS endorsed by the EU and audited by EY S.p.A..

12.2.1 <u>Accounting policies</u>

Basis and scope of consolidation

These consolidated financial statements include the financial statements 31 December 2017, or at the date of the most recently approved financial statements, as detailed in note 13.4, of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the IFRS endorsed by the EU applied by Ansaldo STS group. The consolidated entities are listed below, showing the group's related direct or indirect interest therein:

Companies consolidated on a line-by-line basis

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/ QUOTA CAPITAL (€'000)	CURRENCY	INVESTMENT %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EURO	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	EURO	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	EURO	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	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	24.60
METRO BRESCIA S.r.l.	Direct	Brescia (Italy)	4,020	EUR	19,796
INTERNATIONAL METRO SERVICE S.r.l.	Direct	Milan (Italy)	700	EUR	49.00
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40.00

Companies measured using the cost method

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	21.26
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 Volla2 consortium	Direct	Naples (Italy)	71	EUR	25.00
Consorzio Cris (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.ca.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 at the tender phase and will be used as a vehicle for the billing of the recent contract acquired in Baltimore. Given joint control is defined, the balances of the associated financial statements are consolidated directly by the respective partners.

During the year, the Board of Directors approved the winding-up of the company Ansaldo STS Do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA (a direct investee of Ansaldo STS S.p.A. which holds 99.99% and Ansaldo STS USA International Co. which holds 0.01%). It was formed to participate in the tender for the construction of the Fortaleza underground which the company did not win, and given there are no further short-term commercial opportunities in the country, the decision was taken to proceed with the winding-up.

In addition, the striking off from the tax registers in Botswana and subsequent winding-up of the company Ansaldo STS Southern Africa Pty was also approved, given all the contracts in the portfolio were fulfilled.

Subsidiaries and jointly-controlled entities

Entities over which Ansaldo STS group has control by owning directly or indirectly more than half of the voting rights or by exerting the power to govern the financial and operating policies of Entities/Companies, so as to obtain benefits from their activities, including regardless of the percentage of equity investments, are consolidated on a line-by-line basis.

All subsidiary entities are included in the scope of consolidation as of the date on which control is acquired by the group. The entities are excluded from the scope of consolidation as of the date on which the group transfers control.

Investments in entities (including Special Purpose Entities) control over which is exercised jointly with third parties are equity-accounted.

The reporting period of all consolidated companies ends on 31 December.

Business combination transactions

Business combination transactions are accounted for by applying the purchase method when the acquisition cost is equal to the fair value, at the acquisition date, of the assets acquired, the liabilities incurred or assumed and any equity instruments issued by the buyer. The cost of the transaction is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their fair values at the acquisition date. Any difference between the consideration paid and the acquisition-date, the minority recorded applying the partial goodwill method, and fair value of the acquired assets and liabilities is allocated to goodwill. If the purchase price allocation process gives rise to negative goodwill, it is recognised in profit or loss at the acquisition date.

Acquisition-related costs are recognised in profit or loss when the related services are rendered.

In the event of acquisition of control of investees, goodwill is recognised only to the extent of the parent's share. Non-controlling interests are calculated in proportion to the equity investments held by non-controlling interests in the acquiree's identifiable net assets.

In a business combination achieved in stages, when control is taken, the previously-held equity interests in the acquiree are remeasured at fair value and the resulting gain or loss is recognised in profit or loss.

Balances related to transactions between consolidated companies are eliminated, specifically as relate to receivables and payables in place at year end, costs and revenue and financial income and expense and other items recognised in profit or loss.

Other equity investments

Equity investments over which the company has significant influence, generally accompanied by an investment percentage of between 20% (10% if listed) and 50% (investments in associates), are measured using the equity method. When this method is applied, the carrying amount of the investment equals equity adjusted, where necessary, to reflect the application of the IFRS endorsed by the EU. It includes the recognition of goodwill, net of impairment losses, when this is identified upon acquisition and following the effects of adjustments required by the standards governing the preparation of consolidated financial statements. Gains and losses realised among companies consolidated using the equity method, are eliminated, as are those among other group companies, including those consolidated on a line-by-line basis.

The fair value of equity investments in portfolio, provided that such criterion is applicable, is calculated based on the bid price of the last trading day of the month to which the IFRS financial statements refer (31 December 2017 in the case of these consolidated financial statements), or based on financial valuation techniques for unlisted instruments as set forth by IFRS 13.

Any equity investments held for sale, such as those that are acquired solely for the purpose of sale within twelve months, are classified separately as "assets held for sale".

Entities not consolidated

Following the cases in which the entities are not consolidated line-by-line:

- non-equity consortium companies as well as controlling interests in equity consortia which, as the costs are charged back to the shareholders, do not have their own operating results and whose financial statements, net of intra-group assets and liabilities, do not have significant equity values or;
- companies in certain phases of evolution, for example those which are no longer operating, have no assets and have no personnel or;
- companies whose liquidation process appears to be almost concluded, would be irrelevant from a quantitative and qualitative perspective in order to provide a true and fair view of the equity, economic and financial position of the group. These investments are equity-accounted.

These entities are not consolidated on line by line basis because, their consolidation would irrelevant or potentially distortive for understanding the operation performance of the group. With particular reference to consortium, the are non-profit vehicles set up for sharing common costs related to a specific project; for this reason consortium normally has no profit or loss at year-end.

Segment reporting

Starting in 2014, following an internal reorganisation and business management restructuring, the business segments identified previously (signalling and transportation solutions) were merged together due to their similarities in terms of the nature of the products and services, production processes and customer type; as a result, a single operating segment has been identified pursuant to IFRS 8 *Operating Segments*.

In addition, in the case of the Ansaldo STS group, the single operating segment also corresponds to a single Cash Generating Unit (CGU) for the purposes of IAS 36 *Impairment of Assets*.

Functional currency

The balances included in the financial statements of each group company/entity are recognised in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements of Ansaldo STS group are presented in euros, which is the parent's functional currency.

Foreign currency transactions

Foreign currency monetary items, cash and cash equivalents, assets and liabilities to be received or settled in established or determinable monetary amounts, etc., as well as non-monetary items, advances to suppliers of goods and/or services, goodwill, intangible assets, etc., are initially recognised at the transaction date exchange rate. Subsequently, monetary amounts are translated into the functional currency at the closing rate and any translation differences are taken to profit or loss. Non-monetary amounts are maintained at the exchange rate ruling at the date of the transaction, unless continuing adverse economic trends affect the rate, in which case exchange rate differences are taken to profit or loss.

Translation of financial statements of foreign operations

The rules for the translation of financial statements of foreign operations into the functional currency, with the exception of currency in hyper-inflationary economies (which do not affect the group), are as follows:

- assets and liabilities are translated at the closing rate;
- costs and revenue, income and expense are translated at the average exchange rate of the year or at the transaction date exchange rate if it varies significantly from the average rate of the year;

- exchange rate gains or losses arising from the translation of captions at a rate that differs from the closing rate and from the translation of opening equity at a rate that differs from the closing rate are taken to the translation reserve.

  This reserve is released to profit or loss when the equity investment is sold.

Goodwill and fair value adjustments relating to the acquisition of foreign operations are recognised as assets and liabilities of the foreign operation and translated at the closing rate.

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

	Spot rate at 31/12/2017	**Average rate for the year ended 31/12/2017**	Spot rate at 31/12/2016	Average rate for the year ended 31/12/2016
USD	1.19930	1.12922	1.05410	1.10641
CAD	1.50390	1.46385	1.41880	1.46661
GBP	0.88723	0.87626	0.85618	0.81889
HKD	9.37200	8.80069	8.17510	8.58851
SEK	9.84380	9.63651	9.55250	9.46622
AUD	1.53460	1.47256	1.45960	1.48878
INR	76.60550	73.49575	71.59350	74.35059
MYR	4.85360	4.85013	4.72870	4.58497
BRL	3.97290	3.60462	3.43050	3.86128
CNY	7.80440	7.62615	7.32020	7.34907
VEB	11,978.00000	11,278.04250	10,527.80000	10,242.00833
BWP	11.81580	11.67698	11.24370	12.05322
ZAR	14.80540	15.03626	14.45700	16.28110
KZT	397.96000	368.57722	351.52400	378.43994
JPY	135.01000	126.64153	123.40000	120.29606
AED	4.40440	4.14582	3.86960	4.06156
KRW	1,279.61000	1,275.64007	1,269.36000	1,284.66726

<u>Intangible assets</u>

Intangible assets are identifiable non-monetary assets without physical substance that generate future economic benefits for the group. They are recognised at purchase and/or production cost, including directly related charges incurred to prepare them for use, net of accumulated amortisation, except for assets with an indefinite useful life, and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated systematically over the residual useful life of each asset. Amortisation is calculated considering the actual use of the asset in the year in which an intangible asset is initially recognised.

The following table lists depreciation periods for each item:

Goodwill	:	indefinite useful life
Concessions, licences and trademarks	:	3-5 years
Research and development expense	:	3-5 years
Other intangible assets	:	3-5 years

(i) Goodwill

Goodwill recognised as an intangible asset arises from business combinations and reflects an excess in the acquisition cost of the business or business unit over the total fair value at the acquisition date of acquired assets and liabilities. As it has an indefinite useful life, goodwill is not amortised. Instead, it is tested for impairment at least once a year, unless the market and management indicators identified by the company show that the test has to be conducted when preparing interim financial statements.

The group identifies the entire business as its only CGU. The organisational and business breakdown between structures responsible for revenue (sales/bidding, project management and operation & maintenance) and those that generate costs does not make it possible to divide the operating segment into further independent cash generating units aside from by individual project (by contract) which, as it is not independent, cannot represent a CGU.

Goodwill on acquisitions of consolidated companies is recognised in intangible assets, while that related to unconsolidated subsidiaries or associates is included in the carrying amount of the related equity investments.

(ii) Concessions, licences and trademarks

These include trademarks identifying the origin of products or goods from a specific company and licences to use third-party know-how or software. The costs, including direct and indirect expenses incurred to obtain these rights, are capitalised after the rights have been acquired and are amortised systematically over the shorter of the period of expected use and the period for which the right has been acquired.

(iii) Research and development expense

Research expense is taken to profit or loss when incurred.

Internally generated intangible assets and the related development expense are recognised only when all the following conditions exist simultaneously:

- the asset can be identified;
- the asset may generate future economic benefits;

- the cost to develop the asset can be measured reliably;
- there is a reference market for the product generated by the development activity.

If these conditions are not met, development expense is recognised in profit or loss when incurred. This expense, which is capitalised only when the four above conditions are met, is amortised on a straight-line basis over the asset's useful life.
The initial capitalisation of development costs is also based on whether the management's opinion on the technical and economic feasibility of the project is confirmed, and capitalisation includes only expenses incurred which may be attributed directly to the development process.

Leased assets

(i) Finance leases where group companies are lessees
As lessee, at the date of initial recognition, the group recognises leased assets under assets and recognises a financial liability at the same time equal to the lower of the asset's fair value and the present value of minimum future payments due at inception of the lease, using the implicit interest rate of the lease or the marginal interest rate of the loan. Subsequently, the group takes amortisation applied to the asset and interest separated from the payments of the year to profit or loss.

(ii) Finance leases where group companies are lessors
At the date of initial recognition, the leased asset is derecognised and a receivable of an amount equal to the net investment in the lease is recognised. The net investment in the lease is the aggregate of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease. Subsequently, the group expenses finance income over the lease term on a systematic basis, to reflect a constant periodic rate of return on the residual net investment.
Estimated unguaranteed residual values are reviewed regularly to check if any impairment indicators exist.

(iii) Operating leases
Operating lease income and expense are taken to profit or loss over the term of the lease on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are measured at purchase or construction cost, net of accumulated depreciation and any impairment losses. Cost includes direct charges incurred to prepare assets for use and any disposal and removal costs that will be incurred to restore the site to its original conditions.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, upgrade or improve owned or leased assets are capitalised only to the extent they meet the requirements to be classified separately as assets or part of an asset. Grants related to assets are taken as a direct decrease in the cost of the asset to which they relate.

The carrying amount of each asset is depreciated on a systematic basis. Depreciation is calculated on a straight-line basis each year over the residual useful lives of assets. Depreciation is calculated considering the actual use of the asset in the year in which an item of property, plant and equipment is initially recognised. The following table lists depreciation periods for each item of property, plant and equipment:

Land	:	indefinite useful life
Buildings	:	20-33 years
Plant and machinery	:	5-10 years
Equipment	:	3-7 years
Other assets	:	3-8 years

The estimated residual value and the useful life of an asset are reviewed periodically.

Depreciation of an asset ceases on the date the asset is sold or classified as held for sale.

If a depreciable asset is comprised of separately identifiable components with estimated useful lives that differ significantly from the other components comprising the asset, depreciation is calculated separately for each component, using the component approach.

Profits and losses on the sale of assets or groups of assets are measured by comparing the sales price with the related carrying amount.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

Investment property

Property held to earn rentals or for capital appreciation is classified under “Investment property” and is measured at purchase or production cost, increased by transaction costs, if any, and net of accumulated depreciation and any impairment losses.

Impairment losses

Assets with an indefinite useful life are not depreciated/amortised, but are tested for impairment annually.

Depreciable assets are tested to check whether there is any indication that they may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any excess thereof is recognised in profit or loss.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, calculated based on the discounted cash flow model. The discount rate, including taxation, includes the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Assets that do not generate independent cash flows are tested based on the cash-generating unit.

When, subsequently, impairment losses no longer exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss. An impairment loss recognised for goodwill is never reversed.

Inventories

Inventories are measured at the lower of cost, calculated using the weighted average cost method, and net realisable value. Financial expense and overheads are not included in inventories. Net realisable value is the estimated sales price in the ordinary course of business considering any costs of completion and the estimated costs necessary to make the sale.

Contract work in progress

Contract work in progress is recognised in accordance with the percentage of completion method whereby contract cost, revenue and contract profits/(losses) are recognised based on the progress of production activities, which is calculated as the costs incurred at the measurement date and total estimated project costs or based on the product units delivered.

The measurement reflects the best estimate of projects completed at the reporting date. The group periodically updates these estimates. Any effects are recognised in the year in which the adjustments are made. The estimations also include the evaluation of the probability of occurrence of potential liabilities (projects' risks like, for example, delivery delays); these estimations are considered in preparing projects' budget costs if the underlined risk is considered probable. With reference to claims that could arose during the execution of the project or even and the end, they are considered in evaluating write-downs of work in progress if the underlined risk is considered probable.

The expected loss on a contract is recognised entirely under operating expense when it becomes reasonably foreseeable, along with an accrual to the provision for expected losses to complete contracts.

Contract work in progress is recognised net of any allowances, expected losses and progress payments and advances relating to contracts in progress.

This analysis is performed individually for each contract, recognising the positive difference (work in progress in excess of payments on account) under contract work in progress and the negative difference under "Progress payment and advances from customers". If the amount recognised under advances is not collected at the preparation date of the annual and/or interim financial statements, a balancing entry is recognised under trade receivables.

Contracts with consideration in a currency other than the functional currency (the Euro for the group) are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate.

However, under the group's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged, as described in the note on "Hedging construction contracts against currency risk".

<u>Loans and receivables and financial assets</u>

Financial assets are classified as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are classified by management upon initial recognition.

<u>(i) Financial assets at fair value through profit or loss</u>

This category includes financial assets acquired for the purpose of trading in the short term, in addition to derivative instruments, in relation to which reference should be made to the paragraph below. The fair value of these instruments is based on the bid price at the reporting date: the fair value of unlisted instruments is determined using generally accepted financial valuation techniques. Fair value gains or losses of the financial instruments included in this category are recognised immediately in profit or loss.

Classification as current or non-current reflects management expectations about trading: they are included under current assets when they are expected to be traded within the next twelve months or when they are recognised as held for trading.

(ii) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, adjusted to reflect any transaction costs, and subsequently measured at amortised cost using the effective interest method. If there is objective evidence of impairment, the carrying amount of the asset is reduced to that of discounted future cash flows. Impairment losses identified by means of impairment tests are recognised in profit or loss. If, in subsequent years, the reasons underlying the previous impairment losses no longer exist, the carrying amount of the asset is restored to the extent of the carrying amount that would have been obtained had the impairment not been recognised. They are included in the current section, except for those which are due after more than twelve months after the reporting date which are therefore included under the non-current section.

This category normally includes trade and other receivables for which the financial component is insignificant.

The factoring of receivables without recourse based on which all risks and benefits are substantially transferred to the assignee results in the derecognition of the receivables from the balance sheet assets, as the requirements laid out in IAS 39 are met.

(iii) Held-to-maturity investments

These are non-derivative financial assets with fixed maturity that the group has the positive intention and ability to hold to maturity. They are classified under current assets when their contractual maturity is within twelve months. If there is objective evidence of impairment, the carrying amount of the asset is reduced to the discounted future cash flows. Impairment losses identified by means of impairment tests are recognised in profit or loss. If, in subsequent years, the reasons underlying the impairment loss cease to exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised.

(iv) Available-for-sale financial assets

These are non-derivative financial assets that are designated as available for sale or are not classified under any of the above categories. They are measured at fair value, which is based on market prices at the annual or interim reporting date, or on financial valuation models and techniques. Fair value gains or losses are taken to an equity reserve (“reserve for available-for-sale financial assets”). This reserve is released to profit or loss only when the financial asset is actually sold or, in the case of cumulative losses, when the impairment loss recognised in equity will not be recovered. Classification under current or non-current assets depends on management choices about the asset and its actual trading possibilities. Assets which are expected to be realised within one year of the reporting date are recognised as current assets.

If there is objective evidence of impairment, the carrying amount of the asset is reduced to the discounted future cash flows. Impairment losses previously recognised under equity reserves are recognised in profit or loss. For non-equity instruments, if the reasons underlying the impairment loss cease to exist, the impairment loss is reversed.

Derivatives

The group uses only derivatives as part of its strategies of hedging the risk of fluctuations in expected cash flows on contractual or highly probable transactions (cash flow hedges) or fluctuations in the fair value of recognised assets or liabilities or due to contractual commitments (fair value hedges), using the so-called forward instruments which, sometimes, despite a substantial and operating hedging effect, do not qualify for hedge accounting under IAS 39. Specifically, fluctuations in the fair value of these instruments and the related underlying items are recognised immediately in profit or loss, under financial items. For information on the policy governing the currency risk on construction contracts, reference should be made to the note on "Hedging construction contracts against currency risk".

The effectiveness of hedges is documented at the inception of the transaction, as well as periodically at each annual or interim reporting date. Hedge effectiveness is measured by comparing the variations in the fair value of the hedging instrument with those of the hedged item (dollar offset ratio), or, for more complex instruments, using statistical analyses based on risk variations.

(i) Fair value hedges

Changes in the fair value of derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, as are changes in the fair value of the underlying assets or liabilities attributable to the risk eliminated by the hedging transaction.

(ii) Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges and which qualify as such are recognised to the extent of the portion determined to be "effective", in a specific equity reserve ("hedging reserve"). This is subsequently recognised in profit or loss when the forecast transaction affects profit or losses. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the forecast transaction is no longer highly probable, the relevant portion of the "hedging reserve" is recognised immediately in profit or loss. If the hedging instrument is sold or no longer meets the criteria for hedge accounting, the relevant portion of the "hedging reserve" continues to be recognised until the underlying contract takes place.

(iii) Determining the fair value of financial instruments

The fair value of financial instruments quoted on active markets is calculated using the bid price at the reporting date. The fair value of unlisted derivatives is measured using financial valuation techniques: specifically, the fair value of interest rate swaps is calculated discounting the future cash flows, while that of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies.

Financial assets and financial liabilities for derivatives carried at fair value are classified based on the three following hierarchy levels which reflect the significance of the inputs used in measuring fair value. Specifically:

- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities at the valuation date;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than the quoted prices referred to in level 1 that may be observed either directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable market data.

Cash and cash equivalents

This caption includes cash on hand, deposits and current accounts with banks or other credit institutions available for current transactions, post office current accounts and other equivalents. They are recognised at fair value.

Equity

(i) Share capital

Share capital is comprised of the parent's subscribed and paid-in share capital. Any costs closely related to the issue of shares are classified as a decrease in share capital when they are directly related to such operation, net of deferred taxation.

(ii) Treasury shares

They are classified as a decrease in Group equity. Profits and losses on the sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Payables and other liabilities

They are initially recognised at fair value, less any transaction costs, and subsequently measured at amortised cost, using the effective interest method.

They are classified under current liabilities, unless the group has the contractual right to settle its obligations after at least twelve months of the interim or annual reporting date.

Income taxes

The group's taxes are comprised of current and deferred taxes. When they relate to income and expense recognised in comprehensive income, they are recognised with a balancing entry in the same caption.

Current taxes are calculated based on the tax legislation applicable and enacted at the reporting date in those countries where the group operates; any risks related to different interpretations of positive and negative income components, as well as the litigation underway with the tax authorities, are measured at least every three months to adjust the accruals recognised.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to be enacted when realising assets and settling liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the years the related temporary differences reverse against which the deductible temporary differences can be utilised.

Employee benefits

(i) Post-employment benefits:

Several pension (or supplementary) schemes are in place. They can be analysed as follows:

- Defined contribution plans under which the group pays fixed contributions into a separate entity (e.g. a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees benefits relating to employee service. Contributions payable to a defined contribution plan are recognised only when employees have rendered service in exchange for such contributions;

- Defined benefit plans whereby the group has an obligation to provide the agreed benefits to current and former employees and bears the actuarial and investment risks of the plan. Consequently, the cost of this plan is not calculated based on the contributions of the year, rather, on the basis of demographic and statistical assumptions and salary increase trends. The method applied is the "projected unit credit method". Accordingly, the carrying amount of the recognised liability reflects that of the relevant actuarial valuation, fully and immediately recognising actuarial gains and losses when they arise with a direct balancing entry in equity in the "actuarial reserve".

(ii) Other long-term employee benefits and post-employment benefits

Some group company employees are granted benefits such as, for example, jubilee benefits and seniority bonuses which are sometimes paid after retirement (such as medical benefits). The accounting treatment is the same as that applied to defined benefit plans, hence the "projected unit credit method" is used. However, with respect to "other long-term benefits", any actuarial gains and losses are recognised immediately and entirely in profit or loss when they arise.

(iii) Termination benefits

Termination benefits are recognised as a liability and an expense when the group is demonstrably committed to terminating the employment of an employee or group of employees before their normal retirement date or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits do not generate future economic benefits for the company and, accordingly, are immediately expensed.

(iv) Stock grant plans

Stock option and stock grant plans are in place for the group's senior management. The theoretical benefits granted to the beneficiaries are recognised in profit or loss for the years covered by the plan, with a balancing entry in equity. These benefits are calculated by measuring the fair value of the relevant instrument using valuation techniques which include market conditions, if any, and by adjusting the number of options that are expected to be granted at each reporting date.

Provisions for risks and charges

The provisions for risks and charges are recognised against certain or probable losses and expenses for which the group is uncertain of the timing and/or amount at the reporting date.

Provisions for risks and charges are recognised if, at the reporting date, as a result of a past event, the group has a legal or constructive obligation that will lead to an outflow of resources. The amount recognised as a provision is the best estimate of the discounted outlay required to settle the obligation. The discount rate used reflects current market assessments and the additional effects of the risk specific to the liability.

Risks for which liabilities are only possible are disclosed in a specific section of the notes on commitments and risks. They are not provided for.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or due, net of any discounts and volume rebates.

Revenue also includes changes in work in progress, with respect to which reference should be made to the note to “Contract work in progress”.

Revenue relating to the sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods which generally coincides with transfer of title or possession to the buyer, or when the revenue can be measured reliably.

Revenue from the rendering of services is recognised based on the percentage of completion method, provided that it can be estimated reliably. Revenue from contracts with Italian customers only is recognised under “progress payments and advances from customers” in the statement of financial position and subsequently reversed to profit or loss upon completion of the contract and, hence, of the related work in progress.

Grants

Government grants, including non monetary grants at fair value, are only recognised when there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received. Grants related to income are recognised on an accruals basis and in direct correlation with costs incurred when their allocation has been formally approved. Grants related to assets are recognised in profit or loss directly in line with the depreciation/amortisation of the assets/projects to which they relate and are recognised as a direct reduction in depreciation/amortisation.

Net financial income/(expense)

Interest income and expense are recognised on an accruals basis using the effective interest method, i.e., at the interest rate that makes all cash inflows and outflows (including any premiums, discounts, commissions, etc.) comprising the transaction financially equivalent.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

Dividends

Dividends are recognised when the right to receive payment is established. This usually coincides with the shareholders' resolution approving their distribution.

Dividends paid to the shareholders of Ansaldo STS S.p.A. are considered as a change in equity and recognised as a liability in the year in which the distribution was approved by the company's shareholders.

Related party transactions

All related party transactions take place on an arm's length basis.

Costs

Costs are recognised based on the criteria of proper qualification, temporal allocation and classification established by the accounting standards adopted by the enterprise. Costs are recognised when they relate to goods and services, excluding contract work in progress, sold or consumed during the year or based on a systematic allotment, or when their future useful life cannot be identified.

Personnel expense includes the amount of remuneration paid, accruals to the provisions for pension funds and for unused holidays accrued and social security and pension contributions in application of contracts and legislation in force.

Costs for the acquisition of new knowledge or discoveries, the study of alternative products or processes and new techniques or models, the design and construction of prototypes or, in any event, incurred for other scientific research or technological development activities, are generally considered current costs and recognised in the income statement in the year in which they are incurred; these costs are recognised in the balance sheet assets ("Intangible assets") only when the conditions described in IAS 38 are met.

New reporting standards (IFRS) and interpretations (IFRIC)

At the preparation date of these consolidated financial statements, the EU has endorsed several standards and interpretations which are not yet mandatory and which the group will apply in the next few years. The main changes (excluding the annual improvements) and potential impacts on the company are as follows:

IFRS - IFRIC interpretation		Nature and impacts on the group
IFRS2	Share-based Payment	The amendments aim to clarify the recognition of certain types of transactions with share-based payment. The impact on the group of adopting this standard is currently being analysed. The group will apply this standard starting from 1 January 2018.
IFRS 9	Financial instruments	This standard significantly amends the accounting treatment of financial instruments and will eventually replace IAS 39. The IASB introduced a new standard, whose final version incorporates the requirements of all three phases of the financial instruments project, i.e.: • classification-measurement; • impairment; • hedge accounting. As regards the classification and valuation of financial assets, the new standard allows both the amortised cost method and the fair value measurement method to be applied. For the latter, in particular, the fair value changes relating to credit risk are booked to Other Comprehensive Income and not to the income statement. As regards impairment, IFRS 9 establishes a new “expected loss” model which replaces the “incurred loss” mode of IAS 39 - based on the expected model. The allowance for impairment must be determined with a forward looking approach using a three-step model. For hedging transactions, the new accounting model is simpler and more closely related to risk management activities. The result is a greater probability of qualifying transactions as hedges, and therefore less volatility in the income statement. The current version of IFRS 9 will be applicable as of 1 January 2018, and the group does not expect any significant impacts from adopting said standard.
IFRS 15	Revenue from contracts with customers	The IASB issued a single general framework for the recognition of revenue. The guidelines in IFRS 15 are much more detailed than the provisions of the current IFRS for the recognition of revenue given they include operating guides and examples. This standard redefines how to recognise revenue, which must be recognised when control of goods or services is transferred to customers, and requires that additional disclosure be provided. The group will apply this standard starting from 1 January 2018, and the impact of the adoption of this standard on the Company is described in the following paragraphs.
IFRS 16	Leases	The standard published in January 2016 contains a single model for the accounting recognition of leases, eliminating the distinction between operating leases and finance leases from the lessee’s perspective; it therefore replaces IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27. In particular, the new standard defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements based on a single model similar to that used to account for financial leases in accordance with IAS 17. The group will apply this standard starting from 1 January 2019.

As regards the adoption of IFRS 15 and IFRS 9, a project was implemented in 2017 dedicated to analysing the impacts of the application of these standards from a quality and quantity perspective.

Adoption of IFRS 15 "Revenue from contracts with customers"

As already described at the time of preparation of the consolidated financial statements as at 31 December 2016, the IASB issued IFRS 15 "Revenue from contracts with customers", which provides a new regulatory framework which will replace, effective for financial statements for years starting on or after 1 January 2018, all pre-existing accounting provisions regarding the recognition of revenue from the sale of goods and services to the customers present, particularly as regards Ansaldo STS, in the following documents and related interpretations:

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

The objective of the new standard is to ensure financial statements users fully understand the nature, amount, timing and uncertainties of revenue and cash flows generated by contracts stipulated with customers.

IFRS 15 introduces a raft of changes and are structured into a detailed series of accounting provisions, which constitute, as a whole, the single new model for recognising revenue from contracts with customers.

In particular, as already mentioned at the time of preparation of the consolidated financial statements as at 31 December 2016, IFRS 15 requires a 5-step process to be followed for the recognition of revenue:

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

In light of the changes introduced by IFRS 15, the management of Ansaldo STS, as outlined in the consolidated financial statements as at 31 December 2016, deemed it appropriate to launch, in the first half of 2017, a project aimed at identifying the potential impacts of adopting the new standard.

In this context, Ansaldo STS' management set up a special work group which, in implementing the gap analysis project, focussed its activities on the following aspects:

- comparative analysis of the accounting policies adopted by the group in terms of the recognition of revenue with respect to the requirements of the new international accounting standard;

- recognition of the main standard differences which could potentially have significant accounting, organisational and system impacts;
- identification of the main contracts with customers stipulated by group companies and analysis of the associated contractual structure, in order to verify the existence of potential impacts of application of the new accounting standard;
- analysis of the process of recognition of contract costs (pre-operating and operating) adopted by the group to identify the main cost categories attributed to the contract;
- verification of the compliance of each cost category identified on the basis of the activities pursuant to the previous point with the guidelines included in the new accounting standard;
- analysis of the transition options set forth by the new international accounting standard.

In light of the analyses conducted, some changes emerged, deriving from the application of IFRS 15 and the regulatory provisions contained in IAS 11 "Construction contracts".

The main qualitative differences identified are outlined below:

Combining and Segmenting Construction Contracts

The new standard introduces more restrictive rules regarding "combining" a group of contracts into a single construction contract, establishing that this circumstance may only be verified in the event in which the contracts are entered into at the same time or almost at the same time with the same customer and one or more of the following conditions are met:

a) the contracts are negotiated as a package with a single commercial objective;
b) the consideration of a contract depends on another contract;
c) the goods or services promised in the contracts are considered as a single performance obligation.

In addition, as regards the identification of separate performance obligations contained in a single contract, with respect to the requirements of IAS 11, it will be necessary to exercise a greater degree of judgment regarding the elevated interrelationship and integration of the different elements of the construction contract, in order to consider it as a single performance obligation.

Variable considerations

The new standard requires variable considerations to be estimated at their expected value or the most likely amount. IFRS 15 also establishes that variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. Highly probable is a new concept, not provided for under IAS 11, explained in the new regulatory context through specific application guides.

Contractual amendments

IAS 11, paragraph 13 establishes that a variation must be included in contract revenue only if *(i)* it is probable that it will be approved and *(ii)* the amount of associated revenue may be reliably measured. The aforementioned principle of paragraph 14 also sets out that considerations relating to the price revision (claims) must be recognised only when *(i)* negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim; and *(ii)* the probable amount that will be accepted by the customer can be measured reliably.

The general approach of IFRS 15, both as regards variations, and claims, is instead based on the fact that contractual changes must only be recognised when the rights and obligations related to them are "enforceable" by the parties to the contract. In order to determine whether the rights and obligations created or changed due to the modification are enforceable, the entity must consider all the relevant facts and circumstances, including the terms of the contract and/or other elements of proof.

Pre-operating costs

With respect to the contents of IAS 11, paragraph 21 relating to the inclusion in contract costs of the expenses incurred to ensure obtainment of the tender contract, IFRS 15 introduces more stringent rules which establish that only the following can generally be recognised as assets *(i)* the external incremental costs of obtaining the contract (commissions and success fees) and *(ii)* costs incurred for "satisfying" the contract (e.g. costs relating to the design of the work incurred during the offer phase).

Significant financial components inherent in the contract

Based on the new regulatory body of the IAS/IFRS, if, in a contract with a customer, a payment extension is granted outside of the normal market conditions, the agreed consideration must be discounted to the present value. By contrast, the previous IAS/IFRS did not provide guidelines on the accounting of advance payments. With the new standard, it is necessary to verify whether each contract contains a significant financial component and, subsequently, determine the implicit interest rate inherent in the transaction, reflecting the credit rating of the contracting party that actually obtained a loan. The implicit interest rate is determined at the start of the contract and it is not necessary to subsequently update it to reflect changes in circumstances.

The main quantitative differences identified are outlined below:

The group completed its detailed analysis of the adoption of IFRS 15 and the quantitative impacts of application of the new standard relate primarily to the “Segmenting of construction contracts” - essentially to separate, in turnkey contracts, the construction phase from the Operation&Maintenance phase - and determination of “variable considerations”.

As anticipated, the new standard is applied by the Group from 2018 and the Cumulative Effect Method will be used to recognise previous impacts. Therefore, the 2017 revenue recognised on the basis of IAS 11 and IAS 18 will not be restated but an adjustment will be recognised to the Contract work in progress and Advances from customers, with a reserve for gains or losses as contra-item, therefore directly impacting Equity.

In this way, the revenue difference, for contracts in place as at 31 December 2017, calculated as if the new standard IFRS 15 had always been applied, will be accounted, as at 1 January 2018, in a retained earnings/accumulated losses reserve due to change of standard, for a total value of around € -32 million (reducing Equity), with a reduction of Work in progress and Advances from customers as a contra-item.

Deferred tax assets and/or liabilities will be disclosed on said impact with a contra-item in Equity of around € 9 million (increasing Equity).

Expected impacts on the presentation and associated information required

The provisions of IFRS 15 regarding presentation and of the required information are more detailed than those of the current standards. The provisions relating to presentation represent a significant change of practice and significantly increase the volume of information required in the group’s financial statements. Much of the information required by IFRS 15 is completely new and the Group has verified that some of these disclosure requirements will have a significant impact.

In particular, the group expects the notes to the financial statements to increase due to the information on significant estimate judgments: in determining the transaction price for those contracts that include a variable consideration, how the transaction price has been allocated to performance obligations, and the assumptions made to estimate single sale prices for each performance obligation.

From the point of view of presentation in the financial statements, the assets and liabilities relating to work in progress will be identified as contractual assets and liabilities.

Adoption of IFRS 9 "Financial instruments"

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, replacing IAS 39 *Financial Instruments*: *Recognition and measurement.* IFRS 9 brings together all three aspects relating to the project for the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for years starting on or after 1 January 2018; early application is permitted. With the exception of hedge accounting, the standard must be applied retrospectively, but providing comparative information is not mandatory. As regards hedge accounting, the standard is generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard, including the new rules regarding hedge accounting, from the date of entry into force and, in any case, will not restate the comparative information. During 2017, the Group conducted an analysis of the impacts of all the aspects addressed in IFRS 9 and did not note any impacts from its application. This analysis is based on the information currently available and could be subject to changes as a result of additional information that should become available for the group in 2018. In principle, the group does not expect the adoption of IFRS 9 to have significant impacts on the statement of financial position and equity.

a) Classification and measurement

The Group does not expect the application of the classification and measurement requirements of IFRS 9 to have significant impacts on its financial statements and equity.

The assets in the financial statements measured at amortised cost will continue to be measured in the same way.

The group intends to maintain equity investments in unlisted companies in the portfolio in the near future. The group currently measures minority interests at cost. Starting from 1 January 2018, these equity investments will be measured at fair value. Changes eventually recognised under purchase cost and fair value, will be accounted as a contra-item to equity: no significant impacts are expected. The group will then apply the option of presenting fair value changes under other comprehensive income.

b) Impairment

IFRS 9 requires the group to record expected credit losses on all bonds in the portfolio, loans and trade receivables, taking as a reference either a 12-month period or the entire contractual duration of the instrument (e.g. lifetime expected loss). The group, having only trade receivables in the financial statements, will apply the simplified approach and, therefore, will record expected losses on all trade receivables on the basis of their residual contractual duration. The group does not expect significant impacts from adopting this standard. The associated deferred taxes will, in any case, be calculated on said higher allocation.

c) Hedge accounting

The group has established that all existing hedging relationships which are currently designated as effective hedges will continue to qualify for hedge accounting in line with IFRS 9. The group has chosen not to apply IFRS 9 retrospectively to hedges for which, at the moment of designation of the hedge in accordance with IAS 39, forward points had been excluded. Given that IFRS 9 does not modify the general principle on the basis of which an entity accounts for effective hedging relationships, the application of the requirements of IFRS 9 for the purposes of defining hedges will not have significant impacts on the group’s financial statements.

Discretionary judgments and significant accounting estimates

The application of generally accepted accounting principles for the preparation of the financial statements and the interim accounting reports requires the company management to make accounting estimates based on complex and/or subjective opinions, estimates based on past experience and assumptions deemed reasonable and realistic on the basis of the information known at the moment of the estimate.
The use of these accounting estimates impacts the value at which assets and liabilities are recognised and the disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference year. The actual results may differ from those estimated due to the uncertainty characterising the assumptions and conditions on which the estimates are based.

The most significant accounting policies which require that directors prepare estimates based on a greater degree of subjectivity and for which a change in one of the underlying conditions would have a significant impact on the consolidated financial statements are described below.

Revenue recognition and work in progress valuation
The Group operates in a kind of business in which complex contractual agreements are common, these are recognised using the percentage of completion method. Revenue and related margin are recognised in profit or loss reflecting project progress and the profitability which will be expected for the entire contract once it is completed, consequently, for the purposes of correctly recognising work in progress and revanue related to projects yet to be completed, management is required to make an accurate estimate of expected losses, expected increases and delays, additional costs and

penalties which could have an impact on both the expected margin and the project progress and, consequently, project revenues. More specifically, the expected loss estimate procedure requires estimates of the cost of materials, the number of hours required to carry out the works set forth in the contract, the financial expense incurred to cover guarantees issued by financial institutions and the possible outcome of disputes with contractual counterparties, partners and suppliers. The valuation of work in progress consider the estimations of the possible impacts arising from disputes with customers; in cases where there are disputes for risk of probable future liabilities, management sets aside special bad debt provision of the work in progress. In order to better assist management's estimates, the group has adopted contract risk management and analysis procedures which identify, monitor and quantify the risks related to contract performance. Carrying amounts reflect management's best estimate at that time, assisted by the above procedural tools.

Bad debt provision for receivables

The Group has a credit analysis procedures aimed to identify, monitor and quantify the risks reflected in the provision for doubtful receivables, which therefore represents the best estimate at the time of preparation of the consolidated financial statements. Please refer to the paragraph "Credit risk management" for further information.

Impairment losses

The Group's assets with an indefinite useful life are tested for impairment at least once each year or more often if there is evidence of impairment. Likewise, all assets showing evidence of impairment are tested, also when depreciation/amortisation has already begun. Impairment tests are usually performed using the discounted cash flow method; however, this method is considered highly sensitive to the assumptions included in the estimate of future cash flows and of the interest rates applied.

For the purposes of these valuations, the group uses the plans approved by the body and financial parameters which are in line with those reflecting the current trend of reference markets. Expected cash flows may be quantified in light of the information available at the moment of the estimate on the basis of subjective judgements regarding the future performance of variables such as prices, costs, demand growth rates and production profiles, and are discounted using a rate that takes into account the risk inherent in the activity concerned.

Hedging construction contracts against currency risk

To avoid the risk of fluctuations in foreign currency cash inflows and outflows on construction contracts, the group specifically hedges the individual cash flows expected on the contract.

Hedges are agreed when commercial contracts are signed. Currency risk is usually hedged using plain vanilla (forward) instruments.

If the hedge is not deemed effective, fair value gains or losses on these instruments are immediately expensed as financial items and the related underlying item is measured as if it were not hedged, hence it is exposed to the currency risk. The effects of this accounting treatment are described in the note on “financial income and expense”. Hedges which fall under the first case are recognised as cash flow hedges, considering the premium or the discount as the ineffective part in the case of forwards, or time value in the case of options. The ineffective part is recognised under financial items.

Income taxes

Current taxes for the year are calculated on the basis of estimated taxable income and the tax rates in force at the reporting date. As described above, deferred tax assets are recognised if their recovery is deemed probable; this probability depends on the effective existence of taxable income in the future, which can be used to offset the deductible temporary differences, the determination of which requires conducting a significant estimation process. In determining future taxable income, the results set forth in budgets and plans consistent with those used for impairment testing were taken into consideration, also considering the fact that deferred tax assets refer to temporary differences/tax losses that may be recovered over a long period of time, therefore theoretically even beyond the implicit time horizon of the plans noted above.

Effects of amendments to the IFRS

The company has adopted certain accounting standards and amendments for the first time which are in force for financial years starting on 1 January 2017.

The nature and impact of each new accounting standard and amendment are described below:

IAS 7 Disclosure Initiative – Amendments to IAS

The changes to IAS 7 are part of the wider Disclosure initiative project that the International Accounting Standard Board (IASB) published in 2013.

In particular, the amendments to IAS 7 require entities to provide a disclosure that allows financial statements users to evaluate the changes occurred, from the start to the end of the year, in liabilities deriving from financing activities, including non-cash changes and the changes instead stemming from cash flows.

It should be noted that, in relation to financial liabilities deriving from financing activities, the change in the year refers exclusively to cash flow changes, like that of the previous year, represented primarily by the payment of the dividend of € 36 million.

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

The amendments to IAS 12 - Income Taxes relate to the recognition and measurement of Deferred Tax Assets (DTA).

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

The group applied these amendments retrospectively. However, their application did not have any effects on the Group's financial position and results given that there are no deductible temporary differences or assets that fall under the scope of this amendment.

Annual cycle of improvements - 2014-2016

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

The amendments clarify, in particular, that the disclosure requirements of IFRS 12, other than those set out in paragraphs B10-B16, apply to an entity's interests in a subsidiary, joint venture or an associate (or to the share of an interest in a joint venture or in an associate) which is classified (or included in a classified disposal group) as available for sale.

Although these new standards and amendments were applied for the first time in 2017, they have not had any impacts on the financial statements or the notes.

13 SEGMENT REPORTING

Reference should be made to paragraph 2.6 of the directors' report for information on the indicators that management uses to assess the group's performance.

In compliance with the aggregation criteria laid out in IFRS 8, the ASTS group has identified one single operating segment. Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement in line with previous years.

Some consolidated accounting information is provided below on a geographical basis, which represents the main way in which the management monitors business performance.

Revenue

(€'000)	**31/12/2017**	**31/12/2016**
Italy	273,513	308,403
Rest of Europe	398,549	390,653
North Africa and the Middle East	135,697	122,057
Americas	325,577	255,194
Asia/Pacific	227,631	251,079
Total	**1,360,967**	**1,327,386**

Property, plant and equipment and intangible assets

(€'000)	**31/12/2017**	**31/12/2016**
Italy	104,149	105,961
Rest of Europe	14,620	13,745
North Africa and the Middle East	1,584	778
Americas	10,530	12,010
Asia/Pacific	1,971	1,966
Total	**132,854**	**134,460**

14 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14.1 Related party assets and liabilities

Related party trading transactions generally take place on an arm's length basis, as does the settlement of interest-bearing receivables and payables where not governed by specific contractual conditions. The relevant statement of financial position balances are shown below. The statement of cash flows presents the impact of related party transaction on cash flows.

FINANCIAL ASSETS AT 31 DECEMBER 2017 (€'000) *(€'000)*	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Ultimate parent						
Hitachi Ltd (Rail)	-	-	-	114	17	**131**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	341	-	**341**
Associates						
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**
Consortia						
Saturno consortium	-	-	-	11,903	-	**11,903**
Ascosa Quattro consortium	-	-	-	1,280	-	**1,280**
Ferroviario 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**
Other group companies						
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**
% of the total corresponding financial statements caption		**59%**	**1%**	**7%**	**0.02%**	

FINANCIAL ASSETS AT 31 DECEMBER 2016 *(€'000)*	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Ultimate parent						
Hitachi Ltd (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 M4 S.p.A.	-	2,534	-	-	-	**2,534**
SP M4 S.C.p.A. (in liq.)	-	-	267	-	-	**267**
Metro Brescia S.r.l.	-	-	-	629	-	**629**
J.V. (*)						
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	2,246	-	**2,246**
Consortia						
Saturno consortium	-	-	-	29,529	-	**29,529**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	1,462	-	**1,462**
MM4 consortium	-	182	-	11,858	-	**12,040**
San Giorgio Volla Due consortium	-	-	-	3,489	4	**3,493**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
EPC Lima consortium	-	272	-	-	-	**272**
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 financial statements caption		**56%**	**1%**	**9%**	**0.004%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2017 (€'000)	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	51	-	**51**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	134	3	**137**
Alifana Due S.c.r.l.	-	-	-	157	-	**157**
Associates						
Metro Service A.S.	-	-	-	6,842	-	**6,842**
SPV Linea M4 S.p.A.	-	-	-	157	-	**157**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	83	-	**83**
Consortia						
Saturno consortium	-	-	-	968	-	**968**
Ascosa Quattro consortium	-	-	-	885	8	**893**
Ferroviario Vesuviano consortium	-	-	-	64	21	**85**
San Giorgio Volla consortium	-	-	-	5	8	**13**
MM4 consortium	-	-	-	161	-	**161**
Other group companies						
Hitachi Systems CBT S.p.A.	-	-	-	937	-	**937**
Hitachi Rail Italy S.p.A.	-	-	-	19,429	-	**19,429**
Total	**-**	**-**	**-**	**29,873**	**410**	**30,283**
% of the total corresponding financial statements caption				**7%**	**0.4%**	

FINANCIAL LIABILITIES AT 31 DECEMBER 2016 (€'000)	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
(€'000)						
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 financial statements caption				**4%**	**0.3%**	

14.2 Intangible assets

(€'000)	Goodwill	Other development expense	Patents and similar rights	Concessions, licences and trademarks	Assets under development	Other	Total
At 31 December 2015	**34,569**	**4,436**	**9,523**	**457**	**423**	**2,138**	**51,546**
Acquisitions	-	-	893	398	225	399	1,915
Capitalisations	-	4,126	-	-	156	-	4,282
Amortisation and impairment losses	-	(2,043)	(4,046)	(311)	-	(953)	(7,353)
Opening/average net exchange rate losses	-	-	-	1	-	12	13
Transferred from work-in-progress	-	-	-	-	(223)	223	-
Reclassifications	-	(1,141)	-	-	(173)	173	(1,141)
Grants							
At 31 December 2016	**34,569**	**5,378**	**6,370**	**545**	**408**	**1,992**	**49,262**
Acquisitions	-	-	955	504	239	417	2,115
Capitalisations	-	1,936	-	-	71	-	2,007
Amortisation and impairment losses	-	(2,245)	(1,895)	(373)	-	(754)	(5,267)
Opening/average net exchange rate losses	-	-	-	(18)	(9)	(25)	(52)
Transferred from work-in-progress	-	-	-	-	(250)	250	-
Reclassifications	-	-	-	-	(117)	117	-
Grants	-	(560)	-	-	-	-	(560)
At 31 December 2017	**34,569**	**4,509**	**5,430**	**658**	**342**	**1,997**	**47,505**

Intangible assets amount to €47,505 thousand (31 December 2016: €49,262 thousand), while investments of the year are equal to €4,122 thousand and amortisation and impairment losses to €5,267 thousand.

Specifically:

- Goodwill (€34,569 thousand), which is tested for impairment at year end in accordance with group procedures, was tested at the reporting date with no need for impairment.

  The test compared net invested capital (including goodwill) at 31 December 2017 against the higher of value in use and fair value. Specifically, value in use is calculated based on the discounted cash flow model, applying the unlevered version to the cash flows as per the guidelines to the five-year plans approved by board of directors (2018 – 2022) and the present value of the terminal value (calculated on a going concern basis). The growth rate included in the terminal value was equal to 2.1% calculated considering the inflation outlook in the Countries where the Group primarily operates (International Monetary Fund outlook).

Where available, the related macro-economic assumptions are determined using external sources of information, while the profitability and growth estimates assumed in the business plans are defined by management based on past experience and expectations about the developments of the markets in which the group operates.

The cash flows used are those generated by group assets, in their present condition, before financial expense and taxes. They include capital expenditure and monetary changes in working capital and exclude cash flows from financing activities, non-recurring events or dividend distributions.

These cash flows are discounted using the WACC (Weighted Average Cost of Capital) method which is calculated based on the Capital Asset Pricing Model. At 31 December 2017 the WACC for the Group is 6.88% compared to 7.39% used in previous year.

The comparables panel in 2017 is the same as the previous year, with the exception of Faiveley Transport SA acquired in 2017 from Westinghouse Air Brake Technologies Corporation and replaced with the latter.

The performed test has pointed out a level of coverage, in addition, there is no other external impairment indicators evidence.

The recoverable amount is calculated using the Discounted Cash Flow (DCF) methodology – Average Ros has been higher to fair value calculated using the fair value (multiple) methodology.

The company performed a sensitivity analysis considering a WACC about 0.5%, 1.0% and 1.5% and, at the same time, to shorten the terminal value growth rate about 0.5% and 1.0%. The analysis shows a broad coverage about the recoverability of the assets under impairment test.

A sensitivity analysis was performed also on assumptions used for the business plan set as basis for the impairment test. In detail, decreasing by 10% both revenues and EBITDA for each business plan year, a significant coverage can be noted related to the recoverability of the assets submitted to impairment test.

The recoverable amount obtained through fair value was calculated based on the EV/EBITDA market multiples methods, with respect to current stock exchange multiples of a panel of peer companies used also for the WACC calculation.

The basic assumptions underlying the projected cash flows for the five-year plans approved by Board of Directors are described in detail in the directors' report to which reference should be made.

- Development expense includes:

- the Stream project, which was entirely amortised in previous years;

- the Satellite and Rail Telecom project to develop satellite technologies for new railway signalling systems. This project is co-financed by the European Space Agency and the Galileo Supervisory Authority.

- the patents and similar rights relate to the development of various tools; more specifically, during the year, investments are attributable mainly to the projects *"Customer Relationship Management (CRM)"* for €280 thousand, *"Clear Case & Clear ReQuest (CC & CR)"* for €101 thousand, *"Implementazione SAP in Taiwan Branch"* for €107 thousand, *"Implementazione SAP WM Module"* in Tito for €105 thousand and other minor software for a total amount of €362 thousand.

14.3 Property, plant and equipment

(€'000)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other	Total
At 31 December 2015	**60,756**	**7,520**	**6,334**	**2,423**	**9,979**	**87,012**
Acquisitions	100	452	969	1,669	3,466	6,656
Capitalisations	-	-	574	275	-	849
Sales	(7)	(11)	(22)	(45)	(19)	(104)
Depreciation and impairment losses	(2,317)	(2,196)	(1,990)	-	(3,094)	(9,597)
Opening/average net exchange rate losses	124	71	8	54	125	382
Transfer from assets under construction	-	11	645	(656)	-	-
Reclassifications	75	661	115	(1,346)	495	-
At 31 December 2016	**58,731**	**6,508**	**6,633**	**2,374**	**10,952**	**85,198**
Acquisitions	165	963	1,625	3,226	5,315	11,294
Capitalisations	-	-	1,040	343	-	1,383
Sales	(89)	(44)	-	(310)	(77)	(520)
Depreciation and impairment losses	(2,305)	(2,124)	(2,191)	-	(3,853)	(10,473)
Opening/average net exchange rate losses	(472)	(359)	(23)	(210)	(469)	(1,533)
Transfer from assets under construction	85	75	511	(750)	79	-
Reclassifications	256	500	30	(1,781)	995	-
At 31 December 2017	**56,371**	**5,519**	**7,625**	**2,892**	**12,942**	**85,349**

Property, plant and equipment amount to €85,349 thousand (31 December 2016: €85,198 thousand). They are mainly comprised of the properties of the parent Ansaldo STS S.p.A., specifically the residual value of the building located in Genoa, Via Mantovani 3/5.

Investments of the year, equal to the sum of acquisitions and capitalisations, amount to €12,677 thousand and mainly relate to the following:

- for €6,513 thousand to Ansaldo STS S.p.A. for equipment purchased for some branches (in particular in Saudi Arabia amounting to €1,412 thousand, Peru for €315 thousand and Taiwan for €266 thousand), for the Tito plant and the Piossasco facility;
- Ansaldo STS France group for the purchase of technical laboratory equipment and production tools for the Riom and Les Ulis facilities for €2,775 thousand;
- Ansaldo STS USA INC. for maintenance at the Batesburg plant and works at the Pittsburgh facility for €2,297 thousand.

Depreciation and impairment losses of the year amount to €10,473 thousand (31 December 2016; €9,597 thousand), while net exchange rate losses total €1,533 thousand, mainly opening balances.
In general, the property, plant and equipment booked to the statement of financial position assets of the ASTS group is not subject to encumbrances or restrictions of any nature. The only exception regards the restriction established by the municipality of Piossasco for the use of the company canteen by third parties.

14.4 Equity investments

Investments in non-consolidated companies recognised at cost:
(€'000)

	At 31 December 2016	**47,511**
Acquisitions/subscriptions and capital increases		3,128
Sales/returns		(62)
	At 31 December 2017	**50,577**
Equity-accounted investments		**28,176**
Total equity investments		**78,753**

List of equity investments in thousands of euros:

Name	Registered office	Type of activity	Reporting date	Accounting standards	Equity (€'000)	Total assets (€'000)	Total liabilities (€'000)	Currency	Investment %	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	Amount (€'000)
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2016	IT GAAP	66,333	797,625	731,292	Euro	24.60%	N/A	N/A	N/A	N/A	16,318
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2016	IT GAAP	4,943	5,056	113	Euro	49.00%	N/A	N/A	N/A	N/A	2,422
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2016	IT GAAP	260	3,959	3,699	Euro	46.87%	N/A	N/A	N/A	N/A	122
Alifana S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2017	IT GAAP	26	487	461	Euro	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.r.l.	Naples (Italy)	Transportation	31.12.2017	IT GAAP	26	838	812	Euro	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transportation	31.12.2016	IT GAAP	6,555	79,197	72,642	Euro	19.80%	N/A	N/A	N/A	✔	1,298
Balfour Beatty Ansaldo Systems JV SDN BHD	Kuala Lumpur (Malaysia)	Transportation	31.12.2016	IFRS	19,963	28,858	8,895	MYR	40.00%	N/A	N/A	N/A	N/A	7,985
Total equity-accounted investments														**28,176**
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2016	IT GAAP	149,518	347,412	197,894	Euro	14.00%	N/A	N/A	N/A	✔	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transportation	31.12.2016	IT GAAP	1,765	5,278	3,513	Euro	21.26%	N/A	N/A	N/A	✔	523
Società Tram di Firenze S.p.A.	Florence (Italy)	Transportation	31.12.2016	IT GAAP	-4,067	340,268	344,335	Euro	2,418%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transportation	31.12.2016	IT GAAP	520	4,278	3,758	Euro	17.44%	N/A	N/A	N/A	✔	91
Iricav Due consortium	Rome (Italy)	Transportation	31.12.2017	IT GAAP	516	96,745	96,229	Euro	17.05%	N/A	N/A	N/A	✔	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transportation	31.12.2016	IT GAAP	155	223,137	222,982	Euro	33.34%	N/A	N/A	N/A	N/A	51
S. Giorgio Volla consortium	Naples (Italy)	Transportation	31.12.2017	IT GAAP	72	6,149	6,077	Euro	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transportation	31.12.2017	IT GAAP	72	78,585	78,513	Euro	25.00%	N/A	N/A	✔	N/A	18
Cris consortium	Naples (Italy)	Research	31.12.2017	IT GAAP	2,445	2,636	191	Euro	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transportation	31.12.2016	IT GAAP	57	66,324	66,267	Euro	24.92%	N/A	N/A	✔	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2016	IT GAAP	617	1,937	1,320	Euro	2.33%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transportation	31.12.2016	IT GAAP	31	1,758,577	1,758,546	Euro	33.34%	N/A	✔	N/A	N/A	10
Train consortium	Rome (Italy)	Transportation	31.12.2016	IT GAAP	1,180	25,832	24,652	Euro	4.68%	N/A	N/A	N/A	✔	6
Sesamo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2016	IT GAAP	92	855	763	Euro	2.00%	N/A	N/A	N/A	N/A	2
ISICT consortium	Genoa (Italy)	Research	31.12.2016	IT GAAP	53	172	119	Euro	14.29%	N/A	N/A	N/A	✔	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31.12.2016	IT GAAP	93	115	22	Euro	1.11%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transportation	31.12.2017	IT GAAP	200	31,950	31,750	Euro	17.68%	N/A	N/A	N/A	✔	35
Radiolabs consortium	Rome (Italy)	Research	31.12.2016	IT GAAP	239	1,794	1,555	Euro	20.02%	N/A	N/A	✔	N/A	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transportation	31.12.2016	IT GAAP	127,228	295,604	168,376	Euro	5.55%	N/A	N/A	N/A	N/A	10,868
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transportation	31.12.2017	IFRS	139,294	379,740	240,446	USD	16.90%	N/A	N/A	N/A	✔	16,639
TOP IN S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2016	IT GAAP	101	194	93	Euro	5.29%	N/A	N/A	N/A	N/A	4
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Fortaleza (Brazil)	Transportation	31.12.2016	BRAZILGAAP	245	246	1	BRL	99.99%	N/A	N/A	N/A	N/A	334
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2016	IT GAAP	89	198	109	Euro	12.00%	N/A	N/A	N/A	✔	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2016	IT GAAP	100	353	253	Euro	14.00%	N/A	N/A	N/A	✔	14
MetroB S.r.l.	Rome (Italy)	Transportation	31.12.2017	IT GAAP	19,844	19,902	58	Euro	2.47%	N/A	N/A	N/A	✔	494
Total equity investments recognised at cost														**50,577**
Total equity investments														**78,753**

Equity investments at year end amounted to €78,753 thousand (31 December 2016: €73,047 thousand), of which €28,176 thousand (31 December 2016: €25,536 thousand) was measured using the equity method and €50,577 thousand (31 December 2016: €47,511 thousand) at cost.

The €3,066 thousand variation on 2016, which relates to equity investments measured at cost, is due to the subscription of a further equity investment in SPV Linea M4 S.p.A. (€3,128 thousand) which will construct Line M4 of the Milan metro under concession and, for €-61 thousand, to the liquidation of the pre-existing SP M4 S.c.p.a., a vehicle established before the entry of the public shareholder and which made arrangements for liquidation following the establishment of the aforementioned company which deals with line works and operation.

The change of €2,640 thousand compared to 2016, relating to equity-accounted investments, was due primarily to the results recorded by the same investees (€5,798 thousand), details of which are provided in note 15.10, partially offset by the negative impact of changes in the equity of Metro 5 S.p.A. for €3,023 thousand.

14.5 Loans and receivables and other non-current assets

(€'000)	31.12.2017	31.12.2016
Guarantee deposits	3,245	3,163
Other	14,584	16,800
Other non-current related party loans and receivables	25,627	25,522
Non-current financial assets	**43,456**	**45,485**
Prepayments	13,794	16,090
Other non-current assets	**13,794**	**16,090**

Non-current financial assets at 31 December 2017 amount to €43,456 thousand, down by €2,029 thousand on 2016 (€45,485 thousand), while non-current assets amount to €13,794 thousand (31 December 2016: €16,090 thousand).

They may be analysed as follows:

- guarantee deposits, mainly for advances to lessors (€3,245 thousand);
- for the item other, primarily the "Pittsburgh facilities lease" of the US subsidiary (€11,536 thousand) relating to USA subsidiaries for the operating leasing of the offices;
- other non-current related party loans and receivables:
    - €19,285 thousand related to the shareholder loan (principal of €18,783 thousand and accrued interest of €502 thousand) of Metro 5 S.p.A. following the agreements to construct the related section of the Milan metro. It should be noted that interest of €4,581 thousand was reclassified to the current part, as collection is forecast in the next year;
    - €6,160 thousand related to the shareholder loan (principal of €5,731 thousand and accrued interest of €429 thousand) of SPV Linea M4 S.p.A. following the agreements to construct the related section of the Milan metro;
    - €182 thousand due from the MM4 consortium.
- other prepayments relate to the non-current portion of deferred costs for the licence to use the "Ansaldo" trademark owned by Finmeccanica S.p.A. for a 20-year period (€11,258 thousand).

  With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica S.p.A. on 27 December 2005 allowing the group to use the "Ansaldo" trademark on the market. Against the advance payment of royalties of €32,213 thousand, this contract gives the group the exclusive right to use this trademark until 27 December 2025.

14.6 Inventories

(€'000)	31.12.2017	31.12.2016
Raw materials, consumables and supplies	22,720	24,782
Work-in-progress and semi-finished products	11,799	12,668
Finished goods	9,915	9,790
Advances to suppliers	66,561	77,827
Total	**110,995**	**125,067**

Inventories amount to €110,995 thousand, down by €14,072 thousand on the balance at 31 December 2016 (€125,067 thousand), relating primarily to the fall in the item advances to suppliers and the lower value of raw materials. Inventories are shown net of the relevant allowance of €3,802 thousand (31 December 2016: €3,269 thousand).

14.7 Work in progress and progress payments and advances from customers

(€'000)	31.12.2017	31.12.2016
Advances from customers	(63,090)	(41,789)
Progress payments	(1,238,554)	(1,886,966)
Work-in-progress	1,719,784	2,328,511
Provision for expected losses to complete contracts	(10,597)	(12,803)
Allowance for write-down	(27,953)	(28,088)
Work-in-progress (net)	**379,590**	**358,865**
Advances from customers	(266,885)	(310,480)
Progress payments	(2,610,525)	(2,009,246)
Work-in-progress	2,231,603	1,735,070
Provision for expected losses to complete contracts	(10,079)	(12,006)
Allowance for write-down	(27,150)	(1,350)
Progress payments and advances from customers (net)	**(683,036)**	**(598,012)**
Work-in-progress, net of progress payments and advances from customers	**(303,446)**	**(239,147)**

Work in progress is usually recognised under assets when the related gross carrying amount is higher than advances from customers, or under liabilities when advances are greater than the relevant work in progress.

The overall net amount decreased by €64,299 thousand; this is based mainly on the higher turnover in the year compared to the volume of production realised.

It should be noted that, in the last few months of the year, as a result of the dispute initiated with the Swedish customer AB Storstockholms Lokaltrafik for the unilateral resolution of the contractual relationship, as detailed more extensively in the section "Disputes", the contractual risk was measured by allocating an amount of around €35 thousand to the Allowance for write-down.

It should also be noted that the net balance of work in progress includes the net advance of €112,154 thousand related to the contract in Libya, which is still halted given the well-known events which have affected this country over the past few years, as detailed in the directors' report. This advance amply covers the work carried out to date and not yet invoiced. As a consequence, at the reporting date, there are no probable risks which would require any accrual.

The provision for expected losses to complete contracts reflects losses not yet incurred but for which a provision was recognised on an accruals basis when the contract budget corresponds to a loss. This provision refers to the relevant contracts. Specifically, €10,597 thousand reflects the decrease in "work in progress (net)" and €10,079 thousand to the increase in "progress payments and advances from customers (net)".

Total advances from customers amount to €329,975 thousand (31 December 2016: €352,269 thousand).

14.8 Trade receivables and loan assets

(€'000)	31.12.2017		31.12.2016	
	Trade receivables	Loan assets	Trade receivables	Loan assets
Third parties	681,456	30,401	666,476	33,966
Total third parties	**681,456**	**30,401**	**666,476**	**33,966**
Related parties	55,208	232	62,376	267
Total	**736,664**	**30,633**	**728,852**	**34,233**

The value of trade and financial receivables corresponds to their fair value.

In general, total trade receivables at 31 December 2017 (€736,664 thousand) increased slightly from the balance at the previous year end (€728,852 thousand).

Specifically, trade receivables from third parties increased (€681,456 thousand, compared to €666,476 thousand at 31 December 2016), mainly due to the positions of the parent.

Third party loan assets at 31 December 2017 amounted to €30,401 thousand (31 December 2016: €33,966 thousand) and mainly relate to amounts due from the parent and Ansaldo STS India.

Specifically:

- €28,443 thousand reflects the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited in a local bank and tied up pending the resumption of activities;
€1,958 thousand reflects the short-term deposits made by Ansaldo STS India with leading banks.

Related party loan assets amount to €232 thousand (31 December 2016: €267 thousand) and relate to an interest-bearing loan granted to S.P. M4 S.C.p.a..

It should be noted that, in 2017, the group did not factor without recourse receivables not yet due (€11,939 thousand relating to the ultimate parent in 2016).

14.9 Tax assets and liabilities

(€'000)	**31.12.2017**		**31.12.2016**	
	Assets	Liabilities	Assets	Liabilities
Direct taxes	35,782	6,021	22,649	8,978
Total	**35,782**	**6,021**	**22,649**	**8,978**

Direct tax assets at 31 December 2017 amount to €35,782 thousand, up €13,133 thousand on the €22,649 thousand at 31 December 2016, mainly attributable to higher advances paid by the ultimate parent Ansaldo STS France.
A significant portion of these direct tax assets pertain to the parent and are composed of foreign tax assets (€15,829 thousand; 31 December 2016: €12,729 thousand) and a tax credit in connection with the reimbursement claimed pursuant to article 2.1-quater of Decree Law no. 201/2011, related to the lower IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€1,632 thousand).

Direct tax liabilities amount to €6,021 thousand at 31 December 2017, down €2,957 thousand on the balance of €8,978 thousand at 31 December 2016. They mainly relate to the parent Ansaldo STS S.p.A. (€4,453 thousand), ASTS France S.A.S.'s subsidiaries (€526 thousand) and companies in the Asia Pacific Group (€648 thousand).

14.10 Other current assets

(€'000)	**31.12.2017**	**31.12.2016**
Prepayments - current portion	9,040	12,314
Research grants	18,130	18,944
Employees	2,361	2,006
Indirect and other tax assets	33,906	31,146
Derivatives	10,715	10,515
Other assets	10,213	9,675
Total other assets	**84,365**	**84,600**
Related parties	21	4
Total	**84,386**	**84,604**

Other current third party assets amounted to €84,365 thousand at 31 December 2017, virtually in line with the balance of €84,600 thousand at 31 December 2016. The main changes relate to the increase in indirect taxes due to the higher VAT credit of the Parent for its own positions and those of the branches, offset by the reduction in deferred income.

With reference to research grants, please refer to the Directors' Report for details on projects financed. Please note that the disbursement of grants is subject to the implementation of a specific project and/or the channelling of grants for the projects financed.

Other current related party assets amount to €21 thousand, compared to €4 thousand in the previous year.

For additional information on Derivatives, reference should be made to note 14.21.

14.11 Cash and cash equivalents

(€'000)	**31.12.2017**	**31.12.2016**
Cash-in-hand	115	109
Bank accounts	327,211	305,477
Total	**327,326**	**305,586**

Cash and cash equivalents at 31 December 2017 amount to €327,326 thousand, up €21,740 thousand.

They relate mainly to Ansaldo STS S.p.A. (€184,463 thousand), Ansaldo STS France group (€26,743 thousand), the Asia/Pacific subsidiaries (€31,497 thousand), Ansaldo STS USA group (€46,981 thousand), Ansaldo Railway System Trading (Beijing) Company Ltd. (€17,892 thousand) and Ansaldo STS Sweden (€14,080 thousand).

Cash and cash equivalents are totally available and there are no disposal costs.

14.12 Share capital

The fully paid-up share capital amounts to €100,000,000 and is comprised of 200,000,000 ordinary shares with a nominal amount of €0.50 each.

It did not undergo any changes over the last two years.

The parent has no treasury shares in the portfolio at 31 December 2017.

Based on the shareholders' register and the communications sent to CONSOB and received by the parent pursuant to article 120 of Italian Legislative decree no. 58 of 24 February 1998, and other available information, the table below gives a list of the shareholders which hold more than 3% of Ansaldo STS S.p.A.'s share capital at 31 December 2017:

Shareholder	**% held**
HITACHI RAIL ITALY INVESTMENTS	50,772
PAUL E. SINGER (as general partner, directly and indirectly, of the Limited Partnership Elliott International and The Liverpool Limited Partnership)	25,665
UBS	5,034
LITESPEED MASTERFUND	3,766

14.13 Retained earnings

(€'000)	
At 31 December 2016	**544,451**
Changes in consolidation scope and companies measured at equity	(4,091)
Profit for the year	64,975
At 31 December 2017	**605,335**

At 31 December 2017, retained earnings, including profit for the year and consolidation reserves, amounted to €605,335 thousand. The variation is mainly due to the group's profit for the year of €64,975 thousand given no dividends were distributed in the year.

14.14 Other reserves

(€'000)	Legal reserve	Hedging reserve	Stock grant reserve	Deferred tax reserve	Translation reserve	Other	Total
31 December 2016	**20,000**	**3,042**	**8,115**	**699**	**36,755**	**(5,436)**	**63,175**
Change in the consolidation scope	-	-	-	-	674	-	**674**
Transfers to profit or loss	-	(25,737)	-	-	-	-	**(25,737)**
Net exchange rate losses	-	-	-	-	(37,512)	-	**(37,512)**
Increase/Decrease	-	-	(417)	-	-	(1,062)	**(1,479)**
Fair value gains (losses)	-	24,127	-	309	-	-	**24,436**
31 December 2017	**20,000**	**1,432**	**7,698**	**1,008**	**(83)**	**(6,498)**	**23,557**

Legal reserve

The legal reserve amounts to €20,000 thousand and is unchanged from the previous year, having already reached 20% of the share capital at 31 December 2016.

Hedging reserve

This reserve comprises the fair value gains of the derivatives the group uses to hedge its foreign currency exposure equal to €1,432 thousand at 31 December 2017 due to the decreases of the year for €1,610 thousand, gross of deferred tax effects. When the hedged underlying affects profit or loss, the reserve is recognised in profit or loss to offset the effects of the hedged transaction.

Stock grant reserve

This reserve was set up in 2007 following the board of directors' approval of the Stock Grant Plan (SGP) under which Ansaldo STS shares are awarded to "strategic" and "key" resources and high potential managers upon reaching the agreed targets. For additional information, reference should be made to section 7 "Human resources and organisation" in the directors' report.

This reserve came to €7,698 thousand at 31 December 2017 and the change compared to last year (€-417 thousand) is due, for €1,621 thousand to the amount allocated for the 2017 objectives and, for €2,038 thousand, to the 2014 awarding of shares related to the 2014-2016 stock grant plan.

Deferred tax reserve

The deferred tax reserve amounts to €1,008 thousand and changed in relation to the recognition of deferred taxation generated by: actuarial gains (losses) following the adoption of the equity method for defined benefit plans and fair value gains and losses on hedging transactions.

Translation reserve

This reserve is used to recognise the exchange rate gains and losses generated by the translation of the financial statements of consolidated companies at 31 December 2017 is equal to €-83 thousand.

The variation showed in the Consolidated Statement of comprehensive income equal to €37,524 thousand include the impact on equity attributable to non-controlling interests for €12 thousand. The largest amounts are generated by the consolidation of the subsidiaries Ansaldo STS USA and Ansaldo STS Australia and by the Parent for the branches within its competence in non-Euro areas.

Other

This caption also includes the reserve for defined benefit plans (€-8,576 thousand), to which the change for the year refers (€-1,062 thousand: actuarial losses on defined benefit plans), the revaluation reserve pursuant to Law no. 413/91 (€832 thousand) and the reserves set up following the signing of agreements envisaging the parent's receipt of research grants (€1,245 thousand).

14.15 Equity attributable to non-controlling interests

Equity attributable to non-controlling interests relates to Ansaldo STS Beijing Ltd., with its registered office in Beijing (China) (20%), a subsidiary of Ansaldo STS France S.A.S..

(€'000)	
At 31 December 2016	**220**
Loss for the year attributable to non-controlling interests	(107)
Translation reserve attributable to non-controlling interests	(12)
At 31 December 2017	**101**

14.16 Loans and borrowings

Changes of the year are as follows:

(€'000)	**31.12.2017**			**31.12.2016**		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans and borrowings	10	-	10	10	-	10
Other loans and borrowings	414	-	414	1,770	-	1,770
Total	**424**	**-**	**424**	**1,780**	**-**	**1,780**

(€'000)	**31.12.2016**	**Increases**	**Decreases**	**31.12.2017**
Bank loans and borrowings	10	-	-	10
Other loans and borrowings	1,770	414	(1,770)	414
Total	**1,780**	**414**	**(1,770)**	**424**

Other loans and borrowings

Third party loans and borrowings amounted to €414 thousand and related primarily to the parent as part of joint ventures for which Ansaldo STS is lead contractor.

Financial debt

The repayment plan and exposure to interest rate fluctuations for group financial liabilities are as follows:

(€'000)	**Bank loans and borrowings**		**Other**		**Total**	
31 December 2017	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within one year	10	-	414	-	424	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**10**	**-**	**414**	**-**	**424**	**-**

(€'000)	**Bank loans and borrowings**		**Other**		**Total**	
31 December 2016	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within one year	10	-	1,770	-	1,780	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**10**	**-**	**1,770**	**-**	**1,780**	**-**

The following disclosure is presented in accordance with the format required by CONSOB communication no. DEM/6064293 of 28 July 2006:

	(€'000)	**31.12.2017**	**31.12.2016**
A	Cash-in-hand	115	109
B	Other cash and cash equivalents (bank current accounts)	327,211	305,477
C	Securities held for trading	-	-
D	**CASH AND CASH EQUIVALENTS (A+B+C)**	**327,326**	**305,586**
E	**CURRENT LOAN ASSETS**	**30,633**	**34,233**
F	Current bank loans and borrowings	10	10
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	414	1,770
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**424**	**1,780**
J	**NET CURRENT FINANCIAL POSITION (I-E-D)**	**(357,535)**	**(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)**	**(357,535)**	**(338,039)**

14.17 Provisions for risks and charges and contingent liabilities

(€'000)		Product warranties	Disputes with employees	Other	Total
At 31 December 2016		**11,848**	**1,038**	**1,154**	**14,040**
Reclassifications		259	-	(259)	-
Accruals		4,178	1,706	340	6,224
Reversals		(2,131)	(240)	(196)	(2,567)
Utilisation		(1,368)	(77)	(143)	(1,588)
Other changes		(142)	-	-	(142)
At 31 December 2017		**12,644**	**2,427**	**896**	**15,967**
	Current	11,848	1,038	1,154	14,040
	Non-current	-	-	-	-
At 31 December 2016		**11,848**	**1,038**	**1,154**	**14,040**
	Current	12,644	2,427	896	15,967
	Non-current	-	-	-	-
At 31 December 2017		**12,644**	**2,427**	**896**	**15,967**

The provision for risks and charges totalled €15,967 thousand at 31 December 2017, up by €1,927 thousand on the previous year end (€14,040 thousand). This change is mainly due to the accruals for product warranties of the French subsidiary (€3,710 thousand) and for the provision for disputes with employees (€1.629 thousand) recognised by the ultimate parent Ansaldo STS in order to cover new positions and disputes that arose during the year.

In relation to the provisions for risks, the activities of the Group companies relate to business units and markets where disputes are generally only settled after a significant time lapse, especially in cases where the counterparty is a public body.

Provisions have been made for risks that are probable and for which the amount can be determined.

Based on current information, specific provisions have not been set aside for the various disputes as they are expected to be resolved satisfactorily and without significantly impacting results.

For additional information, reference should be made to the "Litigation" paragraph of the directors' report.

14.18 Employee benefits

The amount of and changes in post-employment benefits and the defined benefit plans are as follows:

(€'000)	31.12.2017	31.12.2016
Italian post-employment benefits	19,497	18,294
Defined benefit pension plans	18,075	17,754
Total	**37,572**	**36,048**

(€'000)	Italian post-employment benefits		Defined benefit plans	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Present value of obligations	19,497	18,294	18,075	17,754
Fair value of plan assets	-	-	-	-
Unrecognised actuarial gain (loss)	-	-	-	-
Total	**19,497**	**18,294**	**18,075**	**17,754**

Changes in defined benefit plans and Italian post-employment benefits are as follows:

	31.12.2017	
(€'000)	Italian post-employment benefits	Defined benefit plans
At 31 December 2016	**18,294**	**17,754**
Current costs	932	1,170
Benefits paid	(666)	(960)
Other changes	(1)	(25)
Actuarial losses (gains) taken to equity	938	136
of which:		
Actuarial losses (gains) taken to equity following changes to financial assumptions	630	119
Actuarial losses (gains) taken to equity following experience-based adjustments	308	17
At 31 December 2017	**19,497**	**18,075**

The amount recognised in the income statement is as follows:

	Italian post-employment benefits		Defined benefit plans	
(€'000)	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Current service costs	657	519	920	704
Interest expense	275	268	250	286
Total	**932**	**787**	**1,170**	**990**

The following main actuarial assumptions were used:

	Italian post-employment benefits		Defined benefit plans	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Discount rate (p.a.)	1.5%	1.5%	1.4%	1.4%
Salary increase rate	N.A.	N.A.	2.5%	2.5%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.26%	0.91% - 3.26%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the company's obligation:

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	**0.25%**	**-0.25%**	**0.25%**
Discount rate (p.a.)	19,900	19,117	18,946	17,177
Inflation rate	19,206	19,796	17,183	18,935
Turnover rate	19,514	19,480	17,728	18,341

The average term of the Italian post-employment benefits is 14 years and 18 years for other defined benefit plans.

The different pension systems included in the calculation does not have peculiarities that may affect the outlook.

14.19 Other current and non-current liabilities

(€'000)	**31.12.2017**		**31.12.2016**	
	Current	Non-current	Current	Non-current
Employees	34,777	8,295	39,316	8,178
Indirect and other tax liabilities	13,563	-	14,471	-
Amounts due to social security institutions	16,032	-	17,401	-
Derivatives	2,740	-	17,008	-
Other liabilities	34,064	6,083	31,750	4,730
Total other third party liabilities	**101,176**	**14,378**	**119,946**	**12,908**
Other related party liabilities	410	-	410	-
Total	**101,586**	**14,378**	**120,356**	**12,908**

Other current and non-current third party liabilities amount to €115,554 thousand, down €17,300 thousand (€132,854 thousand at 31 December 2016). As highlighted in the table, the reduction relates primarily to the items derivatives and payables to employees.

For additional information on derivatives, reference should be made to note 14.21.

It is pointed out that the caption other third party liabilities include the outstanding 62% of the consideration to be paid for the acquisition of the investment in Metro C S.c.p.A. (€12,950 thousand at 31 December 2016).

14.20 Trade payables

(€'000)	**31.12.2017**	**31.12.2016**
Trade payables	383,766	438,448
Total third party trade payables	**383,766**	**438,448**
Related party trade payables	29,873	19,671
Total	**413,639**	**458,119**

The nominal value of trade payables corresponds to their fair value.

Total trade payables at 31 December 2017 of €413,639 thousand decreased on the previous year's balance of €458,119 thousand.

The decrease is due essentially to the higher payments compared to what has been booked in increase, based on higher collections accounted for in the final part of the year.

14.21 Derivatives

Derivative assets and liabilities may be analysed as follows:

	31.12.2017		**31.12.2016**	
(€'000)	Assets	Liabilities	Assets	Liabilities
Fair value hedges	1,712	864	4,043	247
Cash flow hedges	9,003	1,876	6,472	16,761
Currency hedges	**10,715**	**2,740**	**10,515**	**17,008**

Derivative assets at 31 December 2017 are practically in line with the previous year's balance, while derivative liabilities decreased due to the closing of cash flow hedge positions.

Fair value measurement

The group does not hold listed derivative instruments at 31 December 2017. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies. The fair value of swaps is calculated discounting the future cash flows at market rates.

Hedges are mainly undertaken with banks. At 31 December 2017, the group has contracts in place for the following notional foreign currency amounts:

(€'000)	**31.12.2017**	**31.12.2016**
Euro	65,370	56,854
US dollar	252,790	345,298
Pound sterling	48,408	55,729
Swedish krona	44,475	1,648
Australian dollar	12,251	6,783
Hong Kong dollar	177	455
Indian rupee	4,826	5,164
United Arab Emirates dirham	11,352	12,921

Although it is exposed to a limited extent to the risk of fluctuations in interest rates, the group does not hedge the interest rate risk.

14.22 Guarantees and other commitments

Leases

The group is party to certain operating leases, mainly for use of property, plant and equipment. Minimum future payments are as follows:

(€'000)	***Operating leases***
Within one year	3,398
Between two and five years	10,834
After five years	11,027
	25,259

Guarantee portfolio

Sureties and bonds issued by banks or insurance companies to customers for trading transactions play a fundamental role in the finalisation of national/international tenders and are a basic requirement in the awarding of contracts.

The group has the following guarantees at 31 December 2017:

Direct guarantees and hold harmless agreements for guarantees issued by third parties in the interest of the group to customers and other third parties (€'000)	**Total**
Personal guarantees issued by Hitachi (parent company guarantees) to customers for trading transactions	**823,089.23**
Personal guarantees issued by Ansaldo STS (parent company guarantees) to customers for trading transactions	**506,884.17**
Sureties and bonds (bid bonds, performance bonds, retention bonds, advance payment bonds, counter guarantees and other minor guarantees) issued by banks or insurance companies to customers for trading transactions	**2,069,671.62**
of which, counter-guaranteed by Hitachi	*296,828.09*
of which, counter-guaranteed by Ansaldo STS	*497,702.08*
Direct and other guarantees issued by Ansaldo STS, banks or insurance companies to other third parties for "non"-contractual/trading guarantees (financial and tax transactions)	**40,097.15**
Total	**3,439,742.18**

Parent Company guarantee - Hitachi ltd

At 31 December 2017, the company has parent company guarantees issued by the ultimate parent Hitachi ltd (€823 million) to foreign customers of the group as part of commercial contracts.

Parent company guarantee - Ansaldo STS S.p.A.

The parent company guarantee (PCG) represents the guarantee given by the ultimate parent in favour of third parties to guarantee the commitments of a subsidiary. This guarantee can be given for various purposes: issuing commercial guarantees, where the ultimate parent Ansaldo STS SpA takes over as guarantor with the banks, for a total of approximately €507 million at 31 December 2017, to the guarantees released by the ultimate parent to the banks for the credit lines granted to Ansaldo STS group companies totalling €516 million at 31 December 2017.

Bid bonds

This guarantee is given to participate in tenders. Usually, it has a 3/6-month term and reflects 1-3% of the basic bid amount or the estimated bid amount.

Because of its nature, the total value of the bid bond with respect to guarantees is usually modest. At 31 December 2017, it accounted for approximately €19 million in the guarantee portfolio.

Performance bonds

This guarantee ensures the successful performance of the project or the supply. They are usually required when signing contracts and its term reflects that of the works or the supply for which they were issued.

They can be of a short-term nature in the case of supply contracts, while they can be of a very long-term nature for turnkey contracts as they include the operation & maintenance stage. The amount depends on the type of contract and the relevant context. Usually, it ranges between 10-15% of the contractual value.

This type of guarantee accounted for approximately €1,326 million in the guarantee portfolio at 31 December 2017.

Retention money bonds

Where contractually provided for, retention money bonds represent the guarantee given to release the amounts held by the customer as a guarantee on the services provided and invoiced. They are released progressively and for minimum amounts (for example, 5% of works/supplies performed and invoiced). Where not explicitly provided for in the contract, the bond can be also be released upon completion of works.

At 31 December 2017, it accounted for approximately €47 million in the guarantee portfolio.

Advance payment bonds

Advance payment bonds, also called down payment bonds, enable the customer to recover an advance payment and progress payments stated in the contractual scheme, made to the supplier at the beginning of the project/supply. They decrease as the advance is reabsorbed through the invoicing of the supplier to the customer. The amount of this guarantee varies according to the contract type and the context in which it has been issued. Generally, it can vary from 10% to 15% of the contractual amount up to 25%-35% in some geographical areas. At 31 December 2017, these guarantees amounted to around €567 million.

The Parent Company Hitachi Ltd has counterguaranteed part of the guarantees by the use of guarantees granted by insurance companies for the projects Honolulu and Baltimore (€297 million).

The Italian Parent Company has counterguaranteed in favour to its subsidiaries a total amount for €498 million related to commercial transactions performed by them.

Counter guarantees

Counter guarantees are another type of guarantee. They are presented by the parent Ansaldo STS S.p.A. for contracts agreed as member of consortia and joint ventures. At 31 December 2017, this type of guarantee amounted to approximately €98 million.

15 NOTES TO THE INCOME STATEMENT

15.1 Impact of related party transactions on profit or loss

31 December 2017	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	31	-	8	-	-	-
Hitachi Ltd (Rail)	815	-	504	-	-	-
Subsidiaries						
Alifana S.c.r.l.	755	-	52	-	-	-
Alifana Due S.c.r.l.	294	14	795	-	-	-
Associates						
I.M. Intermetro S.p.A. (in liq.)	8	-	-	-	-	-
Metro 5 S.p.A.	1,696	1,333	44	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	258	-	-	-
SPV Linea M4 S.p.A	-	-	157	-	-	-
SP M4 S.C.p.A (in liq.)	-	-	32	10	-	-
Metro Brescia S.r.l.	225	12	-	-	-	-
Metro Service A.S.	6,433	-	52,227	-	-	-
JOINT VENTURES						
Balfour Beatty Ansaldo Syst. JV SDN BHD	9,850	-	9	-	-	-
Consortia						
Ascosa Quattro consortium	5,104	-	836	-	-	-
Ferroviario Vesuviano consortium	2,026	-	282	-	-	-
Saturno consortium	15,029	39	1,037	-	-	-
San Giorgio Volla 2 consortium	186	-	219	-	-	-
San Giorgio Volla consortium	(7)	-	4	-	-	-
MM4 consortium	22,803	90	320	-	-	-
Cris consortium	-	-	3	-	-	-
Other group companies						
Hitachi Rail Italy S.p.A.	9,192	-	31,027	-	-	-
Hitachi Rail Inc.	2,260	-	-	-	-	-
Hitachi Rail India Pvt Ltd Rail Systems Company	604	-	-	-	-	-
Hitachi Australia Pvt Ltd	-	-	18	-	-	-
Hitachi Systems CBT S.p.A.	-	-	1,659	-	-	-
Hitachi High Technologies Europe Gmbh	386	-	-	-	-	-
Total	**77,690**	**1,488**	**89,491**	**10**	**-**	**-**
% of the total corresponding financial statements caption	**6%**	**6%**	**10%**	**0.04%**		

31 December 2016	**Revenue**	**Other operating income**	**Costs**	**Financial income**	**Financial expense**	**Other operating expense**
(€'000)						
Ultimate parent						
Hitachi Rail Europe Ltd	25	-	(7)	-	-	-
Hitachi Ltd (Rail)	492	-	563	-	-	-
Subsidiaries						
Alifana S.c.r.l.	25	-	93	-	-	-
Alifana Due S.c.r.l.	137	-	260	-	-	-
Associates						
International Metro Service S.r.l.	(76)	7	-	-	-	4
I.M. Intermetro S.p.A. (in liq.)	1	-	-	-	-	-
Metro 5 S.p.A.	12,979	1,277	110	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	209	-	-	-
SP M4 S.C.p.A. (in liq.)	-	-	33	-	-	-
Metro Brescia S.r.l.	345	16	9	-	-	-
Metro Service A.S.	6,283	-	32,797	-	-	-
JOINT VENTURES						
Kazakhstan	55	-	-	-	-	-
Balfour Beatty Ansaldo Syst. JV SDN BHD	(2,385)	-	41	-	-	-
Consortia						
Ascosa Quattro consortium	59	-	-	-	-	-
Ferroviario Vesuviano consortium	592	-	78	-	-	-
Saturno consortium	34,809	-	1,683	-	-	-
San Giorgio Volla 2 consortium	2,877	-	197	-	-	-
San Giorgio Volla consortium	(5)	-	4	-	-	-
MM4 consortium	22,467	-	877	-	-	-
Cris consortium	-	-	1	-	-	-
Other group companies						
Hitachi Rail Italy S.p.A.	12,067	-	28,039	-	-	-
Hitachi Rail Inc.	843	-	-	-	-	-
Hitachi Rail India Pvt Ltd Rail Systems Company	427	-	-	-	-	-
Hitachi High Technologies Europe Gmbh	101	-	-	-	-	-
Total	**92,118**	**1,300**	**64,987**	**-**	**-**	**4**
% of the total corresponding financial statements caption	**7%**	**6%**	**8%**			**0.02%**

15.2 Revenue

(€'000)	31.12.2017	31.12.2016
Sales	1,144,821	889,329
Services	130,800	153,970
	1,275,621	**1,043,299**
Change in work in progress	7,656	191,969
Third party revenue	**1,283,277**	**1,235,268**
Related party revenue	**77,690**	**92,118**
Total revenue	**1,360,967**	**1,327,386**

Revenue amounted to €1,360,967 thousand at 31 December 2017, compared to €1,327,386 thousand balance at 31 December 2016.

The main increase was registered by the US subsidiary in relation to the start of works pertaining to the contracts acquired in the last few years.

Related party revenue decreased by €14,428 thousand compared to the previous year.

15.3 Other operating income

(€'000)	31.12.2017	31.12.2016
R&D grants	2,334	1,834
Training grants	-	82
Gains on sales of property, plant and equipment and intangible assets	7	16
Reversals of impairment losses on loans and receivables	2,022	670
Reversals of provisions for risks and charges	306	59
Release of the provision for expected losses to complete contracts	3,022	1,334
Royalties	166	292
Financial income and exchange rate gains on operating items	5,467	1,900
Tax asset for R&D	2,695	3,327
Other operating income	8,941	10,442
Other third party operating income	**24,960**	**19,956**
Other related party operating income	**1,488**	**1,300**
Total other operating income	**26,448**	**21,256**

Other operating income amounted to €26,448 thousand, up on the balance of the previous year (€21,256 thousand), mainly due to the increase in financial income and exchange gains on operating items and the closing of specific transactions by the parent.

Other related party operating income remained virtually unchanged.

15.4 Purchases and services

(€'000)	**31.12.2017**	**31.12.2016**
Materials	362,393	335,163
Change in inventories	718	(4,805)
Services	443,551	438,579
Rentals and operating leases	20,728	20,365
Total third party purchases and services	**827,390**	**789,302**
Total related party purchases and services	**89,491**	**64,987**
Total purchases and services	**916,881**	**854,289**

Total purchases and services of €916,881 thousand increased by €62,592 thousand on those for the previous year (€854,289 thousand) mainly due to larger production volumes in the year.

Purchases of materials and change in inventories amount to €363,111 thousand (31 December 2016: €330,358 thousand), up by €32,753 thousand.

Services amount to €443,551 thousand (31 December 2016: €438,579 thousand), up by €4,972 thousand.

Rentals and operating leases amount to €20,728 thousand (31 December 2016: €20,365 thousand), up by €363 thousand. They mainly relate to long-term rentals of company cars, software licences and the lease of premises.

Related party purchases and services rose by €24,504 thousand.

Reference should be made to note 15.1 "Impact of related party transactions on profit or loss" for further details on related party transactions.

15.5 Personnel expense

(€'000)	*31.12.2017*	*31.12.2016*
Wages and salaries	258,462	253,208
Stock grant plans	1,621	4,731
Social security and pension contributions	63,148	59,306
Italian post-employment benefits	657	519
Other defined benefit plans	920	704
Other defined contribution plans	3,695	4,363
Recovery of personnel expense	(612)	(836)
Disputes with personnel	1,466	295
Other costs	4,863	10,048
Total personnel expense	**334,220**	**332,338**

The headcount at 31 December 2017 numbered 4,228, up by 277 employees on the previous year (3,951).

The average headcount on the payroll in 2017 numbered 4,081, compared to 3,828 employees in 2016, up by 253 employees.

Personnel expense came to €334,220 thousand, up by €1,882 thousand on the previous year (€332,338 thousand). Higher costs for wages and salaries and for social security and pension contributions, as a result of the higher average headcount, were partially offset by lower costs for stock grant plans and the reduction in the caption 'other costs' which, in 2016, also included the costs relating to transactions with the company's strategic and non-strategic personnel.

On 24 March 2017, the Board of Directors, based of the proposal of the remuneration committee of 23 March 2017, which was subsequently passed by the shareholders on 11 May 2017, approved a three-year stock grant plan, addressed to the CEO, key managers and other executives (or equivalent categories) of Ansaldo STS considered key resources by the company. The objectives of the Plan are the same as those of the previous 2014-2016 Plan (EVA, FOCF and share performance compared to the FTSE Italia All-Share index).

The stock grant plan cost is recognised on an accruals basis in the reporting period in which the services are rendered. The amount therefore relates to the portion pertaining to the year of the shares related to the 2017 objectives (as per the 2017-2019 plan), determined as a result of the estimate of attainment of said objectives.

In accordance with IFRS 2 "Share-based payment" and IFRIC 11 "Group and treasury share transactions" and their current interpretations, the cost for the stock grant plan for 2017, equal to €1,621 thousand (2016: €4,731 thousand), was recognised with a balancing entry in an equity reserve.

The Italian post-employment benefit and other defined benefit plan expense represents only the service cost, as interest expense is classified under financial expense following the adoption of the equity method.

15.6 Amortisation, depreciation and impairment losses

(€'000)	**31.12.2017**	**31.12.2016**
Amortisation and depreciation:		
- intangible assets	5,268	7,353
- property, plant and equipment	10,473	9,597
	15,741	**16,950**
Impairment losses:		
- current loans and receivables	3,269	1,368
- other assets	-	7
	3,269	**1,375**
Total amortisation, depreciation and impairment losses	**19,010**	**18,325**

Amortisation, depreciation and impairment losses amount to €19,010 thousand and increased by €685 thousand on 2016 (€18,325 thousand). This change was caused by higher impairment losses on current loans and receivables, partially offset by lower amortisation and depreciation for the period.

15.7 Other operating expense

(€'000)	***31.12.2017***	***31.12.2016***
Accruals to the provisions for risks and charges	4,518	4,873
Losses to complete contracts	(494)	925
Membership fees	753	676
Losses on sales of property, plant and equipment and intangible assets	167	87
Losses on sales of current loans and receivables	102	-
Exchange rate losses on operating items	8,108	9,181
Interest and other operating expense	1,673	1,347
Indirect taxes	3,199	2,833
Other operating expense	2,106	1,581
Total other third party operating expense	**20,132**	**21,503**
Other related party operating expense	**-**	**4**
Total other operating expense	**20,132**	**21,507**

Other third party and related party operating expense amounted to €20,132 thousand at 31 December 2017, down by €1,375 thousand on 2016 (€21,507 thousand at 31 December 2016). Specifically, the decrease is related to lower losses to complete contracts and lower exchange losses on operating items.

Starting from 2012, expected losses to complete contracts are no longer recognised against revenue, rather under "Other operating expense".

15.8 Internal work capitalised

(€'000)	***31.12.2017***	***31.12.2016***
Internal work capitalised	(3,390)	(5,131)

Internal work capitalised mainly relates to:

- the parent Ansaldo STS S.p.A. (€2,867 thousand), almost entirely related to the Satellite and Rail Telecom project begun in 2012 to develop satellite technologies for new railway signalling systems. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority;
- the French subsidiary Ansaldo STS France S.A.S. (€523 thousand), with respect to costs for the internal construction (personnel, materials and services) of intangible assets and property, plant and equipment.

15.9 Net financial income/(expense)

	31.12.2017			**31.12.2016**		
(€'000)	Income	Expense	Net	Income	Expense	Net
Interest and fees	898	4,688	(3,790)	1,001	8,206	(7,205)
Net exchange rate losses	15,793	16,635	(842)	10,819	12,877	(2,058)
Fair value losses	6,123	7,899	(1,776)	621	4,561	(3,940)
Interest on Italian post-employment benefits	-	275	(275)	-	268	(268)
Interest on other defined benefit plans	-	250	(250)	-	286	(286)
Other financial expense	162	787	(625)	-	740	(740)
Total net financial expense	**22,976**	**30,534**	**(7,558)**	**12,441**	**26,938**	**(14,497)**
Net related party financial income	**10**	**-**	**10**	**-**	**-**	**-**
Total	**22,986**	**30,534**	**(7,548)**	**12,441**	**26,938**	**(14,497)**

In 2016, net third party financial expense amounted to €7,548 thousand, compared to €14,497 thousand at 31 December 2016.

The positive change of €6,949 thousand is due primarily:

- to the item expense for interest and fees, which includes interest paid and allocated in relation to the dispute with the Swedish customer AB Storstockholms Lokaltrafik (€3,874 thousand), while in 2016 it included the interest paid to the Russian customer following the conclusion of the arbitration on the Libyan contract (€7,670 thousand);
- to lower expenses deriving from the fair value gains in the income statement and exchange rate gains and losses.

As shown in the table, interest on the Italian post-employment benefits and defined benefit plans amounts to €275 thousand (€268 thousand at 31 December 2016) and €250 thousand (€286 thousand at 31 December 2016), respectively.

15.10 Share of profits (losses) of equity-accounted investees

	31.12.2017			31.12.2016		
(€'000)	Income	Expense	Net	Income	Expense	Net
Share of profits (losses) of equity-accounted investees	5,798	-	5,798	4,345	-	4,345
Total	**5,798**	**-**	**5,798**	**4,345**	**-**	**4,345**

The share of profits (losses) of equity-accounted investees is a positive €5,798 thousand and comprises the profit of Balfour Beatty Ansaldo System JV SDN BHD (€3,080 thousand), of the associates Metro 5 S.p.A. (€2,437 thousand) and Metro Brescia S.r.l. (€233 thousand) and the profit of the investee International Metro Service S.r.l. (€48 thousand).

15.11 Income taxes

This caption comprises:

(€'000)	*31.12.2017*	*31.12.2016*
IRES	12,679	12,663
IRAP	1,934	2,134
Other foreign taxes	14,435	23,312
Prior year taxes	513	982
Net deferred tax (income) expense	4,648	(345)
Total	**34,209**	**38,746**

The value of taxes was €34,209 thousand in 2017, a reduction of €4,537 thousand compared to the previous year, essentially due to the lower pre-tax profit. Specifically:

- higher net deferred taxes, which went from €-345 thousand to €4,648 thousand, marking a change of €4,993 thousand between the two years being compared, attributable primarily to the adjustment of tax assets and liabilities relating to the items that would be reversed in the years after 2017 for the US subsidiaries and for the French subsidiary, as a result of the reduction in the nominal rate, as defined in the tax reforms approved in the US and France at the end of 2017;
- IRES (€12,679 thousand) and IRAP (€1,934 thousand) for the year, related to the parent, in line with the previous year;

- income taxes of foreign companies (€14,435 thousand) decreased, €23,312 thousand at 31 December 2016, primarily due to the decline in their pre-tax profit.

The difference between the theoretical and effective tax rates is analysed below:

	31.12.2017			31.12.2016		
(€'000)		**amount**	**%**		**amount**	**%**
Pre-tax profit	99,077	-		116,649	-	
Taxes calculated at ruling tax rates		23,778	24.00%		32,078	27.50%
Permanent differences	(9,317)	(2,236)	-2.26%	2,484	683	0.59%
	89,760	21,542	21.74%	119,133	32,761	28.09%
Different rates on foreign taxes and/or due to losses of the year	-	8,561	8.64%	-	1,846	1.58%
IRAP and other taxes calculated on a basis other than pre-tax profit	-	1,667	1.68%	-	3,156	2.71%
Prior year taxes	-	2,438	2.46%	-	982	0.84%
Provisions for tax risks	-	-	0.00%	-	-	0.00%
Total effective taxes recognised in profit or loss		**34,209**	**34.53%**		**38,746**	**33.22%**

At 31 December 2017, the effective tax rate is 34.53%, compared to 33.22% in the previous year, marking an increase of 1.31%, due to the different mix of pre-tax profits (losses) of individual group companies.

The breakdown of deferred tax assets and deferred tax liabilities as at 31 December 2017 and the income statement effects of their changes for the year ended as at said date are reported below:

	Income statement		Statement of financial position	
(€'000)	Assets	Liabilities	Assets	Liabilities
Italian post-employment benefits and pension funds	(1,095)	-	4,187	-
Remuneration	-	-	325	-
Property, plant and equipment and intangible assets	(12)	44	713	551
Provisions for risks and charges	8,112	-	15,238	-
Research grants	-	(953)	799	1,238
Allowances for WIP and inventory write-down	(1)	-	2,417	-
CFH - Defined benefit plans	-	-	1,198	1,575
Tax losses	280	-	1,579	-
Other	(13,081)	(240)	9,757	5,466
Total	**(5,797)**	**(1,149)**	**36,213**	**8,830**

The deferred tax assets generated by the "Provisions for risks and charges" mainly relate to the US subsidiaries (€2,896 thousand) and the parent (€12,271 thousand).

The deferred tax assets on "tax losses" fully relate to the subsidiary Ansaldo STS USA (€1,579 thousand).

The deferred tax assets related to the allowance for work-in-progress and inventory write-down relate to the subsidiary Ansaldo STS USA (€262 thousand), Ansaldo STS France (€1,762 thousand) and the parent Ansaldo STS S.p.A. (€361 thousand).

Deferred tax assets are recognised taking into consideration their recoverability in each component of the consolidated financial statements, based on the availability of the expected forecasted future taxable income of the group.

“Other” mainly relates to the parent, Ansaldo STS S.p.A. (€6,300 thousand), the subsidiary Ansaldo STS Australia (€2,121 thousand) and the subsidiaries Ansaldo STS USA INC. (€1,069 thousand) and Ansaldo STS France (€267 thousand).

Deferred tax liabilities mainly relate to the parent.

Deferred tax assets and liabilities include those recognised with a balancing entry directly in equity, on derivatives recognised as cash-flow hedges (impact of the period of €396 thousand) and actuarial gains/losses following the adoption of the equity method for defined benefit plans (impact of the period of €-87 thousand).

This equity item changed as follows during the year:

(€'000)	**31.12.2016**	**Transfers to profit or loss**	**Fair value gains or losses**	**Other changes**	**31.12.2017**
Deferred taxes directly recognised in equity	**699**	-	309	-	**1,008**

16 EARNINGS PER SHARE

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

- dividing the profit for the year attributable to holders of ordinary shares by the average number of ordinary shares outstanding in the year, 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	***31.12.2017***	***31.12.2016***
Average shares outstanding during the year	199,996,061	199,996,346
Profit for the year	64,868	77,903
Basic and diluted EPS	0.32	0.39

There were no dilutive effects in the periods subject to comparison.

17 CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the cash flows from operating activities:

(€'000)	**31.12.2017**	**31.12.2016**
Profit of the year	64,868	77,903
Share of profits (losses) of equity-accounted investees	(5,798)	(4,345)
Income taxes	34,209	38,746
Italian post-employment and other employee benefits	932	787
Stock grant plans	1,621	4,731
Net gains on the sale of assets	160	71
Net financial income	7,558	14,497
Amortisation, depreciation and impairment losses	19,010	18,325
Accruals to/reversals of provisions for risks	4,212	4,814
Other operating income/expense	(20,205)	3,118
Write-downs/reversals of write-downs of inventories and work in progress	27,306	(4,498)
Total	**133,873**	**154,149**

The change in working capital, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

(€'000)	**31.12.2017**	**31.12.2016**
Inventories	9,271	(2,981)
Work in progress and progress payments and advances from customers	(56,265)	(63,094)
Trade receivables and payables	1,425	(17,077)
Total	**(45,569)**	**(83,152)**

The change in other operating assets and liabilities, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

(€'000)	**31.12.2017**	**31.12.2016**
Payment of Italian and other post-employment benefits	(4,247)	(7,547)
Taxes paid	(26,890)	(20,928)
Changes in other operating items	(7,041)	11,200
Total	**(38,178)**	**(17,275)**

Reference should be made to section 2.3 on the group's financial position for a discussion of changes in the consolidated statement of cash flows.

18 FINANCIAL RISK MANAGEMENT

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

- market risks, related to currency risk, operations in currencies other than the functional currency, interest rate risk;
- 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.

Currency risk management

As described in the treasury management policy, Ansaldo STS group manages currency risk by pursuing the following objectives:

- limiting potential losses generated by unfavourable exchange rate fluctuations against the currency used by Ansaldo STS S.p.A. and its subsidiaries;
- limiting forecast or actual costs related to the implementation of currency risk management policies.

Currency risk shall only be hedged if it has a material impact on cash flows, compared to the functional currency.

Costs and risks related to a hedging policy (hedge, no hedge or partial hedge) must be acceptable in both financial and commercial terms.

Currency risk may be hedged using the following tools:

- purchase and sale of currency forwards: these are the most commonly used cash flows hedges;
- funding/lending in foreign currency: used to mitigate the currency risk related to similar receivable and payable positions with banks or group companies.

The use of funding and lending in foreign currency as a hedging instrument shall only take place when consistent with Ansaldo STS group's overall treasury management and financial position (both long- and short-term).
The purchase and sale of foreign currency is generally the hedge tool used when foreign markets are not sufficiently liquid or when it is the most cost effective hedging method.

<u>Currency risk hedging</u>

There are three main types of currency risk:

1. The economic risk is the impact exchange rate fluctuations can have on capital budgeting decisions (investments, the location of production facilities and supply markets).
2. Transaction risk is the possibility that exchange rates may fluctuate between the time a commitment is undertaken to make future collections or payments in foreign currency (price list, budgets, orders preparation and invoicing) and when the actual collection or payment takes place, generating either exchange rate gains or losses.
3. The translation risk is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities when exchange rates adopted for consolidation purposes differ from one reporting period to the next.

Ansaldo STS group hedges the transaction risk in line with the foreign exchange risk management policy, i.e., via the systematic hedge of cash flows generated by firm contractual commitments to buy and sell, in order to fix the exchange rates at the date the construction contracts are agreed, thereby neutralising the effects of exchange rate fluctuations.

Cash flow hedges

Hedges are entered into at the time sales contracts are agreed, using plain vanilla instruments (currency swaps and forwards) that qualify for hedge accounting under IAS 39. They are recognised as cash flow hedges, whereby the effective portion of fair value gains or losses on hedging derivatives is recognised in the relevant hedging reserve once the hedging strategy is demonstrated to be effective.
If the hedge is not deemed effective (i.e., does not fall within the 80% to 125% range), fair value gains or losses on hedging instruments are immediately expensed as financial items and the related

fair value gains or losses accumulated in the hedging reserve up to the date of the most recent successful test of effectiveness are reclassified to profit or loss.

The calculation of hedge effectiveness does not include the fair value of financial income and expense as it is directly recognised in profit or loss. Accordingly, the impact on profit or loss of this component is not deferred, improving the transparency and consistency of the hedging reserve. Moreover, the result of the forex effectiveness test is simplified as comparison is limited to two notional amounts: the forex and the hedged underlying.

Fair value hedges

These hedge fair value changes in a recognised asset or liability, an unrecognised firm commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.

The group hedges fair value gains or losses related to the currency risk on recognised assets and liabilities.

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 in €'000	*Sell17*	*Buy17*	***31.12.2017***	*Sell16*	*Buy16*	***31.12.2016***
Euro	28,716	36,654	**65,370**	25,169	31,685	**56,854**
US dollar	187,605	65,185	**252,790**	263,912	81,386	**345,298**
Pound sterling	48,408	-	**48,408**	55,729	-	**55,729**
Swedish krona	44,475	-	**44,475**	824	824	**1,648**
Australian dollar	-	12,251	**12,251**	-	6,783	**6,783**
Hong Kong dollar	177	-	**177**	455	-	**455**
Indian rupee	4,826	-	**4,826**	5,164	-	**5,164**
United Arab Emirates dirham	11,352	-	**11,352**	12,921	-	**12,921**

The net fair value of the derivatives in place at 31 December 2017 was a negative €7,975 thousand.

Sensitivity analysis of exchange rates

For the purposes of the presentation of market risks, IFRS 7 requires a sensitivity analysis that shows the effects of the hypothetical changes in the most significant market variables on profit or loss and equity.

Currency risks arise from recognised financial instruments (including trade receivables and payables) or highly probable cash flows denominated in a currency other than the functional currency.

Since the US dollar is the primary foreign currency used by the group, a sensitivity analysis was performed on financial instruments denominated in dollars in place at 31 December 2017, assuming a +(-) 5% appreciation (depreciation) of the euro against the US dollar.

This analysis showed that an appreciation or depreciation of the euro against the US dollar would have the following impact on the group's consolidated financial statements:

	31.12.2017		***31.12.2016***	
(€'000)	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar
Income statement	(5,262)	5,832	(4,613)	5,098
Hedging reserve	5,349	(5,983)	11,692	(12,920)

The sensitivity of the income statement to the Euro/US dollar exchange rate fluctuations is in line with the analysis conducted in 2016, and the impact on the financial position decreased, as a result of the closing of forex positions in 2017.

Interest rate risk management

Under the policy, the aim of interest rate risk management is to reduce the negative effects of interest rate fluctuations on the group's financial position, results of operations and weighted average cost of capital.

Ansaldo STS group manages interest rate risk to pursue the following objectives:

- stabilise the weighted average cost of capital;
- minimise the Ansaldo STS Group's WACC from medium- to long-term. To reach this objective, interest rate risk management will focus on the effects of interest rates on both debt funding and equity funding;
- optimise the return on financial investments within a general risk/return trade-off;
- limit costs related to the implementation of interest rate management policies, including direct costs related to the use of specific instruments and indirect costs linked to the internal structure needed to manage the risk.

Again in 2017, the group managed this risk without the use of derivatives.

Sensitivity analysis of interest rates

A sensitivity analysis was performed on the assets and liabilities exposed to interest rate risk to assess the impact on profit or loss, assuming a parallel and symmetric 50 basis point rise (fall) (0.5%) in interest rates; the adopted range has been chosen by IFRS for the analysis.

The impact of these scenarios on the group's financial statements at 31 December 2017 is summarised in the following table:

	31.12.2017		***31.12.2016***	
(€'000)	+50 bps	-50 bps	+50 bps	-50 bps
Income statement	1,285	(1,285)	1,222	(1,222)

These impacts are the result of lower interest income that would be produced by floating rate net financial position, in the case of interest rates greater or lower by 50 basis points, respectively.

The change in interest rates would have no impact on the measurement of recognised financial instruments, as there are no financial assets or liabilities (not derivative) recognised at fair value through profit or loss.

Moreover, the derivatives entered into by the group are exclusively exchange rate derivatives and a change in the interest rates of the various currencies would have no relevant impacts on fair value at year end.

There are no impacts on equity, as the group has no cash flow hedges on the interest rate risk.

The results achieved at 31 December 2017 are virtually in line with those as at 31 December 2016.

Liquidity risk management

Ansaldo STS group has rolled out a series of tools to optimise treasury management with a view to the efficient management of cash and cash equivalents and to help its business grow. This was achieved by centralising the treasury function (current accounts between the parent and the group companies) and an active presence on financial markets which has enabled the group to obtain short- and medium- to long-term non-revolving cash and unsecured credit lines to meet its needs.

It had a net financial position of €357,535 thousand at 31 December 2017, an increase compared to a net financial position of €338,039 thousand at 31 December 2016.

Liquidity analysis – amounts in thousands of euros – figures at 31.12.2017

A – Financial liabilities excluding derivatives	**Within one year**	**Between one and five years**	**After five years**
Non-current liabilities			
Third party loans and borrowings	-	-	-
Related party loans and borrowings	-	-	-
Other non-current liabilities	-	-	-
Current liabilities			
Related party trade payables	14,743	15,130	-
Third party trade payables	381,569	2,197	-
Third party financial liabilities	424	-	-
Related party financial liabilities	-	-	-
Other financial liabilities	-	-	-
Total A	**396,736**	**17,327**	**-**
B – Negative value of derivatives			
Hedging derivatives	2,740	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**2,740**	-	-
Total A + B	***399,476***	***17,327***	**-**

The following financial assets were recognised against loans and borrowings and trade payables of €416,803 thousand:

C - Financial assets

Cash-in-hand and cash and cash equivalents	327,326
Third party trade receivables	681,456
Related party trade receivables	55,208
Receivables at FV - third parties	-
Receivables at FV - related parties	-
Loan assets	30,633
Other assets	-
Positive value of derivatives	10,715
TOTAL FINANCIAL ASSETS	**1,105,338**
D – Unsecured credit lines	**158,406**
TOTAL C + D	**1,263,744**
C+D-(A+B)	**846,941**

The group has a net credit position and has available liquidity to self-finance and does not have to use banks to finance its operations. Consequently, it has relatively limited exposure to the liquidity market tensions.

Credit risk management

The group does not have significant credit risks, either in terms of its trading counterparties or its financing and investing activities. Its main customers are public entities or related to public bodies, mostly in the European, US and South-East Asia areas. Ansaldo STS group's typical customer rating is therefore medium-to-high. However, for contracts with customers/counterparties with which the group does not have regular trading transactions, solvency is analysed at the time the offer is placed, in order to identify future credit risks.

Given the nature of the group's customers, collection times are longer (and, in certain countries, significantly longer) than those typical of other businesses, leading to overdue amounts, which are sometimes considerable.

At 31 December 2017, third party trade receivables amounted to €681,456 thousand (31 December 2016: €666,476 thousand) and were overdue for €263,283 thousand, of which €144,653 thousand by more than 12 months.

At 31 December 2017, third party trade receivables mainly relate to the parent Ansaldo STS S.p.A. (€539,835 thousand), overdue for €236,603 thousand.

The following table gives a breakdown of receivables at 31 December 2017:

31.12.2017	Public bodies			Other customers			
(€'000)	**Area Europe**	**Area Americas**	**Other**	**Area Europe**	**Area Americas**	**Other**	**Total**
- Retentions	40,532	6,434	6,498	27,323	3,749	624	85,160
- Not overdue	80,753	34,659	3,433	184,929	7,285	21,954	333,013
- Overdue by less than six months	14,517	2,292	552	46,408	5,883	3,955	73,607
- Overdue between 6 months and 1 year	23,800	1,066	447	18,049	591	1,070	45,023
- Overdue between one and five years	96,676	3,622	978	42,192	386	799	144,653
Total	**256,278**	**48,073**	**11,908**	**318,901**	**17,894**	**28,402**	**681,456**

The allowance for impairment changed as follows:

	31.12.2017	31.12.2016
1 January	24,007	22,667
Accruals	1,465	1,366
Releases/Utilisation	(7,966)	(28)
Other changes	(15)	2
31 December	**17,491**	**24,007**

During the year, the allowance for impairment recorded an accrual of €1,450 thousand and a use of €7,966 thousand, for unpaid credits attributable primarily to the collection risk of receivables for interest in arrears and late payment registered by the parent Ansaldo STS S.p.A..

With respect to the credit risk arising from the positive value of derivatives, the counterparties of derivative contracts are mainly banks.

The table below breaks down the positive value of derivatives by the counterparty's rating class.

The ratings below are based on S&P's data.

Rating class	**Positive fair value**
A	100.0%
Total positive fair value	**100.0%**

Classification and fair value of financial assets and liabilities

The tables below give a breakdown of the group's financial assets and liabilities by the measurement category set out in IAS 39.

Financial liabilities are all recognised using the "amortised cost" method, since the group did not use the fair value option.

Derivatives are analysed separately.

31.12.2017	Fair value through profit or loss	Loans and receivables	Held to maturity	Total	Fair value
(€'000)					
Non-current assets					
Non-current related party loans and receivables	-	25,627	-	**25,627**	**25,627**
Financial assets measured at fair value through profit or loss	-	-	-	**-**	**-**
Loans and receivables	-	17,829	-	**17,829**	**17,829**
Current assets					
Current related party loans assets	-	55,208	-	**55,208**	**55,208**
Trade receivables	-	681,456	-	**681,456**	**681,456**
Financial assets measured at fair value through profit or loss	-	30,633	-	**30,633**	**30,633**

31.12.2017	Fair value through profit or loss	Amortised cost	Held to maturity	Total	Fair value
(€'000)					
Current liabilities					
Current related party liabilities	-	29,873	-	**29,873**	**29,873**
Related party loans and borrowings	-	-	-	**-**	**-**
Trade payables	-	383,766	-	**383,766**	**383,766**
Loans and borrowings	-	424	-	**424**	**424**
Other current liabilities	-	-	-	**-**	**-**

31.12.2016	Fair value through profit or loss	Loans and receivables	Held to maturity	Total	Fair value
(€'000)					
Non-current assets					
Non-current related party loans and receivables	-	25,522	-	**25,522**	**25,522**
Financial assets measured at fair value through profit or loss	-	-	-	**-**	**-**
Loans and receivables	-	19,963	-	**19,963**	**19,963**
Current assets					
Current related party loans assets	-	62,376	-	**62,376**	**62,376**
Trade receivables	-	666,476	-	**666,476**	**666,476**
Financial assets measured at fair value through profit or loss	-	34,233	-	**34,233**	**34,233**

31.12.2016	Fair value through profit or loss	Amortised cost	Held to maturity	Total	Fair value
(€'000)					
Current liabilities					
Current related party liabilities	-	19,671	-	**19,671**	**19,671**
Related party loans and borrowings	-	-	-	**-**	**-**
Trade payables	-	438,448	-	**438,448**	**438,448**
Loans and borrowings	-	1,780	-	**1,780**	**1,780**

The carrying amount of short-term financial instruments, such as trade receivables and payables, represents a fair approximation of fair value.

Derivatives

IFRS requires the classification of fair value of derivatives on the basis of reference parameters that can be inferred from the market or from other financial indicators (for example: exchange rates, interest rate curve, etc.). Financial derivatives on currencies to hedge the currency risk fall within Level 2 of the hierarchy since the fair value of these instruments is determined by recalculating the present value through official fixing of closing exchange and interest rates listed on the market.

The table below shows the fair values of financial instruments in portfolio.

			Fair value at *31.12.2017*	Fair value at *31.12.2016*
	Fair value hierarchy at the reporting date		***Level 2***	***Level 2***
Assets				
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	1,712	4,043
		Cash flow hedges	9,003	6,472
Liabilities				
	Currency forwards/swaps/options			
		Trading	-	-
		Fair value hedges	864	247
		Cash flow hedges	1,876	16,761

The group uses cash flow hedges to hedge the currency risk of highly probable future transactions and fair value hedges to hedge the exposure to currency risk of recognised assets and liabilities.

With respect to derivatives hedging future cash inflows and outflows in currencies other than the functional currency, the table below shows the maturities of these cash flows, hedged in US dollars.

	31.12.2017		***31.12.2016***	
	Notional (USD'000)		**Notional (USD'000)**	
Maturity	**Collection**	**Payment**	**Collection**	**Payment**
Within one year	156,759	4,338	261,553	26,868
Between one and three years	270	1,766	8,627	3,458
Between three and nine years	-	-	-	-
After nine years	-	-	-	-
Total	**157,029**	**6,104**	**270,180**	**30,326**

19 KEY MANAGERS' REMUNERATION

Fees paid to those who have the power to plan, manage and control the group, including executive and non-executive directors, are as follows:

(€'000)	***31.12.2017***	***31.12.2016***
Fees	3,769	3,165
Termination benefits	-	2,384
Stock grants	573	180
Total	**4,342**	**5,729**

Fees paid to directors, key managers and the general manager amounted to €4,342 thousand in 2017 (2016: €5,729 thousand).

These amounts include fees and any other type of remuneration and social security sums due for the position of director, key manager or general manager in the parent or in other companies included in the consolidation scope, which represented a cost for the group.

In 2017, as outlined in more detail in the paragraph "Personnel and Organisation", Mr. Corsi and Mr. Gallo were appointed as Key Managers and the relevant compensation inserted in said scheme, while 2016 included costs related to transactions with the company's strategic personnel.

Fees include those paid to the members of the board of directors and the Supervisory Bodies.

Statutory auditors' fees pertaining to the parent amounted to €210 thousand in 2017 (2016: €210 thousand).

In order to implement an incentive and loyalty scheme for the group's employees and consultants, the ultimate parent Ansaldo STS S.p.A. has launched incentive plans which, upon reaching set vesting conditions, provide for the awarding of Ansaldo STS S.p.A. shares.

Shares were delivered in 2017 as the 2014 vesting conditions of the 2014-2016 plan have a three-year term. In addition, the shares for the 2017 vesting conditions as part of the 2017-2019 plan were accrued.

The following table gives a breakdown of the parent's directors', statutory auditors' and general managers' fees:

(in euros)

ENTITY	POSITION			Fees for the position held in the reporting company for 2017			
Name and surname	*Position*	*Date of appointment*	*End of term*		*Non-monetary benefits*	*Bonuses and other incentives*	*Other fees paid*
Alistair Dormer	Chairperson of the BoD	13/05/2016	Approval of 2018 financial statements	75,000 (1)			
Alberto de Benedictis (b) (c)	Deputy chairperson - BOD	13/05/2016	Approval of 2018 financial statements	95,000 (2)			
Katharine Rosalind Painter (a) (d)	Director	13/05/2016	Approval of 2018 financial statements	95,000 (3)			
Andrew Thomas Barr (g)	Chief executive officer and general manager	24/05/2016	Approval of 2018 financial statements	80,000 (4)	30,212		419,610*
Mario Garraffo (b) (d)	Director	13/05/2016	Approval of 2018 financial statements	90,000 (5)			
Katherine Jane Mingay	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Rosa Cipriotti	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Fabio Labruna	Director	13/05/2016	Approval of 2018 financial statements	50,000 (6)			
Giuseppe Bivona	Director in office until 19/01/2017	13/05/2016	Approval of 2018 financial statements	2,603 (7)			
Michele Alberto Fabiano Crisostomo	Director in office from 19/01/2017	02/11/2015	Approval of 2018 financial statements	47,397 (8)			
Nicoletta Garaventa (e)	Chairperson of the supervisory body	24/05/2016	three-year term	25,000			
Alberto Quagli (f)	Member of the supervisory body	24/05/2016	three-year term	20,000			
Giacinto Sarubbi (h)	Chairperson of the board of statutory auditors	15/04/2014	Approval of 2016 financial statements	26,958			5,342**
Maria Enrica Spinardi (i)	Statutory auditor	15/04/2014	Approval of 2016 financial statements	17,972			3,562**
Renato Righetti (i)	Statutory auditor	15/04/2014	Approval of 2016 financial statements	17,972			3,562**
Antonio Zecca (l)	Chairperson of the board of statutory auditors from 11/05/2017	11/05/2017	Approval of 2019 financial statements	48,042			9,658**
Giovanni Naccarato (m)	Statutory auditor since 11/05/2017	11/05/2017	Approval of 2019 financial statements	32,028			6,438**
Alessandra Stabilini (m)	Statutory auditor since 11/05/2017	11/05/2017	Approval of 2019 financial statements	32,028			6,438**

* of which, fixed remuneration of €340,463 for the position of general manager and other fees for 2017 and €79,147 for variable remuneration paid for such position.

** fees for positions on committees

(a) Chairperson of the appointments and remuneration committee
(b) Member of the appointments and remuneration committee
(c) Chairperson of the risk and control committee
(d) Member of the risk and control committee
(e) Chairperson of the supervisory body
(f) Member of the supervisory body
(g) Chief executive officer and general manager
(h) Chairperson of the board of statutory auditors until 10/05/2017
(i) Statutory auditor until 10/05/2017
(i) Chairperson of the board of statutory auditors from 11/05/2017
(m) Statutory auditor from 11/05/2017

(1) Chairperson of BOD.
(2) Deputy Chairperson of BOD - ARC - Chairperson of RCC
(3) BOD - RCC and Chairperson of ARC
(4) CEO and general manager
(5) BOD - RCC and ARC
(6) BOD
(7) BOD until 19/01/2017
(8) BoD since 19/01/2017

In euros	Annual unit fees
Chairperson of the board of directors	75,000
Member of the board of directors	50,000
Chairperson of the supervisory body	25,000
Member of the supervisory body	20,000
Chairperson of the appointments and remuneration committee	20,000
Member of the appointments and remuneration committee	15,000
Chairperson of the risk and control committee	30,000
Member of the risk and control committee	25,000

20 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.

21 INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUER REGULATION

The following schedule was prepared in accordance with article 149-duodecies of Consob's Issuer regulation and shows the fees for 2017 for audit and non-audit services provided by the audit company or entities belonging to its network.

(€'000)	**Service provider**	**Beneficiary**	**2017 fees**
Audit	EY	Parent	207
	EY	Subsidiaries	424
	EY		
Attestation services	EY	Parent	170
	EY	Subsidiaries	-
	EY		
Tax consultancy services	EY	Parent	-
	EY	Subsidiaries	-
	EY		
Other services	EY	Parent	-
	EY	Subsidiaries	-
			801

Genoa, 14 March 2018

On behalf of the board of directors
The Chairperson

Alistair Dormer

22 STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS AND ARTICLE 154-BIS.2 OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned, Mr. The undersigned, Andrew Thomas Barr, as CEO and general manager, and Renato Gallo as manager in charge of financial reporting for Ansaldo STS S.p.A., also considering the provisions of article 154-bis.3/4 of Italian Legislative decree no. 58 of 24 February 1998 and subsequent amendments and integrations, state that the administrative and accounting procedures used to draft the consolidated financial statements for the 1 January 2017 - 31 December 2017 period
   - are appropriate in relation to the nature of the business and
   - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:

3.1 the consolidated financial statements:

a) are drafted in compliance with the IFRS endorsed by the European Community, pursuant to EC regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;

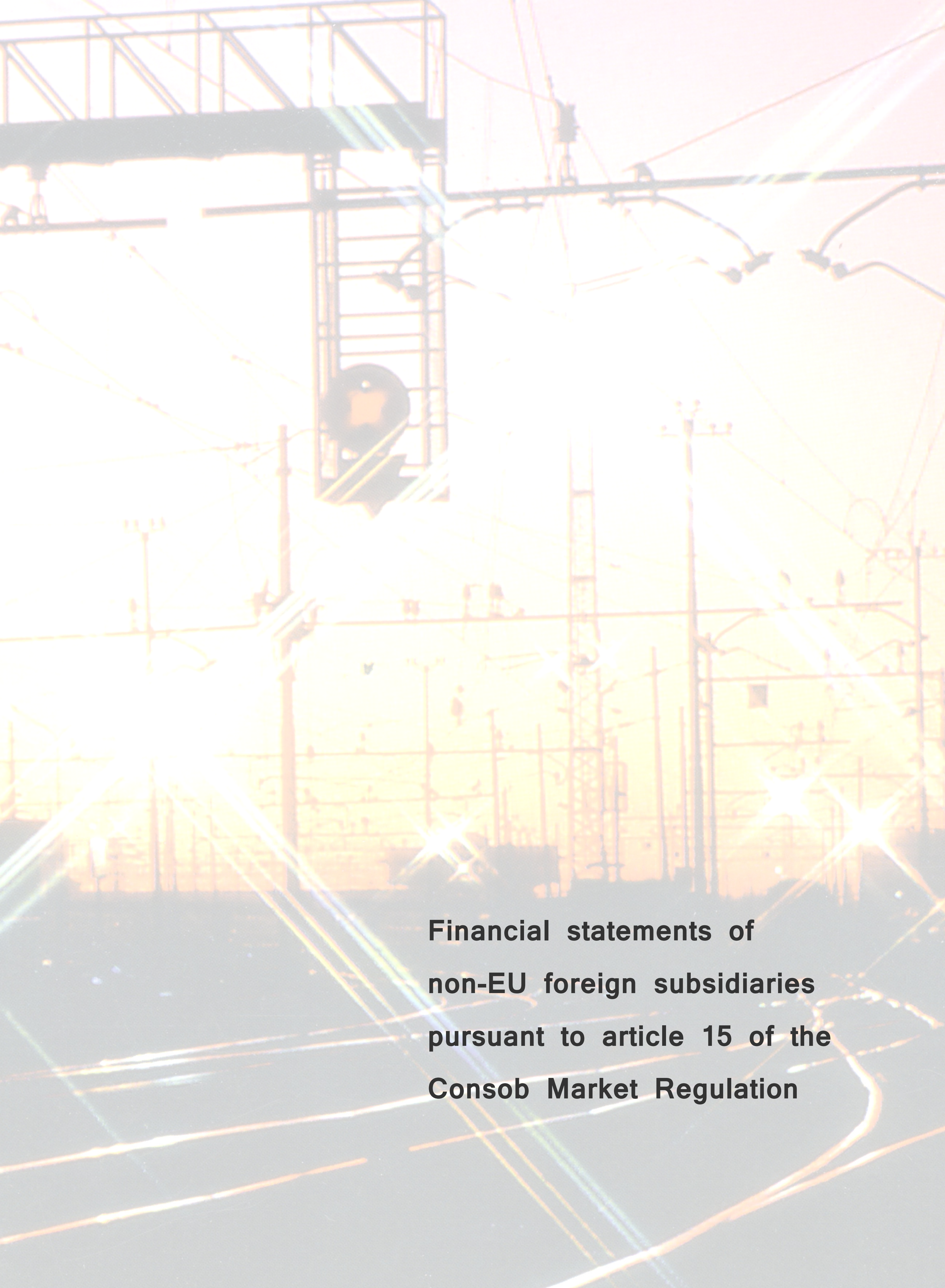
b) are consistent with the accounting ledgers and accounting entries;

c) give a true and fair view of the issuer's financial position and results of operations and the companies included in the consolidation scope.

3.2. The directors' report provides a reliable analysis of the important events taking place in the year and the financial position and results of operations of the issuer and the companies included in the consolidation scope, together with a description of the key risks and uncertainties to which they are exposed.

Genoa, 14 March 2018

Signature of the Chief executive officer and general manager	Signature of the Manager in charge of financial reporting
_______________________________	_______________________________
Andrew Thomas Barr	**Renato Gallo**



Financial statements of non-EU foreign subsidiaries pursuant to article 15 of the Consob Market Regulation

December 31st, 2017

Contents

1 Foreword

In compliance with art. 15, paragraph 1, letter a) of the Consob Market Regulation (adopted with Resolution no. 20249 of 28 december 2017), Ansaldo STS S.p.A. thereby discloses the financial statements of its subsidiaries which are set up and governed under non-EU legislation and have been identified as relevant entities on the basis of the criteria set out in paragraph 2 of art. 15 of the Consob Market Regulation.
In particular, below, are reported the financial statements of non-EU subsidiaries as prepared in accordance with the Local Financial Reporting Standards and used, with the proper IFRS/EU adjustments, for the purposes of the consolidated financial statements of the Ansaldo STS Group as at December 31st, 2017.

2 Ansaldo STS Australia PTY Ltd

Registered Office:	11 Viola Place, Eagle Farm, QLD 4009, Brisbane, Australia
Share capital:	AUD 5,025,885
Currency:	Australian Dollar
Group ownership:	100%

2.1 Balance Sheet

	Consolidated		Parent Company	
AUD/000	**31.12.2017**	31.12.2016	**31.12.2017**	31.12.2016
Current Assets				
Cash and cash equivalents	48,335	16,494	39,622	9,816
Receivables	54,215	51,583	40,670	37,019
Contract work in progress	41,782	73,248	16,733	55,511
Other financial assets	23,917	23,579	18,883	10,238
Inventories	2,314	756	1,640	223
Current Tax Assets	1,772	1,919	-	691
Other assets	5,074	5,094	216	959
Total Current Assets	**177,409**	**172,673**	**117,764**	**114,457**
Non-current assets				
Property, plant and equipment	1,789	1,840	872	1,246
Deferred tax assets	3,173	3,426	3,151	3,407
Other Financial assets	12,253	7,359	24,386	24,386
Intangible assets	-	-	82	83
Other assets	322	319	13	27
Total Non-current assets	**17,537**	**12,944**	**28,504**	**29,149**
Total assets	**194,946**	**185,617**	**146,268**	**143,606**
Current liabilities				
Payables	37,539	37,049	20,921	23,844
Advances from customers	35,545	34,893	16,327	14,737
Borrowings	23,916	32,877	-	-
Current tax liabilities	995	169	996	44
Provision for risks and charges	7,829	7,932	2,399	2,799
Other liabilities	5,752	4,544	7,773	7,079
Total current liabilities	**111,576**	**117,464**	**48,416**	**48,503**
Non-current liabilities				
Deferred tax liabilities	-	367	-	362
Provision for risks and charges	2,828	2,617	781	717
Total Non-current liabilities	**2,828**	**2,984**	**781**	**1,079**
Total Liabilities	**114,404**	**120,448**	**49,197**	**49,582**
Net assets	**80,542**	**65,169**	**97,071**	**94,024**
Net Equity				
Share Capital	38,151	38,151	38,151	38,151
Retained earnings / (Losses) carried	2,775	4,470	(173)	1,165
Reserves	39,616	22,548	59,093	54,708
Total Equity attributable to the	**80,542**	**65,169**	**97,071**	**94,024**
Minority interests				
Total Net Equity	**80,542**	**65,169**	**97,071**	**94,024**

2.2 Income Statement

AUD/000	Consolidated 31.12.2017	Consolidated 31.12.2016	Parent Company 31.12.2017	Parent Company 31.12.2016
Revenues	172,180	185,380	123,333	159,888
Other operating income	5,348	4,780	1,654	1,158
Raw materials and consumables used	28,014	31,613	14,448	20,859
Purchase of services	69,596	84,875	55,906	75,123
Changes in inventories of work in progress, semi-finished and finished goods	(334)	971	(134)	1,134
Personnel costs	58,785	67,929	46,421	56,075
Amortization, depreciation and impairment	1,237	868	488	665
Other operating expenses	2,914	4,795	1,236	853
EBIT	**17,316**	**(891)**	**6,622**	**6,337**
Financial income / (costs)	3,131	(1,437)	1,184	(533)
Profit / (loss) before taxes	**20,447**	**(2,328)**	**7,806**	**5,804**
Income taxes	3,379	2,799	3,421	2,349
Net profit (loss)	**17,068**	**(5,127)**	**4,385**	**3,455**
Effective portion of changes of cash flow hedges	(1,236)	(418)	(1,433)	(867)
Foreign currency translation differences	(474)	745	180	487
Other comprehensive income/(loss) for the year net of tax	**(1,710)**	**327**	**(1,253)**	**(380)**
Total comprehensive profit for the year	**15,358**	**(4,800)**	**3,132**	**3,075**

3 Ansaldo STS USA Inc.

Registered Office: 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA

Share Capital: USD 1

Currency: US Dollar

Group ownership: 100%

3.1 Balance Sheet

Ansaldo STS USA Grp	Consolidated	
USD/000	**31.12.2017**	31.12.2016
Current Assets		
Cash and cash equivalents	56,344	29,911
Trade Receivables	66,623	41,006
Receivables from related parties	19,873	12,875
Amounts withheld as guarantee	5,269	7,128
Inventories	19,430	20,751
Contract work in progress	81,899	57,370
Derivatives	974	1,483
Other assets	11,278	6,489
Loan assets to related parties	-	34,948
Total Current Assets	**261,690**	**211,961**
Non-current assets		
Amounts withheld as guarantee	8,479	5,286
Property, plant and equipment	11,556	11,869
Intangible assets	332	339
Deferred tax assets	6,537	11,439
Derivatives	409	1,247
Other assets	16,506	16,842
Total Non-current assets	**43,819**	**47,022**
Total assets	**305,509**	**258,983**
Current liabilities		
Trade Payable	35,654	21,630
Payables to related parties	12,012	6,506
Employees payables	6,897	6,967
Contracts retention payables	2,307	383
Accrued Warranty Costs	1,137	616
Derivatives	1,295	1,050
Short term loan to related parties	3,569	-
Other liabilities	3,814	3,856
Advance from customers	42,535	33,468
Total current liabilities	**109,220**	**74,476**
Non-current liabilities		
Derivatives	272	511
Long term contracts retention payables	3,893	5,095
Other liabilities	129	139
Total Non-current liabilities	**4,294**	**5,745**
Total Liabilities	**113,514**	**80,221**
Net Equity		
Share Capital	-	-
Share premium reserve	159,590	159,523
Reserves	2,577	3,634
Retained earnings / (Losses) carried forward	29,828	15,605
Total Net Equity	**191,995**	**178,762**
Total Liabilities and Net Equity	**305,509**	**258,983**

3.2 Income Statement

Ansaldo STS USA Grp	Consolidated	
USD/000	**31.12.2017**	31.12.2016
Revenues	290,116	212,460
Cost of Sales	236,777	168,954
Gross Margin	**53,339**	**43,506**
Operating expenses		
Selling costs, overhead and administrative expenses	13,616	14,600
Research and Development costs	11,664	9,729
Parent Company coordination costs	4,078	3,224
Total operating expenses	**29,358**	**27,553**
EBIT	**23,981**	**15,953**
Gain on sale of assets	-	-
Interest expenses	23	(69)
Interest income	-	-
Other net charges	(343)	180
Profit (loss) before taxes	**24,301**	**15,842**
Deferred tax income	10,078	3,367
Profit (loss) for the year	**14,223**	**12,475**
Income and expense recognised in equity		
Gains on derivative instruments, net of taxes	(448)	802
Translation differences	(609)	(329)
Total comprehensive income (expense)	**13,166**	**12,948**

Ansaldo STS S.p.A.
Registered Office in via Pietro Mantovani, 3/5 - 16151 Genoa, Italy
Registration number at the Genova Company Register and Tax Identification Number 01371160662
Registered capital €100,000,000.00 fully paid up
www.ansaldo-sts.com

Statutory Auditors' Report

(Pursuant to Article 153 of Presidential Decree 58/1998)

To the Shareholders of Ansaldo STS S.p.A. (The "**Company**" or "**ASTS"**)

Dear Shareholders,

The undersigned Board of Statutory Auditors - appointed during the Shareholders' Meeting held on 11 May 2017 - carried out its supervisory duties in accordance with the current provisions of the law and the regulations, according to the principles of conduct recommended by the National Council of Chartered Accountants and of Accounting Experts, observing the duties referred to in Article 149 of Legislative Decree No. 58/1998 ("**CFBA**") and, to the extent applicable, of the Italian Civil Code as well as of CONSOB communications related to corporate control mechanisms and the activities of the Board of Statutory Auditors (in particular, communication No. DEM/1025564 of 6 April 2001 et. seq.).

With reference to the provisions of the application criteria 8.C.1. of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee (the "**Corporate Governance Code**") regarding the independence requirements for the members of the Board of Statutory Auditors, we have verified that none of the members maintain nor have recently maintained, directly or indirectly, relationships with the Company or with entities linked to the Company that would influence their independence of judgement. The findings of this examination were included in the report on Corporate Governance and Ownership Structures (the "**Corporate *Governance Report***") prepared pursuant to Article 123-bis CFBA.

Each statutory auditor has also complied with the limit on the number of posts held, provided for by Art. 148-bis CFBA and related implementing legislation (Articles 144-duodecies to 144-quinquiesdecies of CONSOB Regulation 11971/99 ("**Regulation on Issuers**"), as referred to in the Articles of Association.

1. Supervisory activities on the observance of the law and the Articles of Association

During the financial year, thirteen meetings of the Board of Directors were held. We participated in eight of those meetings, which took place after our appointment. The meetings were held in compliance with the provisions of the Articles of Association and laws and regulations governing the operation of the Board. During these meetings, the Directors provided, in accordance with the procedures established by the corporate governance rules of the Company, information on the general operating performance and on business outlook, on the activities performed and on the most important transactions related to the earnings, cash flow and financial position of the Company and/or its subsidiaries. In referring to their report for the explanation of the main initiatives undertaken during the year, we certify that, to our knowledge, said initiatives have been based on principles of sound administration and are not manifestly imprudent or risky.

2. Supervisory activities related to compliance with principles of sound administration

We have monitored compliance with the principles of sound administration. The operations approved and implemented by the Board of Directors appear to comply with the law and the Articles of Association, not to conflict with the resolutions adopted by the Shareholders' Meeting and to be based on principles of sound administration.

In the Directors' Report for the 2017 financial year, the Directors have indicated the most significant operations in terms of earnings, cash flow and financial position for the financial year. This Report complies with the laws and regulations in force and is consistent with the resolutions adopted by the Board of Directors, with the facts of the separate and consolidated financial statements and with significant events after the end of the financial year. The Half-Yearly Financial Report has been published as required by current laws and regulations.

3. Supervisory activities on adequacy of the organisational structure and the internal control system.

We have examined - by obtaining data and information from the managers of the various corporate units, and also through direct investigations when necessary - and monitored, within our remit, the adequacy of the Company's organisational structure. We believe that said structure is appropriate to the characteristics of the Company and to the Ansaldo Group as well as to the activity carried out.

We have monitored the adequacy of the internal control system by: (i) participating in the meetings of the Control and Risks Committee; (ii) examining the related reports; (iii) obtaining information from the heads of the corporate control departments and; (iv) from the auditing company, as well as; (v) by examining company documents.

On the basis of these activities, we believe that the internal control system has been set up and organised correctly in order to guarantee a regular and proper performance of the activity. This makes it possible, *inter alia*, to provide a faithful representation of the performance and operating results from the point of view of earnings, cash flow and financial position.

With respect to 2017, and after the end of the financial year, on 14 March 2018, the Board of Directors - based on the information and evidence gathered with the support of the investigative activities of the Control and Risks Committee - assessed the adequacy of the internal control and risk management system. In this regard, it has expressed a favourable opinion of the system with respect to: (i) its adequacy, taking into account the characteristics of the company and the risk profile assumed and; (ii) its effectiveness.

ASTS has adopted, subsequently updated and modified the organisational model provided for by Legislative Decree 231/2001 (the "**231 Model"**), aimed at preventing the possible commission of the relevant offences pursuant to said statute and, consequently, the administrative liability of the Company.

The Supervisory Body ("**SB**"), the body entrusted with the task of monitoring the correct functioning of the 231 Model, and of updating it, periodically met with the Board of Statutory Auditors and no significant issues or specific violations of the Model have been highlighted in the reports on the activities carried out by the SB.

4. Supervisory activities on the administrative and accounting system and on the financial reporting process

The Board of Statutory Auditors - also in the capacity of the Committee for Internal Control and Audit, as well as pursuant to the changes made in the Italian statutory framework by Legislative Decree No.135/2016 - assessed the adequacy of the administrative and accounting system to correctly represent the results of operations as well as the effectiveness of the risk management systems, also as regards cash flow information.

We have verified the updating of the internal procedures for management of Inside Information - following the entry into force of EU Regulation 596/2014 on market abuse - assessing the periodic reporting and the releases issued to the public.

5. Concrete implementation of corporate governance rules

ASTS adheres to the Corporate Governance Code; the Board of Statutory Auditors has monitored the concrete procedures for the implementation of the corporate governance rules that the Code provides for and it refers in this regard to the Corporate Governance Report.

The Board of Directors is currently made up of nine members, six of whom are independent. In accordance with the provisions of section 3.C.5 of the Corporate Governance Code, we have monitored the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of the Directors, as well as their compliance with the provisions contained in section 3.C.1 of said Code.

During the 2017 financial year, the Board of Statutory Auditors met eight times. Moreover, since 11 May 2017, the following meetings have been held: i) [5] meetings of the Control and Risks Committee, in which at least two members of the Board of Statutory Auditors have always participated; (ii) [3] meetings of the Nomination and Remuneration Committee attended by at least one statutory auditor, (iii) [1] meeting of the Related Parties Committee attended by at least two statutory auditors; (iv) [1] meeting of the Executive Committee attended by at least two statutory auditors.

During the financial year, on 15 December 2017, the Board of Statutory Auditors, according to the law, issued its opinion on the proposal to revise the remuneration of the Chief Executive Officer and General Manager.

The Board of Statutory Auditors also reports that on 22 June 2017 it received requests from Consob pursuant to Article 115, paragraph 1, of Legislative Decree 58/98 (CLF), concerning certain facts and circumstances that arose during the shareholders' meeting held on 11 May 2017, to which it promptly responded.

The Board of Directors: i) during the meeting held on 28 July 2017, appointed the new head of the Internal Audit Office effective as of 1 October 2017; ii) during the meeting of 14 March 2018, analysed the letter from the Chairman of the Corporate Governance Committee sent to all listed companies on 13 December 2017. Taking into account the fact that on this latter date, the 2017 self-assessment process had already been completed, the related recommendations will be taken into consideration during the 2018 self-assessment.

6. Supervisory activities regarding the adequacy of the instructions given by the company to the subsidiaries pursuant to Article 114, paragraph 2.

We have examined and monitored, within our remit, the instructions given by the Company to subsidiaries, pursuant to Art. 114, second paragraph, CFBA, which appear adequate. We have analysed the suitability of the company organisation and the procedures adopted to regularly provide the Company with the data related to the earnings, financial position and cash flow of the subsidiaries.

7. Supervisory activities regarding statutory audit activities

In accordance with the provisions of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in the capacity of the Committee for Internal Control and Audit, has carried out the required supervisory activity on the work performed by the auditing company, Reconta Ernst & Young Spa S.p.A. (the "**Auditing Company**" or "**EY**"), periodically meeting with its representatives and exchanging data and information on the activity carried out, also pursuant to Article 150, CFBA. During these meetings, no significant issues nor any irregularities were brought to our attention.

We have received information from EY regarding the hours worked and the fees invoiced for the statutory audit of the separate and consolidated financial statements as at 31 December 2017. The explanatory notes to the financial statements disclose the fees as required by Art. 149-duodecies of the Regulation on Issuers, in paragraph 40, "List of mandates pursuant to art. 149-Duoedecies of the Regulation on Issuers" of the annual report.

At the Board meeting of 24 January 2018 the Board of Statutory Auditors expressed its favourable opinion, in accordance with the provisions of EU Regulation 537/2014, in relation to the award of certain mandates to EY consisting of various non-auditing services other than those that are prohibited. In particular, these are:

- the limited examination of the 2017 Non-Financial Report with reference to 2017 data;
- ii) the limited review of the 2017 Report on Sustainability with reference to 2017 data, in order to obtain the assurance level provided for by the ISAE 3000 international audit principles on the Report's compliance with the principles and standards indicated in the note on methodology of the document itself.

On 7 March 2018 the Board of Statutory Auditors formulated its reasoned proposal on the amendment of the timetables and fees established by the contract with the auditing company EY S.p.A. for the financial years 2017-2024 concerning the following activities:

- Audit activities on the new accounting standards IFRS15 and IFRS9
- Greater depth in content of the Additional Report compared to the Report on Key Issues
- New Audit Report
- Identification of legislation relevant to information to be provided in the Directors' Report and consequent operational aspects and verification of reporting.

On 27 March 2018, EY issued its audit reports on the separate and consolidated financial statements, which do not contain any qualifications and required no additional disclosures. We refer to these reports, underlining how the related text has changed profoundly, with a significant increase in the informational value, following the amendments to the applicable legislation.

The Auditing Company also expressed its opinion: (i) on the consistency with the financial statement; and (ii) on the compliance with the law of the Directors' Report and of certain specific information contained in the Corporate Governance Report.

The Board of Statutory Auditors, pursuant to Article 19 of Legislative Decree No. 39/2010, on 27 March 2018, has: (i) informed the Board of Directors of the results of the statutory audit; and (ii) submitted without comment the "Additional Report" referred to in Article 11 of EU Regulation 537/2014.

Finally, on 27 March 2018, EY received the annual confirmation of independence pursuant to Art.

6 (2) (a) of EU Reg. 537/2014 and we have analysed the risks related to the independence of the auditing company and the measures it has taken to guard against such risks, also taking into consideration the mandates for non-audit services previously described. During the financial year, no critical issues have emerged related to the independence of the Auditing Company.

8. Separate and consolidated financial statements as at 31 December 2017 and non-financial report

The annual financial statement as at 31 December 2017, submitted for your approval, shows a profit of €71.98M, while the consolidated financial statement shows a consolidated profit of €64.86M.

The company has tested the value of the goodwill recognised for impairment without identifying losses due to impairment. The notes to the financial statements detail the assumptions and parameters underlying the impairment-testing procedure, which was approved by the Board of Directors on 14 March 2018.

In the "Main Risks and Uncertainties" paragraph of the Directors' Report, the Directors describe the main operational risk factors and uncertainties to which the Company and the Group are exposed, indicating the risks of a strategic, operational, financial and reporting nature.

In the "Litigation" paragraph, the status and the foreseeable evolution of existing litigation are disclosed on a case-by-case basis. In this context, the "Stockholm Red Line" litigation, particularly as reported in the aforementioned paragraph, is particularly significant, *"with reference to the 'System Delivery Agreement' 'signed on 3 November 2010 between Ansaldo STS Sweden (a wholly-owned subsidiary of Ansaldo STS S.p.A.) and AB Storstockholms Lokaltrafik (the "client") concerning the updating of the signalling system of one of the lines of the Stockholm Underground called the "Red Line" (with a total value of approximately €127M), the client, in October 2017, requested the return of advance payments of around €35M, plus VAT and interest and, subsequently, on 7 November 2017, it announced the unilateral termination of the contractual relationship, alleging breach by Ansaldo STS Sweden (the "Company ") and demanding the restitution of the residual advances paid (about €24M plus VAT and interest), as well as the application of penalties and compensation for damage estimated at around €17M. The Company has challenged both the unilateral termination of the contract and the demand tor restitution of advances and compensation for damage, considering them to be unfounded. On 20 December 2017, the Parties signed an agreement regarding the return to Ansaldo STS Sweden of all the bonds previously issued to the client, against the simultaneous return of the advances on account paid by the client, for a total of approximately €31M (VAT and interest included). On the basis of this agreement, the Company repaid the amount indicated above on 25 January 2018, receiving the simultaneous return of all the bonds held by the client. This payment, as well as previous payments in favour of the client for €45M (VAT and interest included), is made by the Company, reserving the right to seek recovery, without prejudice to its rights and pending the legal resolution of the dispute. The Company is evaluating all possible legal actions for the defence of its rights,* *including the right to obtain full payment for the work performed to date as well as compensation for the damage suffered, 'also' in view of the unilateral termination of the contract by the client. In this regard, it should be noted, inter alia, that the expert opinion of a well-known international consultant on the subject was provided to the client. Said opinion related to the analysis of the contractual delay in dispute, in which it is preliminarily indicated that said delay - with respect to the originally specified time frame - was the fault of the client, thereby resulting in the extension of the expected final acceptance deadline from 30 September 2014 (date specified in contract) at least to 4 June 2021. Pending the resolution of the dispute, Ansaldo STS Sweden and AB Storstockholms Lokaltrafik have agreed on provisional activities that are to be implemented starting from January 2018 ".* The undersigned Board of Statutory Auditors states that it has carried out audits and analyses on this matter, also following the obtaining of all the relevant documentation for this purpose from the Company management.

It is still to be noted - with reference to the portfolio of job orders, as set out in the Directors' Report on the consolidated financial statements with regard to the occurrence, in the context of the MBTA PTCS (Positive Train Control System) project - that there are certain critical issues related to technical and contractual matters and the relationship with the client, in respect of which the Company has taken and is continuing to take the appropriate corrective actions.

The notes to the separate and consolidated financial statements disclose the details of the financial relationships among the companies of the Group and between Group companies and related parties. The latter refer to commercial transactions carried out under market conditions, essentially with Hitachi Group companies.

In the notes to the consolidated financial statements, with regard to transactions on treasury shares, it is noted that on 23, 24, 25, 26, 29 and 30 May 2017, the Company proceeded, in execution of the Shareholders' resolution of 11 May 2017 and to service the plan called "Stock Grant Plan 2014-2016", to the purchase of 128,299 treasury shares, equal to 0.06% of the total shares of the share capital, for a total equivalent value of €1,508,320.

The directors certify, and the Board of Statutory Auditors acknowledges, that to the best of its knowledge, no atypical or unusual transactions have occurred.

In accordance with Legislative Decree 254/2016 ("**Decree 254**"), the Company has drafted its consolidated non-financial report. This report was drafted in accordance with the Sustainability Reporting Guidelines ("**GRI4**") of the Global Reporting Initiative and contains, where possible, comparative data for the previous financial year.

On 27 March, EY issued its own certification of the compliance of the information provided with the requirements of the non-financial reporting Decree and the principles and methodologies envisaged by the GRI4. In this regard, we acknowledge that we have monitored compliance with Decree 254 and that we have no comments in this regard.

9. Events after the end of the financial year, complaints pursuant to Art. 2408 and

conclusions

There were no events after the end of the financial year except for what is reported in this document.

During the meeting held on 11 May 2017, the undersigned control body, as "incoming Board of Statutory Auditors", received two complaints pursuant to Art. 2408 of the Italian Civil Code filed by shareholders Elliot International LP and BlueBell Partners. The undersigned Board of Statutory Auditors, despite having found that some of the facts complained of had already been investigated by the Board of Directors and by the previous Board of Statutory Auditors, has nevertheless carried out its own investigations and analyses, reserving the right to formalise the related findings in sufficient time for the Shareholders' Meeting of 10 May 2018.

*_*_*

To conclude our business, we can state that our supervisory activity took place during the course of the 2017 financial year, under normal circumstances, and it did not reveal any omissions, improper conduct or irregularities to be noted in this report, nor do we have any proposals to make, pursuant to Art. 153, second paragraph, CLF.

That said, considering all that is described and indicated above, we believe that the Directors' Report contains adequate information on the activities of the financial year and we agree with the proposal made by the Board of Directors on the allocation of profit for the financial year.

Milan, 28 March 2018

Antonio Zecca – Chairman

Alessandra Stabilini – Statutory Auditor

Giovanni Naccarato – Statutory Auditor

Ansaldo STS S.p.A.

Financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via XX Settembre, 42
16121 Genova

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ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Ansaldo STS S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ansaldo STS S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter.

Key Audit Matter	Audit Response
Revenue recognition and evaluation of contracts' work in progress The financial statements include mainly revenues from construction contracts for Euro 825 million and related assets and liabilities, for Euro 165 million and Euro 510 million, respectively. Such revenues and related margins are recognized through the income statement based upon the progression of the construction activities of each project, in accordance with the percentage of completion method, which is determined based on actual costs as compared to expected costs to complete the projects. The processes and the methodologies applied to recognize revenue from construction contracts' work in progress are based on assumptions, sometimes complex, which imply, by their nature, the use of judgment by the Management, with particular reference to the estimate of the costs expected to complete the projects, including the estimate of risks and contractual penalties, where applicable, and to any changes in estimates from prior periods. Considering the materiality of revenues and assets and liabilities referred to construction contracts, the complexity of assumptions used in estimating the costs expected to complete the projects and the potential impact of changes in estimates on the net result of the year, we identified this area as a key audit matter. The disclosure in the Notes to the financial statements related to revenue recognition and evaluation of contracts' work in progress is included in paragraph "4. Significant accounting policies" in the note "Revenue recognition and work in progress valuation" to the financial statements.	Our audit procedures included, among others: i. assessment of processes and key controls implemented by the management related to planning and control over the projects, including testing of the revenue recognition criteria; ii. assessment of the key assumptions adopted to estimate costs to complete the projects and to determine total revenues for a sample of significant contracts, through the analysis of internal projects' documentation and reports, inquiries with project managers and critical review of the contracts; iii. analytical review of actual results from construction contracts compared with perspective and prior year data; iv. execution of test of details on a sample of contracts' costs; v. test of percentages of completion for a sample of contracts. Lastly, we verified the adequacy of disclosures provided in the financial statements related to revenue recognition and evaluation of contracts' work in progress.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of Ansaldo STS S.p.A., in the general meeting held on January 19, 2017, engaged us to perform the audits of the financial statements of each years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Ansaldo STS S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Ansaldo STS S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Ansaldo STS S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Ansaldo STS S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Ansaldo STS S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Genoa, March 27, 2018

EY S.p.A.
Signed by: Enrico Lenzi, Partner

This report has been translated into the English language solely for the convenience of international readers.

Ansaldo STS S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via XX Settembre, 42
16121 Genova

Tel: +39 010 5308111
Fax: +39 010 588636
ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Ansaldo STS S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ansaldo STS Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Ansaldo STS S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the [consolidated] financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter.

Key Audit Matter	Audit Response
Revenue recognition and evaluation of contracts' work in progress The consolidated financial statements include mainly revenues from construction contracts for Euro 1.361 million and related assets and liabilities, for Euro 380 million and Euro 683 million respectively. Such revenues and related margins are recognized through the income statement based upon the progression of the construction activities of each project, in accordance with the percentage of completion method, which is determined based on actual costs, as compared to expected costs to complete the projects. The processes and the methodologies applied to recognize revenue from construction contracts' work in progress are based on assumptions, sometimes complex, which imply, by their nature, the use of judgment by the Management, with particular reference to the estimate of the costs expected to complete the projects, including the estimate of risks and contractual penalties, where applicable, and to any changes in estimates from prior periods. Considering the materiality of revenues and assets and liabilities referred to construction contracts, the complexity of assumptions used in estimating the costs expected to complete the projects and the potential impact of changes in estimates on the net result of the year, we identified this area as a key audit matter. The disclosure in the Notes to the financial statements related to revenue recognition and evaluation of contracts' work in progress is included in paragraph "12.2.1 Accounting policies" in the note "Discretionary judgments and significant accounting estimates - Revenue recognition and work in progress valuation".	Our audit procedures included, among others: i. assessment of processes and key controls implemented by the management related to planning and control over the projects, including testing of the revenue recognition criteria; ii. assessment of the key assumptions adopted to estimate costs to complete the projects and to determine total revenues for a sample of significant contracts, through the analysis of internal projects' documentation and reports, inquiries with project managers and critical review of the contracts; iii. analytical review of actual results from construction contracts compared with perspective and prior year data; iv. execution of test of details on a sample of contracts' costs; v. test of percentages of completion for a sample of contracts. Lastly, we verified the adequacy of disclosures provided in the financial statements related to revenue recognition and evaluation of contracts' work in progress.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the [consolidated] financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of Ansaldo STS S.p.A., in the general meeting held on January 19, 2017, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Ansaldo STS S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Ansaldo STS Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Ansaldo STS Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Ansaldo STS Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Ansaldo STS S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Genoa, March 27, 2018

EY S.p.A.
Signed by: Enrico Lenzi, Partner

This report has been translated into the English language solely for the convenience of international readers.

Attachment "C"

2017
CONSOLIDATED NON-FINANCIAL DISCLOSURE

INDEX

METHODOLOGY AND REPORTING CRITERIA

Ansaldo STS Group (hereinafter also "the Group" or "Ansaldo STS"), has to comply with the Italian **Legislative Decree No 254 dated December 30th, 2016** (hereinafter referred to as "Decree 254") "*Attuazione della direttiva 2014/95/UE del Parlamento europeo e del Consiglio del 22 ottobre 2014, recante modifica alla direttiva 2013/34/UE per quanto riguarda la comunicazione di informazioni di carattere non finanziario e di informazioni sulla diversità da parte di talune imprese e di taluni gruppi di grandi dimensioni*". Indeed, Ansaldo STS Group is considered as a **public interest entity** (according to Article 16 sub.1 of Legislative Decree No 39 dated 27 January 2010) because of its number of employees, balance sheet total and net turnover according to criteria defined in the Article 2, sub.1 of the Decree 254.

This consolidated **Non-Financial Disclosure** (NFD) for Ansaldo STS Group as of December 31st , 2017 was therefore prepared in accordance to the above mentioned Decree 254/16, in order to ensure a deep understanding of Ansaldo STS activities, its performances, results and its impacts on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters – specifically considering the Group activities and characteristics.

This consolidated Non-Financial Disclosure is a separated document from the Management Report and should be considered as part of its integration and completion documents.

This document is approved by the Board of Directors of Ansaldo STS S.p.A. on March 14, 2018.

The Non-Financial Disclosure is subject to verification by an independent company, EY S.p.A. (also in charge of reviewing Ansaldo STS Group's Financial Report), in accordance with the procedures established by current legislation. The audit was carried out according to the procedures indicated in the "Independent Auditors' Report", included at the end of this document.

The 2017 consolidated non-financial disclosure is available on the Group's website.

REPORTING SCOPE

The information detailed in this NFD refers to the companies included within the same line-by-line consolidation scope considered by the consolidated Financial Statements of the Group. For the environmental indicators only, the reporting scope coincides with the scope considered in the 2016 Sustainability Report of Ansaldo STS, which includes the most significant sites representing 91% of the Group size in terms of number of employees.

REPORTING STANDARDS

The reporting standard adopted by Ansaldo STS to prepare this NFD are the GRI Sustainability Reporting Standards issued in 2016 by GRI - Global Reporting Initiative. In particular, following the Standard GRI 101: Foundation, paragraph n.3, this document includes the references to the Reporting Standard listed below ("GRI-referenced").

GRI STANDARDS	GRI Disclosures	*Description*
GRI 102 - General Disclosure	GRI 102-1	*Name of the Organization*
	GRI 102-2	*Activities, brands, products and services*
	GRI 102-4	*Location of operations*
	GRI 102-8	*Information on employees and other workers*
	GRI 102-15	*Key impacts, risks, and opportunities*
	GRI 102-43	*Approach to stakeholder engagement*
	GRI 102-47	*List of material topics*
	GRI 102-55	*GRI content index*
GRI 103 - Management Approach 2016	GRI 103-2	*The management approach and its components*
GRI 205 – Anti-corruption	GRI 205-3	*Confirmed incidents of corruption and actions taken*
GRI 302 - Energy	GRI 302-1	*Energy consumption within the organization*
	GRI 302-3	*Energy intensity*
	GRI 302-4	*Reduction of energy consumption*
GRI 303 - Water	GRI 303-1	*Water withdrawal by source*
GRI 305 - Emissions	GRI 305-1	*Direct (Scope 1) GHG emissions*
	GRI 305-2	*Energy indirect (Scope 2) GHG emissions*
	GRI 305-4	*GHG emissions intensity*
	GRI 305-7	*Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions*
GRI 306 – Effluents and waste	GRI 306-2	*Waste by type and disposal method*
GRI 308 – Supplier Environmental Assessment	GRI 308-1	*New suppliers that were screened using environmental criteria*
GRI 401 - Employment	GRI 401-1	*New employee hires and employee turnover*
	GRI 401-2	*Benefits provided to full-time employees that are not provided to temporary or part-time employees*
GRI 402 - Labor management relations	GRI 402-1	*Minimum notice periods regarding operational changes*
GRI 403 - Occupational Health and Safety	GRI 403-2	*Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities*
GRI 404 - Training and Education	GRI 404-1	*Average hours of training per year per employee*
	GRI 404-2	*Programs for upgrading employee skills and transition assistance programs*
GRI 405 - Diversity and equal opportunity	GRI 405-1	*Diversity of governance bodies and employees*
GRI 412 - Human Rights Assessment	GRI 412-2	*Employee training on human rights policies or procedures*
GRI 416 - Customer Health and Safety	GRI 416-1	*Assessment of the health and safety impacts of product and service categories*

The cross-reference to the pages where the GRI Standards are disclosed ("GRI Content Index") is available in the Appendix of this document.

In order to ensure the comparison with previous years, data are shown on a bi-annual basis.

REPORTING PROCESS AND CALCULATION CRITERIA

To define the topics to be covered in this NFD, Ansaldo STS has involved the Internal Sustainability Committee (see the “Sustainability Governance” paragraph herein) - also responsible for preparing the *Sustainability Report*, whose ninth edition will be published this year. The level of relevance assigned to the different topics was defined according to a well-established analysis process (see the “Material topics for our business” paragraph herein). Relevant KPI calculation criteria are shown in specific footnotes.

ANSALDO STS COMPANY PROFILE, ACTIVITIES AND STRATEGY

Ansaldo STS is active around the world as a contractor and supplier of turnkey services and solutions and builds large projects for railway and mass transit systems for passengers and freight.

In addition to being known for its turnkey projects for large metro lines, Ansaldo STS boasts significant long-term experience in the high speed sector as a supplier and integrator of all the sub-systems: interoperable signalling systems, telecommunications, electric power supply, on-board equipment and integration, and electrification and wayside equipment.

Ansaldo STS considers the social, economic, logistics, architectural, environmental and structural context of each project it handles, by planning, designing and building signalling and railway and mass transit systems that provide the best possible combination of safety, efficiency and return on investment.

MISSION

Ansaldo STS creates value for society by designing and implementing solutions and components for rail transport and mobility, committed to provide innovative products that improve the quality of life and that responsibly support the world in which we live.

Ansaldo STS combines experience and human, financial and technological resources to provide innovative solutions in the design and construction of equipment and systems for conventional and high-speed railway lines and mass transit rail network signalling and automation for passengers and freight.

The more we make sustainable long-term decisions, the better the interaction between our company, society and the environment will be. This approach is part of our competitive edge.

VALUES

To achieve its objectives and growth and maintain its sector leadership, Ansaldo STS bases its operations on solid, unwavering ethical values and principles. Everyone in the Organization is required to uphold this culture and make the same commitment to ethical conduct, embracing the company's principles and values.

Ansaldo STS's values, and those on which it has based its business are:

- CUSTOMERS FOCUS

  Our technologies safely move millions of people every day. This drives Ansaldo STS to do its best to increase and maintain high excellence services for rail transport users. Because of its customers, Ansaldo STS is able to understand and meet their needs with advanced solutions to their specific requirements.

- INNOVATION AND EXCELLENCE

  Understanding, studying and developing solutions to improve responses to customers and market offers lie at the crux of Ansaldo STS's activities, in which work is constantly focused on providing customers with innovative and excellent products that represent the company's competitiveness on the market.

- PEOPLE

  Customer satisfaction and the development of new products depend on the abilities of the professionals working to achieve them, Ansaldo STS's employees. This is why Ansaldo STS is a company founded on people. Everyone in our organization works to make Ansaldo STS a good environment and place to work, where people learn, achieve and celebrate success. Ansaldo STS always prioritizes its people and their safety.

- TEAM SPIRIT

  None of these operating objectives can be achieved by one person alone. The company's professionals work in a single, integrated organization, capable of making the most of their different cultures and professional training. This team spirit can also be found in managers who ensure cooperation and the growth of the company culture, while achieving established objectives and the company's mission. Ansaldo STS strongly encourages attainment of its people's aspirations through team objectives.

- INTEGRITY

  If people are to work together effectively, mutual trust must be fostered, and this is only possible if everyone works and acts in a way that is transparent, loyal, honest and proper. Similarly, customers must have the absolute certainty that integrity is a fundamental value for Ansaldo STS, and that this value is reflected in its products, through the utmost care and attention to safety.

BUSINESS LINES

The different Companies that constitute the Ansaldo STS Group carry out activities in the fields of traffic management, train control, signalling systems production and maintenance services, aiming towards constant efficiency and safety over time for both customers and end users.

High Speed	**Computer based interlocking**
Main Lines and Freight	**Metros and Tramways**
Planning, Supervision & Traffic Control	**Equipment & Components**
Operation and maintenance	

As a part of the Hitachi Group, Ansaldo STS further integrates the technological offer into various projects and solutions, bringing a real competitive advantage, with economically and technologically innovative solutions for our customers.

Ansaldo STS, as part of Hitachi Rail's business, develops rail (and metropolitan) traffic management systems with an integrated vision and approach: from the production of the single component to passenger comfort, including the management and maintenance of the infrastructure.

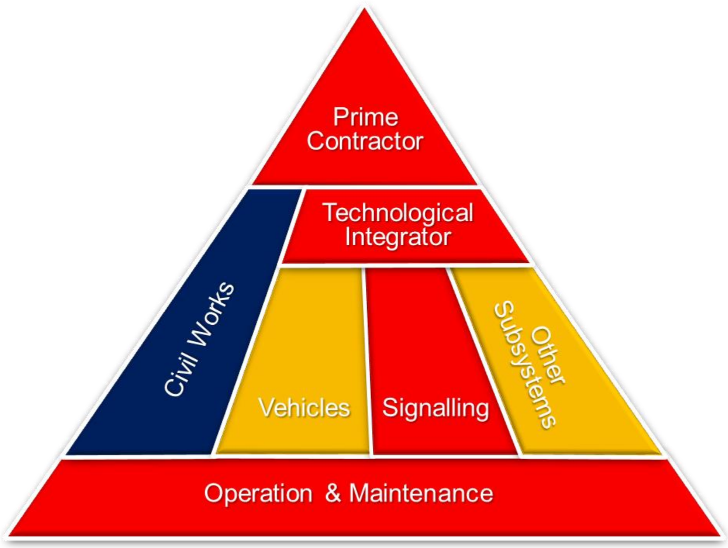
Building on its proven experiences, the multiple systems successfully installed, and its extensive supply of turnkey systems, Ansaldo STS is able to develop a complete range of services related to the railway sector.

The complementarity of the products and services, along with the distribution of production facilities and development sites will allow to increasingly consolidate our company's presence in existing markets and increase its effectiveness in the new markets.

BUSINESS MODEL

Ansaldo STS's abilities and organisation fully meet the need to innovate in order to boost transportation efficiency and safety and reduce its environmental impact.

Ansaldo STS is, indeed, a company that operates on a global market. It boasts great flexibility in meeting international demand and is open to new markets. It carries out research and development for transportation solutions that focus in particular on the environment and on safety. It facilitates the standardization of solutions, while also developing the ability to create customized products for different customer needs. It has the necessary financial soundness to meet future challenges, lead innovation and make the most of growth opportunities by promoting new projects.



Ansaldo STS's business model is customer based, and enables it to forge fruitful, long-lasting relationships at global level.

- **TECHNOLOGICAL LEADERSHIP FOR SAFETY AND ENVIRONMENTAL MATTERS**
  Ansaldo STS offers integrated solutions based on technological leadership in terms of safety and environment and has a predominant technical leadership in certain market segments (ERTMS, driverless, mass transport, high speed, etc.)
- **PREFERENTIAL PARTNERSHIPS WITH ROLLING STOCK SUPPLIES**
  Ansaldo STS has a consolidated partnership with Hitachi Rail Italy. However, Ansaldo STS is capable of adapting to any rolling stock supplier and is flexible in the design and construction of the chosen solution.

- **SOLID ROOTS AND GROWTH WHEREVER THE DEMAND IS**
  Long-standing technological leader in the western world, growth in emerging market economies, investments in R&D, continuous monitoring of deadlines and budget.
- **A PARTNER THROUGHOUT THE CUSTOMER'S ENTIRE VALUE CHAIN**
  Ansaldo STS is leader in the supply of cutting-edge integrated transportation solutions by combining traditional and non-traditional technologies and operation and maintenance services.
- **SERVING THE CUSTOMER'S FUTURE NEEDS**
  Ansaldo STS can meet the new requirements of markets, such as driverless freight transportation, the introduction and integration of extremely safe and digital technology.
- **GLOBAL ORGANISATION**
  About 4,200 professionals offer global research, expertise, experience, know-how and best practices wherever the market needs them.

STRATEGY

Ansaldo STS is committed to maintaining and developing a set of distinctive abilities and expertise that create value and guarantee long-lasting company growth over time. This commitment can be seen in the company's four strategic directions:

1. ORGANIC GROWTH: to leverage its strong position in growing geographical areas and business lines to achieve better results than the reference market.
2. NON-ORGANIC GROWTH: to define strategic partnerships and evaluate investments that are instrumental to the Company's growth in specific geographies and/or business sectors
3. ORGANIZATIONAL ALIGNMENT: to adapt the operating model in accordance with business requirements and its future developments
4. EFFICIENCY AND EFFECTIVENESS: to optimize the product platforms in line with future technologies, and continue to work on the continuous improvement process in order to strengthen its competitive position and ensure excellence in the execution of its activities.

2018/19 CORPORATE SOCIAL RESPONSIBILITY PLAN

Ansaldo STS considers the behaviour of an organization that contributes to sustainable development, grown out of a shared and concrete commitment to *Corporate Social Responsibility* (CSR), as a crucial element to improve its performance, enhance its reputation, increase its ability to attract talent and strengthen its relationships with customers, business partners, suppliers and local communities.

Ansaldo STS wants to develop a coordinated CSR corporate strategy, with an action plan that aims at:

- improving its internal culture;
- stimulating proposals and ideas from the bottom up, to achieve shared business and social objectives;
- increasing the company's social participation and commitment so that it stands out as an influencer in its field.

Inspired by these principles, our 2018/19 Corporate Social Responsibility (CSR) plan has identified the following action areas for the two-year period:

1. Developing an external communication strategy that highlights the integration between corporate objectives and social responsibility initiatives;
2. Providing internal training, in order to improve the culture of ethics and sustainability;
3. Obtaining a new CSR-specific certification: ISO 26000;
4. Proposing new and concrete initiatives to the Executive Committee, to stimulate a sustainable development of the business and contribute to achieve the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda.

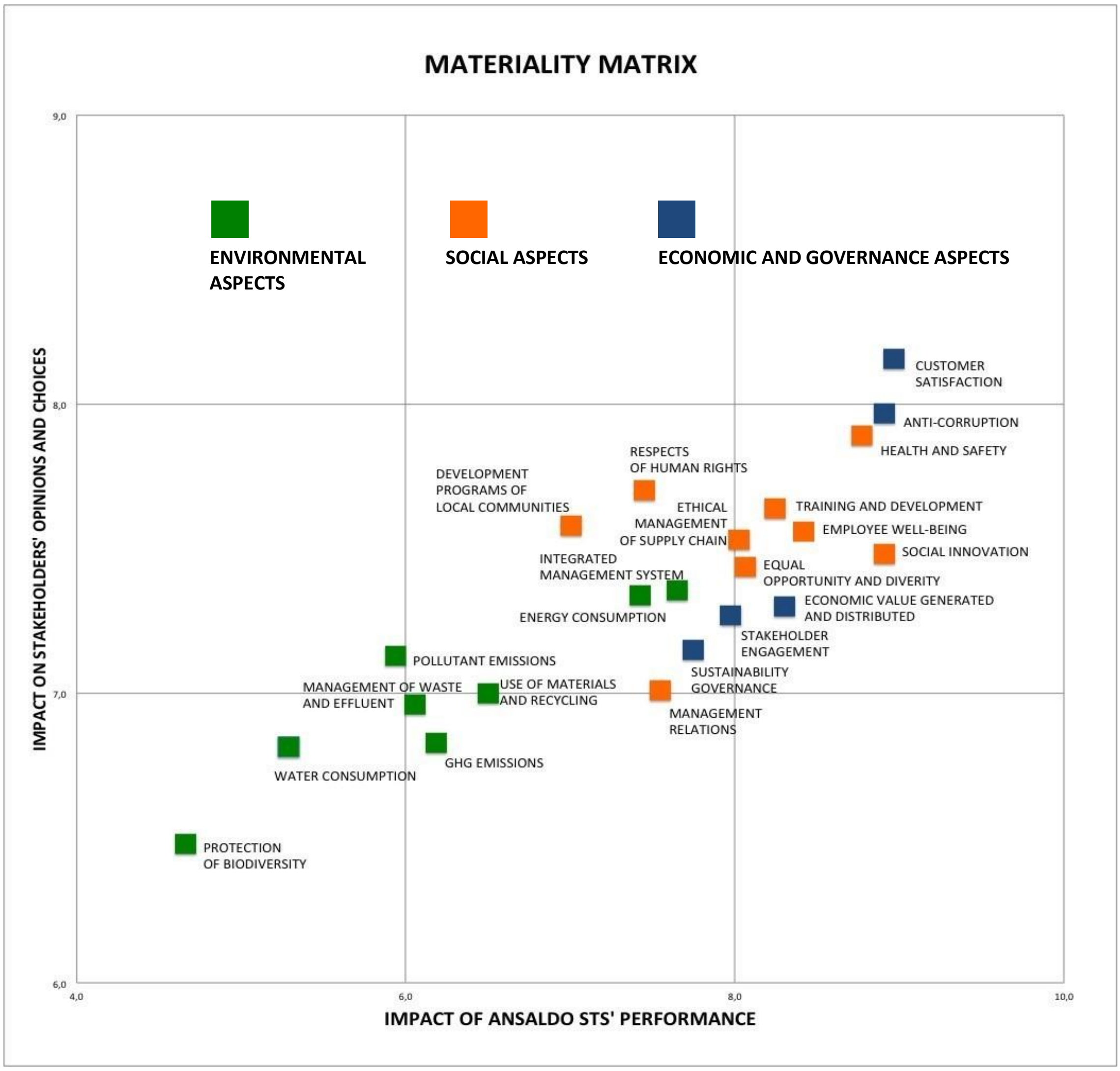
THE MATERIAL TOPICS OF THE BUSINESS

In order to define the sustainability issues considered to be relevant, Ansaldo STS has carried out a new external materiality analysis **characterised by a broad involvement of its various stakeholders categories**: 34 suppliers, 13 civil society players, 13 customers, 11 banks and insurance companies, 3 business partners and 8 financial analysts, summing up to **82 stakeholders overall.**

In addition to the contents required by the Decree no. 254/2016, to the recommendations of the Global Reporting Initiative, of the Global Compact and of the Carbon Disclosure Project, the aspects identified take into account internal factors such as: the organization's mission, values, risk assessment activities, quality, safety and environment management systems, climate change strategies and research and development of products and solutions that are increasingly safe and environmentally friendly.

The internal analysis, carried out by the Sustainability Committee, has assessed the level of materiality of the various issues in relation to the company's performance and to the possibility of improving its reputation and competitive advantage, taking into account the related risks. Ansaldo STS asked its stakeholders to assign a priority level to the issues, taking into account the activities carried out by the company, in order to understand to what extent they could influence their judgement and choices.

The overall level of materiality originates from the intersection of the two analyses – internal and external - and is shown in the following matrix.



In order to draft this DNF, the following topics have been selected and reported based on subjects cited by the Legislative Decree no. 254.

LEGISLATIVE DECREE no. 254 SUBJECTS	MATERIAL TOPICS CONSIDERED
HEALTH, SAFETY AND ENVIRONMENT	HEALTH AND SAFETY
	ENERGY CONSUMPTION
	GHG EMISSIONS
	POLLUTANT EMISSIONS
	WATER CONSUMPTION
	MANAGEMENT OF WASTE AND EFFLUENT
HUMAN RESOURCES MANAGEMENT	EQUAL OPPORTUNITIES AND DIVERSITY
	MANAGEMENT RELATIONS
	EMPLOYEE WELL-BEING
	TRAINING AND DEVELOPMENT
SOCIAL ASPECTS	CUSTOMER SATISFACTION
	SOCIAL INNOVATION
	ETHICAL MANAGEMENT OF THE SUPPLY CHAIN
HUMAN RIGHTS	RESPECT FOR HUMAN RIGHTS
ANTI-CORRUPTION	ANTI-CORRUPTION

ENTERPRISE RISK MANAGEMENT AND LEGISLATIVE DECREE no. 254 SUBJECTS

Enterprise Risk Management[1] (ERM) is one of the key aspects of the Corporate Governance system and involves all organizational levels with different roles and responsibilities. The aim of ERM is to:

- increase the awareness of business risks by identifying, measuring and monitoring risks;
- improve the sustainability of business performance through risk prioritization and mitigation strategies;
- ensure transparency and strengthen the company's reputation by spreading the culture of risk, monitoring and compliance.

Risk Assessment[2] is an essential element of the ERM Framework and contributes to defining business strategies by identifying and managing potential risk events that are likely to affect the actual achievement of business goals and results. Risk Assessment also includes the preparation of action plans whose implementation is subject to ongoing monitoring and quarterly reporting.

In accordance with the European standard ISO 9001:2005, the Ansaldo STS Enterprise Risk Management model has been updated in order to face the opportunities that can derive from a favourable situation to the achievement of an expected result, determined by considering as a reference the company's strategic plan and the sustainability report.

The following table shows the link between the scopes of Legislative Decree 254 and the categories and sub-categories of risks/opportunities identified by the ERM.

[1] The Enterprise Risk Management approach takes into account the Article 7 of the Corporate Governance Code from the Italian Stock Exchange for listed Companies and complies with the standard ISO 31000: 2009 principles.

[2] The Risk Assessment process adopted by Ansaldo STS is performed according to the international framework of the "Enterprise Risk Management" from the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO report).

LEGISLATIVE DECREE no. 254 SUBJECTS	ENTERPRISE RISK MANAGEMENT	
	CATEGORY	**SUB-CATEGORY**
Health, safety and environment	HSE	HSE awareness
		OHS and Environmental non Compliance
	STRATEGIC	Process Improvement
	BUSINESS CONTINUITY	Business Interruption
		Crisis management
		Technical standards evolution
Human Resources management	RESOURCES	Resources allocation
Social aspects	DELIVERY	Customer satisfaction
	SUBCONTRACT	Supplier qualification
Anti- corruption	LEGAL	Export Compliance

Currently the risk of human rights violation is assessed by the ERM framework within the "OHS and Environmental non Compliance" sub-category.

Below is a description of the risk **sub-categories** evaluated.

ENVIRONMENT, HEALTH AND SAFETY

- **HSE awareness**: possible extra-costs risk, in the offering phase, concerning health, safety and environment (HSE) with particular regards to emerging countries (with "low standards"), especially when particular issues can occur dealing with partners who do not have the same attention levels adopted by Ansaldo STS.
- **OHS (Occupational, Health and Safety) and Environment non Compliance**: possible risks of non-compliance, by the company or subcontractors, with requirements from regulations on environment, occupational health and safety and respect for human rights; possibility of accident occurrence, with suspension of works, reputational damage, delays and penalties.

  Opportunities to improve ECO design aspects, by the reduction of environmental impacts in product design to exploit new business opportunities and, through the communication of these aspects, in order to enhance the image of the company.
- **Process improvement:** opportunities to reduce electricity consumption of the lighting systems for Italian sites, with consequent environmental benefits.
- **Business interruption:** possible risks of catastrophic events (natural disasters, epidemics and communicable diseases, work conflicts, strikes, terrorism and political changes) that could have an impact on IT systems and services with consequent business interruption.
- **Crisis Management:** issues related to the health and safety of workers caused by the worsening of the geopolitical situation of countries at risk, where the company operates, caused by natural disasters, accidents, conflicts, and terrorism.
- **Technical standards evolution:** risks of non-compliance of the Integrated Management System with international standards such as IRIS or CENELEC EN 50128, which could result in lost opportunities, customer dissatisfaction and sanctions.

HUMAN RESOURCES MANAGEMENT

- **Resources allocation**: possible risk of late development of the necessary skills for the company strategic needs.

SOCIAL ASPECTS

- **Customer satisfaction:** possible risk of not being able to respond to feedbacks from customers, thus impacting their satisfaction level. Opportunities to improve the process of collecting and managing the lessons learned.
- **Supplier qualification:** possibility of inadequate evaluations of the technical and financial reliability of suppliers due to the lack of preliminary analysis related to the information collected by the project teams.

CORRUPTION PREVENTION

- **Export Compliance:** possible risk of late implementation of the export control regulation; possible critical issues related to the application of an anti-corruption plan able to meet the different regulatory requirements at the local level worldwide.

CSR AND SUSTAINABILITY WITHIN ANSALDO STS

The widespread presence of Ansaldo STS on international markets, its operation in different contexts and the multiplicity of its interlocutors make the management of stakeholder relations of primary importance for the company: transparency, fairness and trust are the principles that Ansaldo STS is inspired by in order to compete effectively and loyally in the markets, improving the satisfaction of its customers, developing the skills and professionalism of the people who work within the Company and increasing the value of the enterprise.

CSR and sustainability originate from the ways in which Ansaldo STS achieves its mission: the Corporate Governance model, the internal control and risk management system, the integrated quality, safety and environmental management system and the Internal Committee for Sustainability, allow the company to follow a path of sustainable growth and ensure coherence between the culture of responsibility and the actions of the individual collaborators.

SUSTAINABILITY GOVERNANCE

In 2011, Ansaldo STS set up the Internal Sustainability Committee (also referred to as the “Committee”), made up of the managers of the company's main departments. The Committee’s mission is to define the company’s strategic guidelines for sustainable development and the promotion of social responsibility initiatives and see that they are implemented. The Internal Sustainability Committee reports directly to the CEO and General Manager of Ansaldo STS and collaborates and coordinates with the company’s organizational units.

The Committee is responsible for:

- Assessment of social and environmental risks that concern the company’s operations and evaluating the related performance;

- definition and monitoring of the sustainability program, made up of financial, social and environmental objectives;
- implementation of the relevant codes and rules of social and environmental conduct defined internally by the Company (code of ethics and EHS procedures and policies) or relating to international standards (Global Reporting Initiative, Global Compact, Carbon Disclosure Project, etc.);
- definition and coordination of listening to, discussing with and involving stakeholders: sharing results and the steps to be taken;
- definition and implementation of an internal and external sustainability communication plan.

The Board of Directors' involvement

In the current governance of the issues relating to sustainability, the Board of Directors is involved in approving the Consolidated Non-Financial Disclosure (NFD) and the Sustainability Report while the CEO and General Manager approve the sustainability program, i.e., the action plan to be implemented, the targets to be achieved and the reporting activities.

HEALTH, SAFETY AND ENVIRONMENT

In the management of its activities, Ansaldo STS abides by principles of environmental ethics and attention to the physical security and health of workers, which constitute strategic aspects for the company, towards which it is committed to pursue continuous improvement objectives.

The company's choices are therefore not limited to complying with the law, but aim towards the achievement of high standards of prevention and control through the adoption of specific policies and the promotion of virtuous behaviour by its collaborators and stakeholders.

In this way, Ansaldo STS aims to be recognized among the best companies for the protection of the environment and the Health and Safety of the employees.

To this end, the Group has adopted an environmental policy based on the application of the requirements of the UNI EN ISO 14001: 2015 standard, a travel policy and a policy on occupational health and safety based on the application of the requirements of the OHSAS 18001: 2007 standard and other international standards as specified hereinafter.

INTEGRATED MANAGEMENT SYSTEM

Ansaldo STS acts in full compliance with current legislation, in compliance with the Code of Ethics, the Organisation and Management Model relating to Italian Legislative Decree 231/01, the Policies and all regulations on Health, Safety and Environment (HSE), pursuing a sustainable management of environmental issues related to its services in all its business areas.

Ansaldo STS has considered it strategic to include its Quality, Safety, and Environment System (IMS - Integrated Management System) within its Governance framework and, in particular, to create strategic synergies with the Internal Auditing and Risk Management system: the Integrated Management System is thus considered a reference architecture to integrate systems and to implement principles and values within the organization.

The Integrated Management System has been established at the corporate level, by implementing global policies and procedures in order to guarantee a controlled management of processes. In this context, the assessment of business risks and their proper management requires the correct identification of the processes and their interpretation from a systemic perspective.

Subsequently, each company established local environmental and safety policies, on the basis of the local legislative requirements and the corporate policies and procedures.

All the production sites and offices listed in the tables below have been certified for quality (ISO 9001), health and safety (OHSAS 18001 and AS/ZNS 4801:01 for Australia) and for environmental management (ISO 14001). The Tito Scalo production site also has the EMAS Registration (Eco Management and Audit Scheme).

COUNTRY	PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
US	Batesburg	■	■	■
FRANCE	Riom	■	■	■
ITALY	Tito Scalo	■	■ EMAS	■

COUNTRY		OFFICES (NON-PRODUCTION SITES)	ISO 9001	ISO 14001	OHSAS 18001
EUROPE	UNITED KINGDOM	London	■	■	■
	FRANCE	Les Ulis	■	■	■
	SPAIN	Madrid	■	■	■
		Zaragoza	■	■	■
	SWEDEN	Stockholm	■	■	■
	DENMARK	Copenhagen	■	■	■
	ITALY	Genoa	■	■	■
		Naples	■	■	■
		Piossasco	■	■	■
SAUDI ARABIA		Riyadh	■	■	■
PERU		Lima	■	■	■
TAIWAN		Taipei	■	■	■
MALAYSIA		Kuala Lumpur	■	■	■
USA		Pittsburgh	■	■	■
AUSTRALIA		Brisbane	■	■	■ AS/ZNS 4801:01
		Newcastle	■	■	■ AS/ZNS 4801:01
		Perth	■	■	■ AS/ZNS 4801:01
		Sidney	■	■	■ AS/ZNS 4801:01
		Karratha	■	■	■ AS/ZNS 4801:01
INDIA		Kolkata	■	■	■
		Noida	■	■	■
		Bangalore	■	■	■
CANADA		Toronto	■	■	■

HEALTH AND SAFETY

Ansaldo STS is very mindful of the health and safety of all its employees and of their safety while travelling for work purposes. Therefore, it has implemented a specific policy for business travels.

The **Travel Security** policy was implemented to minimize the exposure of its international business travellers and assignees to medical and security risks. Its objectives are:

- to identify, manage and reduce all current and emerging risks related to working abroad, in accordance with the provisions of the Consolidated Safety Act and Italian Legislative Decree 231 of 2001;
- to inform and train workers about potential risks in carrying out work abroad;
- to develop appropriate countermeasures to continuously monitor and manage accepted risks;
- to require each employee to comply with the risk mitigation measures set by Ansaldo STS;
- to ensure access to adequate assistance in the event of medical and safety emergencies for all international business travellers and assignees of Ansaldo STS;
- to maintain awareness of the risk levels for travel health and safety in the countries where Ansaldo STS sends its travellers.

Our **Health and Safety in the workplace policy** is based on the application of the requirements of relevant standards, namely OHSAS 18001:2007, and other international standards, in compliance with national and international regulations. Ansaldo STS develops a plan focused on continuously improving health and safety standards.

For Health and Safety, Ansaldo STS undertakes to:

- ensure and maintain a safe and healthy workplace environment and prevent injuries, illnesses or damage to the health of employees, suppliers, customers and visitors;
- extend OHSAS 18001 certification to all Ansaldo STS sites, continuously improving the effectiveness of the Health and Safety in the workplace Management System (SGSL);
- continuously improve the aforementioned management systems' performance, not only with respect to the prevention of injuries and work-related illnesses, but also in terms of more general employee wellbeing;
- adopt risk assessment criteria for all dangers relating to work activities, taking into account best practices, in compliance with national and international legislation;
- increase the training and information activities for all employees in order to make them more aware of the risks related to their activities;
- continue developing activities to spread a culture of safety with all suppliers and stakeholders.

This policy is shared with all Ansaldo STS personnel and all stakeholders online and via the company Intranet.

ACTIVITIES AND RESULTS

Health and safety performance indicators are monitored and analysed over time, and used to set objectives by breaking them down by risk factor and location. Safety is therefore a vital element for Ansaldo STS and a value for all workers, as they contribute every day to the safety for end users as concerns our products and services.

	2016	2017
N. of injuries occurred to the Group's employees (>1 day of absence, commuting incidents excluded)	14	21
Accidents frequency index (per million hours worked)	2,17	3,11
Accidents severity index (per thousand hours worked)	0,02	0,11

The low values of Ansaldo STS accidents frequency and severity indices over the years make them particularly sensitive to small variations in the number of accidents and related lost days. This explains the extent of the growth of such indices in 2017.

In order to acquire the information needed to improve injury frequency and severity rates, in accordance with the Health and Safety Policy, Ansaldo STS also tracks the so—called near misses (accidents without consequences that arise out of undesired or unexpected situations that could have put people at risk), in order to gather and analyse data and information and identify potential solutions in advance.

The main initiatives that have been carried out in this respect include:

- implementation of the procedure to manage accidents and near misses at the global level: Ansaldo STS has created a procedure to provide information on how to correctly manage events entailing injuries, accidents and near misses. This procedure is a valid prevention and information management tool for statistical purposes, to identify the causes of an accident and to meet legal requirements relating to health, safety and hygiene in the workplace;
- implementation of quarterly EHS reporting to monitor and gather main information on the performance of activities carried out in relation to the application of SGS/SGA. These reports are prepared by all HSE officers at work sites;
- safety meetings for all main work sites.

Health and safety committee

Ansaldo STS holds meetings pursuant to article 35 of Italian Legislative decree 81/08, in which the Employer (or a representative), the Prevention and Protection Service Manager, a Company Physician, the Safety Officer and the Workers' Safety Representative participate. These meetings are called at least once a year and represent 100% of employees of the Italian companies of the Group, to which Legislative Decree 81/08 applies.

ANSALDO STS'S COMMITMENT TO THE ENVIRONMENT

In recent years, Ansaldo STS has undertaken its path towards sustainability in the belief that acting in respect of environmental values leads to the creation of lasting value for the company.

In its commitment to sustainable development, special attention is given to ensuring the quality of life, the protection of natural resources, the safeguarding and protection of the environment and the adoption of the principles and values of environmental sustainability.

In order to actively and responsibly contribute to combating the challenges posed by climate change, Ansaldo STS complies with the current regulations and also applies best practices to achieve better results, continuously improving its environmental management in an economically effective way.

To this end, the company has developed an approach based on the preventive analysis of the impacts of its operations on the environment and the constant monitoring of consumption and waste. This approach has allowed the company to identify "environmental improvement" areas and to intervene with specific measures that address, in particular:

- energy efficiency, through tailored initiatives aimed at optimizing office lighting by installing low power systems and building insulation systems to reduce the need for heating;
- personnel's awareness on environmental protection, encouraging them to adopt an environmentally-conscious behaviour in order to save energy, aiming towards continuous improvement.

Ansaldo STS' environmental policy is based on the application of UNI EN ISO 14001:2015 requirements and those of other relevant international standards, in compliance with applicable domestic and international legislation, by developing a program focused on continuous improvement. The policy is shared with all Ansaldo STS personnel and all stakeholders online and via the company Intranet.

The key principles of Ansaldo STS' environmental policy are:

- Protect the environment by preventing impacts
- Improve and foster the environmental characteristics of products and services
- Create value for the company
- Satisfy and go beyond the legal obligations of compliance and voluntary commitments

THE FOUR STRATEGIC OBJECTIVES

1. Apply to the entire organization the internationally recognized **Environmental Management Systems** inspired by the principle of continuous improvement and define environmental indices to gauge the performance of the entire organization.

2. Communicate to citizens, institutions and other stakeholders the company's management actions and environmental results by publishing a Sustainability Report, providing access to open data and to the main environmental parameters. Furthermore, communicate with analysts and participate in several sustainability assessment indexes.

3. Promote environmentally-sustainable practices among suppliers, contractors, and customers by using supplier assessment and qualification criteria based on the environmental performance of the activities carried out on behalf of Ansaldo STS, providing the Environmental Policy, holding information and training meetings on the important environmental aspects that are relevant during the beginning of the work, to explain the methods to be used to manage the resulting impacts.

4. Satisfy the legal compliance obligations and voluntary commitments undertaken by ensuring that activities are carried out in accordance with them, by assessing their fulfilment and by correcting any non-conformities.

REDUCTION OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Ansaldo STS sees climate change as an opportunity.

As part of this approach, the company analyses the possible impacts of its strategic decisions to reduce greenhouse gas emissions over a short, medium and long term, in order to identify business development opportunities, improve efficiency and reduce any risks.

The commitment of Ansaldo STS to contribute to fighting climate change is reflected in the Group's environmental policy which identifies the areas of intervention and the selected specific indicators and related targets to achieve.

The activities and initiatives to combat climate change are part of the environmental management system that Ansaldo STS has established at a global level, developing a Carbon Management strategy based on the following principles:

- global approach: the development of mechanisms that encompass the commitment of all Ansaldo STS sites;
- reasonable and feasible long-term objectives: the establishment of a clear and realistic vision of the steps to be taken;
- support for the development of technologies: the development of advanced technological solutions.

This strategy focuses mainly on three spheres of influence:

- in-house activities and direct emissions from Ansaldo STS’s own sites;
- electrical energy suppliers and their operating emissions due to Ansaldo STS’s activities;
- Ansaldo STS’s supply chain and the emissions resulting from the production and delivery of goods and services.

In order to establish an improvement strategy, the company reports direct and indirect greenhouse gas emissions, as envisaged by the *GHG Protocol*[3], committing to reduce them through:

- policies on the mobility of people and goods
- programmes for reducing consumption and improving energy efficiency
- use of renewable energy sources
- waste management

[3] The Greenhouse Gas Protocol (GGP) is the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions.

Risks related to climate change

For Ansaldo STS, the risks associated with climate change are economic and regulatory in nature, with possible repercussions on image and reputation. Indeed, the company is engaged in offering more sustainable solutions by adopting low-carbon technologies that ensure real savings on fuel use.

CARBON MANAGEMENT SYSTEM

Since 2011, Ansaldo STS has implemented and renewed its commitment to reduce the greenhouse gas (GHG) emissions produced directly and indirectly in the performance of its activities by applying the Carbon Management System (CMS), a system that enables the company to monitor the carbon emission improvement process. This entails a planning, implementation and measurement process for emission reduction goals. An efficient carbon management policy will enable the company to reduce emissions, decrease consumption and reduce energy costs, thereby improving the bottom line, with the possibility of investing the savings.

The CMS has been developed in line with the relevant international standards. This system enables the company to perform:

- analyses of actual emissions produced;
- monitoring and reporting on emissions;
- comparisons between historical data and forward-looking analyses;
- an assessment of the impact of products, in terms of emissions over their entire life cycle;
- economic/environmental impact analyses in relation to current regulations on emission reduction to determine assets' potential value-at-risk;
- the measurement of the effectiveness of emission reduction projects;
- communication on Ansaldo STS's emission reduction performance to the stakeholders, including media, investors, rating agencies and other organizations.

Within its organization, Ansaldo STS has appointed a Carbon Manager, an Energy Manager that is responsible for providing guidance and carrying out activities and projects with respect to energy savings at all company operating sites.

Carbon Disclosure Project (CDP)

The significance of the issue of climate change for Ansaldo STS is confirmed through its completion of the Investor Carbon Disclosure Project (CDP) questionnaire for the seventh consecutive year.

Consolidating the carbon management strategy entails defining a total emission reduction target. The CDP Italy 100 Climate Change Report for 2017, prepared by First Carbon Solutions, includes a detailed analysis of Italy's largest listed companies (in terms of stock market capitalization) on the basis of two parameters:

- disclosure - the quality of the information they use for transparent emissions disclosures;
- performance - the quality of their climate change management initiatives.

In 2017, the assigned score came from a percentage including both parameters mentioned. Ansaldo STS achieved a score of C, with A being the best possible score, in the Industrial sector, which corresponds to the judgement ***Awareness***: *considers the extent to which the company has assessed environmental issues, risks and impacts in relation to its business*.

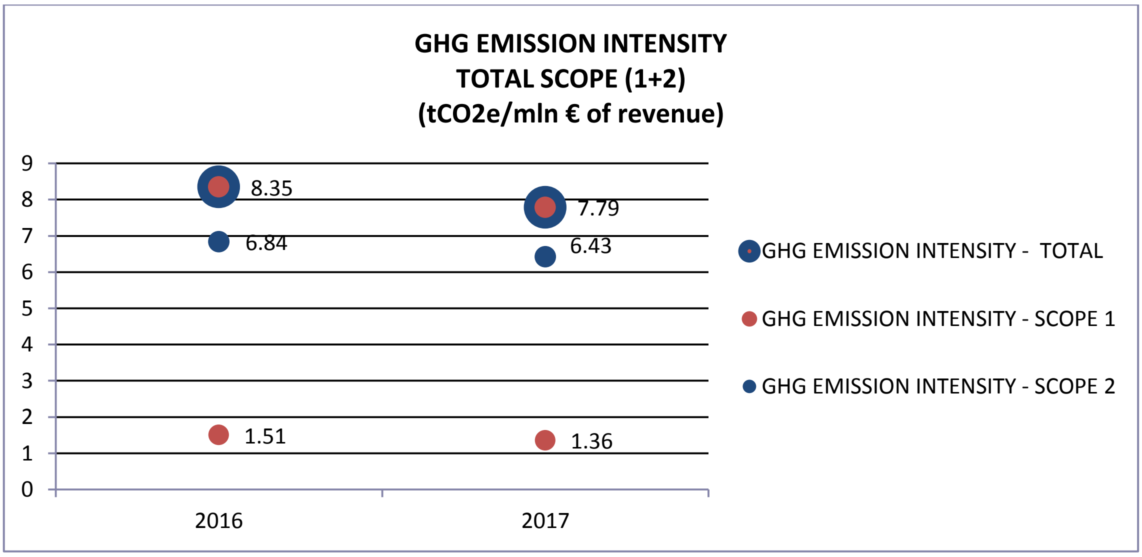
PERFORMANCE AND ACTIVITIES[4]

Between 2016 and 2017, the direct and indirect emissions of greenhouse gases decreased from 11,082 tCO2e to 10,599 tCO2e with a reduction of 483 tCO2e (-4.4%). This is due in particular to a reduction in the consumption of methane for the production of heat and a reduction of indirect emissions due to electrical energy consumption.

GHG EMISSIONS	UoM	2016	2017
Emissions due to energy production (natural gas and diesel)	tCO2e	1,420	1,249
Emissions due to transport (cars, lorries and forklifts)	tCO2e	578	598
Total scope 1 (direct emissions)	tCO2e	**1,998**	**1,846**
Emissions due to electrical energy consumption	tCO2	9,084	8,753
Total scope 2 (indirect emissions)	tCO2	**9,084**	**8,753**
Total direct and indirect emissions (scope 1+2)	tCO2e	**11,082**	**10,599**
GHG emission intensity (scope 1)	tCO2e/€mln of revenue	1.51	1.36
GHG emission intensity (scope 2)	tCO2/€mln of revenue	6.84	6.43
Total GHG emission intensity (scope 1+2)	tCO2e/€mln of revenue	8.35	7.79

The Scope 2 emissions reported in the table refer to the location-based approach. According to the market-based approach, the Group's Scope 2 emissions amount to 6,693 tCO2e in 2016 and 5,486 tCO2e in 2017, considering the certified electricity supply from renewable sources in Sweden and Italy.

The Total GHG emission intensity, which measures tons of CO2e per € million of revenue, decreases in particular from 2016 (-6.7%). This result is the effect of the reduction of emissions in absolute value and of the increase in revenue (+2.5%).



[4] The emission factors used for the calculation of CO2 emissions are as follows:
• Direct Emissions Purpose I: GHG Protocol Tool 2014.
• Indirect emissions aim II: Terna - Confronti internazionali 2015.

ENERGY CONSUMPTION

The majority of the energy we use is electricity, for lighting, plants operation and building temperature control.

Ansaldo STS uses fossil fuels, mainly natural gas, and district heating to heat the workplaces.

In order to reduce electricity consumption, the Company constantly works on its real estate assets, to increase their environmental efficiency. Energy-saving lighting and heating/cooling technologies are used as much as possible, such as:

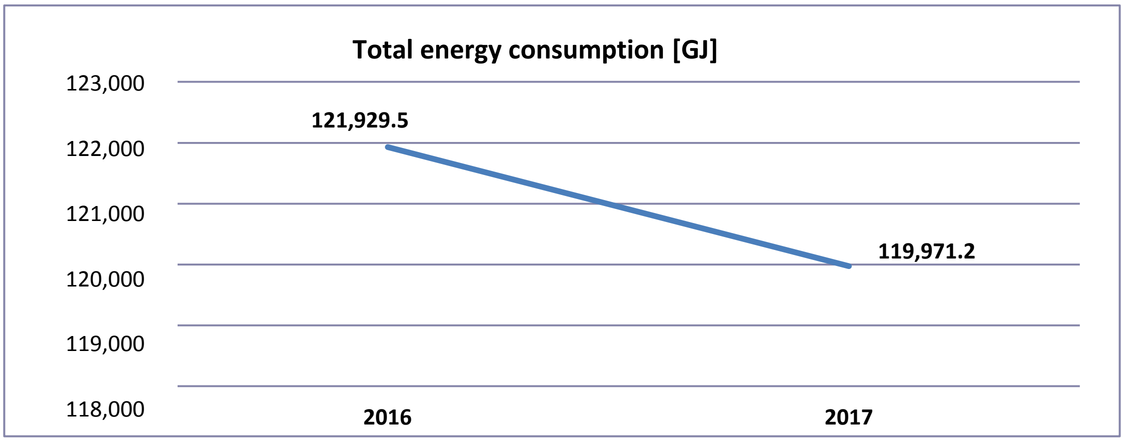
- LED lighting systems;
- building envelopes and thermal insulation for windows and doors;
- direct-expansion heating/cooling systems (heat pumps);
- presence detectors or clocks/timers to control the on and off switching of the systems;
- improvement in the data centre's energy efficiency;
- affixing of signs to remind personnel about energy saving projects, such as turning off lights, laptop computers and devices that consume energy;
- reduction in the number of vehicles used by the company.

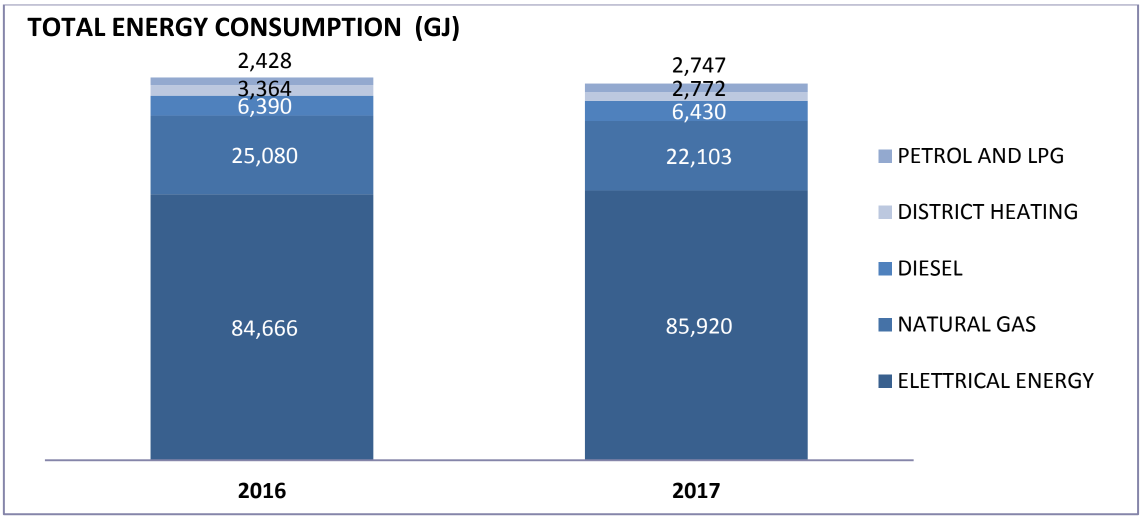
In 2017, in order to further reduce electricity consumption at the Genoa and Tito Scalo sites, we installed a new smart lighting system, with state-of-the-art Wireless and DALI technology that adjusts the brightness of the lamps on the basis of the actual intensity of natural light measured by sensors installed in each room.

The estimated annual energy saving is about 510 MWh for the Genoa office and 258 MWh for Tito Scalo, a consumption reduction of over 70%.

ENERGY CONSUMPTION TREND

In 2017, total energy consumption - electricity, natural gas, diesel, LPG and district heating - amounted to 119,971 GJ, down 1.6% compared to 2016 despite an overall 4.7% increase in hours worked.





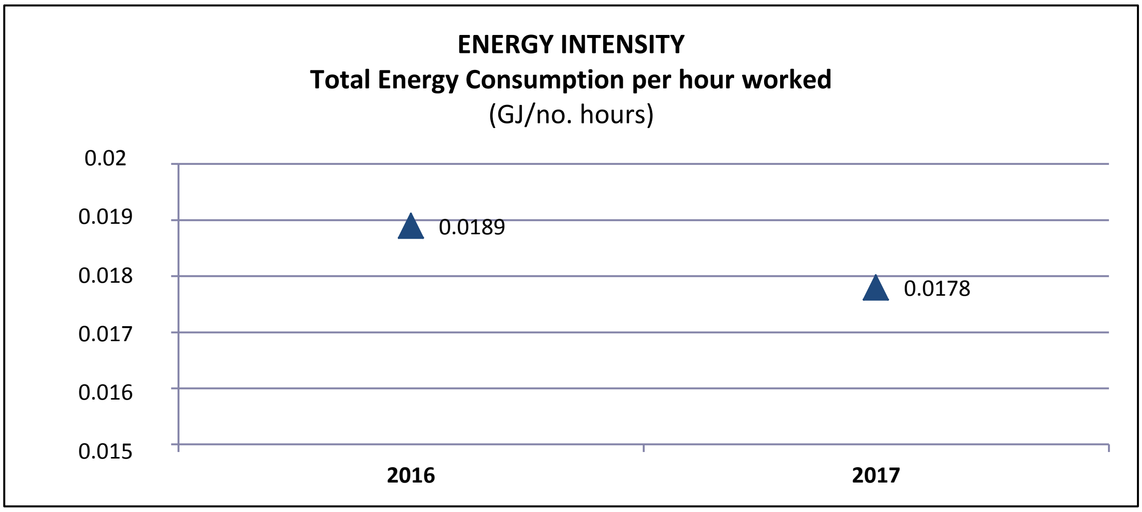
In absolute terms there has been an increase of 1.5% of total electricity consumption in the face of a reduction of 11.9 % of natural gas.

The following table illustrates the energy consumption trend of the two-year period 2016-17 at the production and office sites.

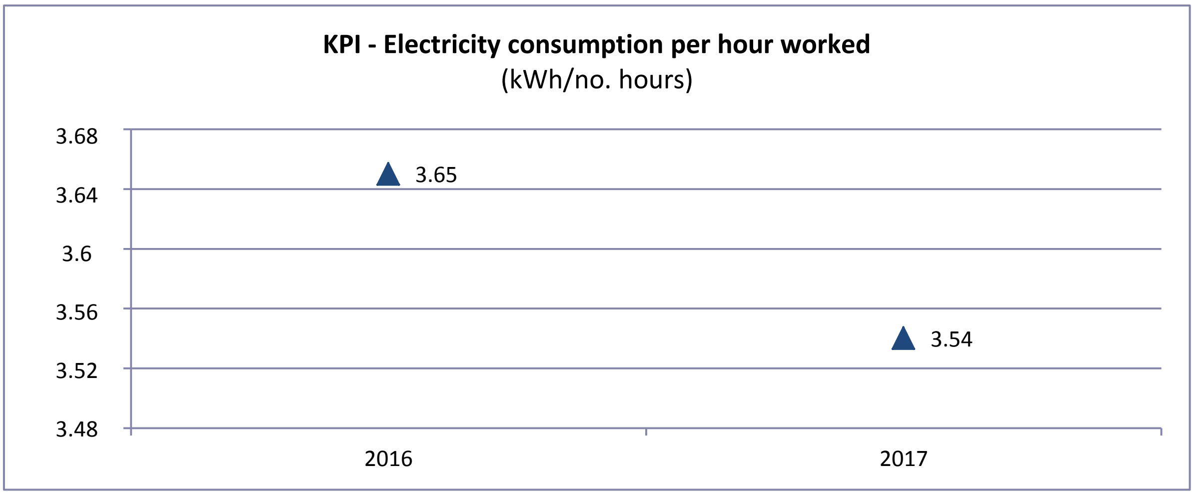
	PRODUCTION SITES		OFFICE SITES	
	2016	**2017**	**2016**	**2017**
Electrical energy (GJ)	27,102.2	31,165.6	57,564.3	54,754.0
Natural gas (GJ)	3,888.9	4,102.8	21,191.3	17,999.8
Diesel (GJ)	231.5	295.9	6,158.9	6,134.2
District heating (GJ)	-	-	3,363.9	2,772.0
Petrol and LPG (GJ)	342.3	199.2	2,086.2	2,547.8
TOTAL [GJ]	**31,564.8**	**35,763.5**	**90,364.6**	**84,207.7**

In absolute terms, about 70% of total energy consumption is due to the 16 office sites and 30% to the three production sites.

In 2017, the **Energy intensity** performance indicator showed a reduction of 6.0% due to the combined effect of the increase in hours worked (+4.7%) and the decrease in consumption (-1.6%).



Considering only electricity consumption, the **Electricity consumption per hour worked** performance indicator for 2017 showed a 3.1% reduction.



RENEWABLE ENERGIES

Again in 2017, Ansaldo STS requested the cancellation of its GO certificates (Guarantee of Origin), an electronic certification attesting the renewable origin of the sources used.

By acquiring and subsequently cancelling the certificates (the latter entails the withdrawal of the certificate from the market), Ansaldo STS demonstrates its commitment to environmental sustainability through its willingness to pay the positive difference with the price of electricity from conventional sources.

In addition, the Solna site uses a mix of totally renewable energy (wind, water and biomass).

ELECTRICAL ENERGY FROM RENEWABLE SOURCES (KWh)		**2016**	**2017**
Energy from renewable sources		6,513,346	6,133,428[5]
% renewable sources of total		**27.7%**	**25.7%**

POLLUTING EMISSIONS

For Ansaldo STS, pollutant emissions are due to the consumption of non-renewable resources used to run thermal plants (natural gas and diesel oil) and to the production processes that emit volatile organic and inorganic compounds, and heavy metals.

ATMOSPHERIC EMISSIONS[6]	**2016**	**2017**
SO_x (Kg)	54.9	44.3
NO_x (Kg)	1,519.1	1,367.9
CO (Kg)	4,216.2	3,727.7
PM 10 (Kg)	76.6	66.2
Volatile organic compounds (Kg)	429.0	1,012.4
Volatile inorganic compounds (g)	3.6	11.8

[5] The attainment of the electronic certificates is pending. Therefore the 2017 data was estimated

[6] The coefficients of the European Environmental Agency (air - pollutant emission inventory guidebook 2016 - were used to calculate emissions.

WATER MANAGEMENT

The sustainable management of site water during withdrawal, use and disposal encourages water use efficiency maintenance and improvement, ensuring less waste of the resource and reduced environmental impact. The water is mainly used for sanitary purposes and for the operation and cooling of air conditioning systems; only in some locations it is also used for watering the green areas. Ansaldo STS's water withdrawal sources include aqueducts and water tables where water is drawn through wells.

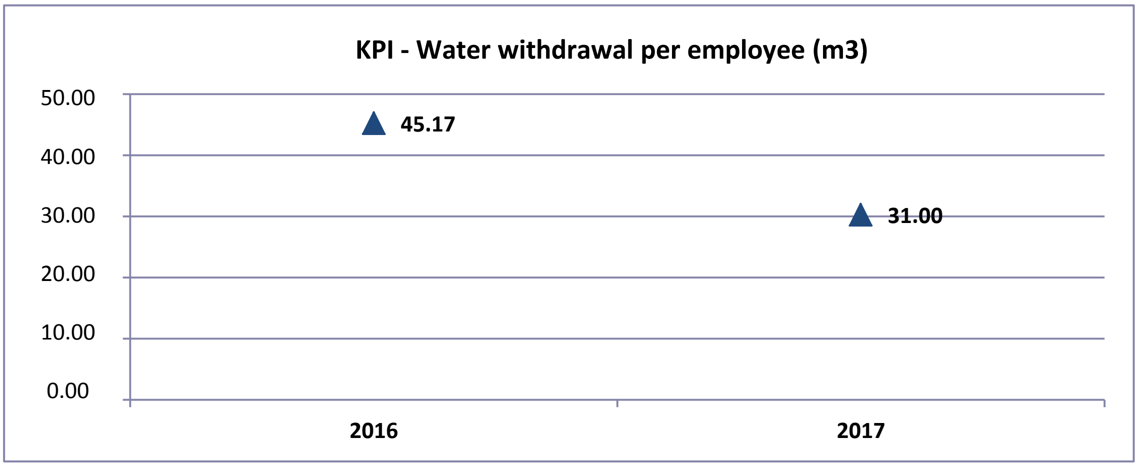
To reduce water consumption, Ansaldo STS has installed devices that mix water and air or, alternatively, installed photocells or timed controls that effectively control the water flow, in order to minimize the waste of the resource.

Rainwater recovery projects at the Riom plant in France and the replacement of cooling towers with "dry" systems also contribute to sustainable water management.

WITHDRAWAL OF WATER	PRODUCTION SITES		OFFICE SITES		TOTAL	
	2016	2017	2016	2017	2016	2017
Water drawn from aqueducts (m3/year)	12,329	11,529	143,153	98,468	155,482	109,997
Water drawn from wells (m3/year)	-	-	10,616	9,128	10,616	9,128
TOTAL	**12,329**	**11,529**	**153,769**	**107,596**	**166,098**	**119,125**

Water is mainly used for civil purposes. Water consumption at the Tito Scalo (Italy), Riom (France) and Batesburg (US) sites is very low. From 2016 to 2017, these sites reduced their water withdrawals (-6.5%), also considering that the Tito Scalo plant cut the amount of industrial water it used for fire drills and irrigation of green areas and the amount of water used for production decreased because electrical circuit cards are no longer rinsed. Compared with 2016, withdrawal also fell at the office sites (-30.0%); particularly affecting this result was the decrease recorded at the Naples site.

As compared to 2016, the **water consumption per employee**[7] index shows a reduction of 31.4%, due to the combined effect of reduced consumption and increase in the number of employees.



[7] The number of employees used for the calculation is not equal to the Group's overall workforce, but in this case the same scope as the environmental data scope was used (see Reporting scope in METHODOLOGY AND REPORTING CRITERIA).

MANAGEMENT OF WASTE AND WASTEWATER

The production of waste is an environmental aspect that is assessed and measured at all Ansaldo STS sites as well as worksites, when the company analyses the potential environmental impacts of its work sites and of its civil and technological works.

Ansaldo STS's policy is to reinforce waste prevention and initiatives for the re-use, recycling and recovery of waste. All its sites have waste collection areas based on the type of waste and site layout. External specialist companies collect and process the hazardous and non-hazardous waste.

The most prominent waste in production sites is related to paper, cardboard and wood packaging, metal and out of order equipment.

WASTE PRODUCTION	PRODUCTION SITES			OFFICE SITES	
	2016	2017		2016	2017
Hazardous (t)	**13.03**	**14.86**		**15.19**	**6.53**
% recovered	*6%*	*82%*		*66%*	*85%*
% disposed of	*94%*	*18%*		*34%*	*15%*
Non-hazardous (t)	**77.44**	**62.74**		**1,549.17**	**816.17**
% recovered	*60%*	*93%*		*44%*	*49%*
% disposed of	*40%*	*7%*		*56%*	*51%*
TOTAL WASTE (t)	**90.91**	**77.60**		**1,564.36**	**822.70**
% recovered	*53%*	*91%*		*44%*	*49%*
% disposed of	*47%*	*9%*		*56%*	*51%*

The high volume of non-hazardous waste is concentrated in the Australian sites of Brisbane and Perth.

WASTEWATER

The wastewater produced at the sites can be classified, on the basis of its use upstream from disposal, as domestic (or similar) and industrial.

All Ansaldo STS sites produce wastewater that can be exclusively classified as domestic or similar, except for the Tito site. All the domestic or similar wastewater is discharged into the sewers. The Naples site uses an organic wastewater treatment system.

The sites use authorized disposal points. The Batesburg and the Tito Scalo sites' points are monitored.

HUMAN RESOURCES MANAGEMENT

Although a formalized human resources management policy is currently not available, Ansaldo STS practices specific policies in order to monitor the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

In 2017, the Human resources & organisation department continued to assist the business by strengthening and disseminating specialist technical knowledge and a managerial culture to ensure greater efficiency and effectiveness in implementing internal processes and contract activities.

In particular, the Talent Management process was launched, redefined in terms of general architecture and development programme. The selection process, which led to the identification of 120 persons internationally, focused on three key profiles: Junior, Senior (managerial stream), Senior (technical stream).

The new development programme is based on certain key elements such as know-how management, networking and collaboration, proactivity, innovation and delivery. A project work, the topics for which were defined with senior management, will represent the guiding thread of the initiative and will facilitate the sharing of skills and experience between individuals from different geographic areas and professional backgrounds, at the same time guaranteeing a strict connection with the business.

First and foremost among the programme’s objectives is the strengthening of personal skills and the transfer and sharing of know-how, aiming to ensure that the flow of experience and expertise stays strong and continues within the company, supporting growth and also promoting other new and alternative ways of thinking.

This one-year programme was launched in November with a kick-off meeting and an initial workshop on Knowledge Management, and is due to end in December 2018.

2017 was also the year that, within the Talent Management system, the pilot programme known as Knowledge Owner came to an end. As it progressed it achieved the objective of sharing technical skills considered to be fundamental.

MAIN RISKS RELATED TO HUMAN RESOURCES MANAGEMENT

The Ansaldo STS Group offers products and systems characterized by a high technological value, whose production is only possible through the employment of highly specialized human resources, often difficult to attract on the market and thus requiring a long process of local engagement by the project team.

The success of business development plans, especially in new markets, also depends on the ability to attract, retain and develop the skills of human resources, in particular to operate in a global market, as a global Group, in complex projects.

To mitigate this risk, the Ansaldo STS Group adopts human resources management practices that are strictly correlated with the needs of the business. It benefits from an integrated human resources management and development system, which includes periodic performance reviews are skills development initiatives, to guarantee the professional development of its talents and the best allocation of resources.

EQUAL OPPORTUNITIES AND DIVERSITY

Ansaldo STS upholds and promotes equal opportunities for its people and fair treatment for all in every context in which it operates – regardless of race, nationality, political creed, religion, gender, age, minority status, disability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and employee. Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labor agreements, company agreements and current regulations. Ansaldo STS's internationalization process has also consolidated work experience abroad, thereby enabling people to share their different experiences and foster the value of multiculturalism.

The Board of Directors and Board of Statutory Advisors

The following tables illustrate the composition of the Board of Directors and Board of Statutory Advisors by gender and age.

BOARD OF DIRECTORS	**2016**		**2017**	
BY AGE AND GENDER	**MEN**	**WOMEN**	**MEN**	**WOMEN**
< 40	-	-	-	-
40-50	2	1	2	1
51-60	2	2	2	2
> 60	2	-	2	-
TOTAL	**6**	**3**	**6**	**3**

BOARD OF STATUTORY AUDITORS	**2016**		**2017**	
BY AGE AND GENDER	**MEN**	**WOMEN**	**MEN**	**WOMEN**
< 40	-	-	-	-
40-50	-	-	2	1
51-60	1	1	-	-
> 60	1	-	-	-
TOTAL	**2**	**1**	**2**	**1**

Headcount

The following tables show the employees of Ansaldo STS, broken down by gender, according to their geographical location, professional category, degree or diploma, age and seniority, contract type, hiring and turnover.

Compared to 2016 there is an increase in collaborators total number corresponding to 277 units (+198 men and +79 women). This is the result of an increase in employees in Central and Eastern Europe and the Middle East (+151), Western Europe (+45) and America (+42), Asia Pacific (+38) and China (+1) regions.

The overall percentage of women out of the total workforce is equal to 21.1% and increases by 0.6 points.

NUMBER OF COLLABORATORS BY REGION[8]	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Central and Eastern Europe and the Middle East	1,381	331	**1,712**	19.3%	1,495	368	**1,863**	19.8%
Western Europe	689	179	**868**	20.6%	719	194	**913**	21.2%
The Americas	526	186	**712**	26.1%	556	198	**754**	26.3%
Asia Pacific	505	92	**597**	15.4%	532	103	**635**	16.2%
China	39	23	**62**	37.1%	36	27	**63**	42.9%
TOTAL	**3,140**	**811**	**3,951**	**20.5%**	**3,338**	**890**	**4,228**	**21.1%**

The increase in collaborators number concerns all professional categories.

Regarding the gender partition, in particular there is an increase in the percentage of women in managers category (10.5% of the total) and an increase in white collars category (from 21.3% to 22.1%).

PROFESSIONAL CATEGORIES	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Managers	71	6	**77**	7.8%	77	9	86	10.5%
Junior managers	360	66	**426**	15.5%	370	64	434	14.7%
White collars	2,471	669	**3,140**	21.3%	2,629	745	3,374	22.1%
Blue collars	238	70	**308**	22.7%	262	72	334	21.6%
TOTAL	**3,140**	**811**	**3,951**	**20.5%**	**3,338**	**890**	**4,228**	**21.1%**

Gender analysis shows that female workforce, like the total workforce, grows in absolute value for almost all age groups. In particular, the is a growth in percentage of women under 30 years (26.4% of the total) and over 50 years (19.50% of the total).

AGE	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 30	274	78	**352**	22.2%	292	105	**397**	26.4%
30-35	597	155	**752**	20.6%	599	153	**752**	20.3%
36-40	566	148	**714**	20.7%	635	167	**801**	20.8%
41-45	425	125	**550**	22.7%	481	139	**620**	22.4%
46-50	337	85	**422**	20.1%	349	88	**437**	20.1%
>50	941	220	**1,161**	18.9%	982	238	**1,220**	19.5%
TOTAL	**3,140**	**811**	**3,951**	**20.5%**	**3.338**	890	**4,228**	21.1%

[8] The regions are defined as follows:
- **Central and Eastern Europe and the Middle East**: Italy and Italian branches (Denmark, Turkey, Greece, Taiwan, Honolulu, United Arab Emirates, Saudi Arabia and Peru) and Germany
- **Western Europe**: France and the South Korean branch, Morocco, UK, Spain and Sweden
- **The Americas**: US and Canada
- **Asia Pacific**: Australia, Malaysia, India
- **China**: China

Both in absolute value and in terms of percentage distribution, there is an increase in university graduates with technical degrees (+175 employees) and in high school graduates with technical studies (+109 employees).

DEGREE/DIPLOMA[9]	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Technical High school	807	132	**939**	14.1%	898	150	**1,048**	14.3%
Other High School	279	192	**471**	40.8%	273	196	**469**	41.8%
Technical graduated	1,657	284	**1,941**	14.6%	1,811	305	**2,116**	14.4%
Other graduated	211	165	**376**	43.9%	270	191	**461**	41.4%
Other education	186	38	**224**	17.0%	86	48	**134**	35.8%
TOTAL	**3,140**	**811**	**3,951**	**20.5%**	**3,338**	**890**	**4,228**	**21.1%**

In absolute terms, in particular, there is an increase in the population with a company seniority of 16 to 20 years (+84), which also increases its weight in the percentage distribution. This trend applies to both men and women.

COMPANY SENIORITY	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 5 years	991	263	**1,254**	21.0%	1122	323	**1.445**	22.4%
5-10 years	691	178	**869**	20.5%	708	177	**885**	20.0%
11-15 years	639	170	**809**	21.0%	636	174	**810**	21.5%
16-20 years	185	49	**234**	20.9%	252	66	**318**	20.8%
21-25 years	131	32	**163**	19.6%	119	31	**150**	20.7%
> 25 years	503	119	**622**	19.1%	501	119	**620**	19.2%
TOTAL	**3,140**	**811**	**3,951**	**20.5%**	**3,338**	**890**	**4,228**	**21.1%**

Contract types

Percentage of employees with open-ended contracts grows and proves the importance attributed by Ansaldo STS to employment relationship stability.

CONTRACT TYPES	2017										
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		Total
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	
Employees with open-ended contracts	1.491	363	710	192	556	198	495	93	25	19	**4.142**
Employees with fixed-term contracts	4	5	9	2			37	10	11	8	**86**
TOTAL	**1.495**	**368**	**719**	**194**	**556**	**198**	**532**	**103**	**36**	**27**	**4.228**

[9] The relevant framework, compared with Italy's, is: Technical Graduates – university graduates with technical degrees (mainly engineering,); Other Graduates – university graduates with non-technical degrees (humanities, for example); Technical High School – high school graduates with technical studies (electrical studies, for example); Other High School – high school graduates with non-technical studies (classical studies, for example); Other education – not finished high school (middle school degrees, for example).

CONTRACT TYPES	2016										
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		Total
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	
Employees with open-ended contracts	1.374	329	680	177	526	186	457	84	21	10	**3.844**
Employees with fixed-term contracts	7	2	9	2			48	8	18	13	**107**
TOTAL	**1.381**	**331**	**689**	**179**	**526**	**186**	**505**	**92**	**39**	**23**	**3.951**

The number of temporary contracts decreases, while the percentage of work experiences grows significantly.

OTHER CONTRACT TYPES	2016			2017		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Temporary staff	34	11	**45**	24	18	**42**
Contract workers	0	0	**0**	0	0	**0**
Work experience	14	11	**25**	40	19	**59**
Other contract categories	6	7	**13**	0	0	**0**
TOTAL	**54**	**29**	**83**	**64**	**37**	**101**

New employee hires and employee turnover

There is a considerable increase in under 30 hires (from 127 to 155 units).

Employee Hires 2017	2017										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	Total
< 30	37	14	14	8	26	9	35	11	1		113	42	**155**
	53%	41%	22%	36%	47%	90%	36%	37%	14%	0%	39%	40%	**39%**
30-50	126	31	45	10	39	23	59	16	1	5	270	85	**355**
	13%	12%	9%	8%	15%	25%	17%	26%	4%	28%	13%	16%	**14%**
>50	16	3	8	2	16	4	5	1			45	10	**55**
	3%	4%	5%	4%	7%	4%	6%	8%	0%		5%	4%	**5%**
TOTAL	**179**	**48**	**67**	**20**	**81**	**36**	**99**	**28**	**2**	**5**	**428**	**137**	**565**
	12%	13%	9%	10%	15%	18%	19%	27%	6%	19%	13%	15%	**13%**

Employee turnover 2017	**2017**										**TOTAL**		
	Central and Eastern Europe and the Middle East		**Western Europe**		**The Americas**		**Asia Pacific**		**China**				
	M.	**W.**	**M.**	**W.**	**M.**	**W.**	**M.**	**W.**	**M.**	**W.**	**M.**	**W.**	**Total**
< 30	6	2	8	0	6	1	7	3		2	27	8	**35**
	9%	6%	13%	0%	11%	10%	7%	10%	0%	22%	9%	8%	**9%**
30-50	39	8	14	4	25	15	50	13	5	0	133	40	**173**
	4%	3%	3%	3%	10%	16%	14%	21%	21%	0%	6%	7%	**7%**
>50	20	1	15	1	20	8	15	1			70	11	**81**
	4%	1%	9%	2%	8%	8%	17%	8%	0%		7%	5%	**7%**
TOTAL	**65**	**11**	**37**	**5**	**51**	**24**	**72**	**17**	**5**	**2**	**230**	**59**	**289**
	4%	3%	5%	3%	9%	12%	14%	17%	14%	7%	7%	7%	**7%**

Employee hires 2016	**2016**										**TOTAL**		
	Central and Eastern Europe and the Middle East		**Western Europe**		**The Americas**		**Asia Pacific**		**China**				
	M.	**W.**	**M.**	**W.**	**M.**	**M.**	**W.**	**M.**	**W.**	**M.**	**U.**	**D.**	**total**
< 30	19	11	29	8	14	1	31	9	3	2	96	31	**127**
	33%	50%	38%	50%	26%	11%	39%	38%	50%	29%	35%	40%	**36%**
30 - 50	140	33	41	10	46	5	44	9	3	2	274	59	**333**
	16%	14%	9%	9%	19%	6%	13%	16%	11%	13%	14%	12%	**14%**
>50	0	0	5	0	25	7	7	1			37	8	**45**
	0%	0%	3%	0%	11%	8%	7%	10%	0%	0%	4%	4%	**4%**
TOTAL	**159**	**44**	**75**	**18**	**85**	**13**	**82**	**19**	**6**	**4**	**407**	**98**	**505**
	12%	13%	11%	10%	16%	7%	16%	21%	15%	17%	13%	12%	**13%**

Employee turnover 2016	**2016**										**TOTAL**		
	Central and Eastern Europe and the Middle East		**Western Europe**		**The Americas**		**Asia Pacific**		**China**				
	M.	**W.**	**M.**	**W.**	**M.**	**M.**	**W.**	**M.**	**W.**	**M.**	**W.**	**M.**	**Total**
< 30	10	0	5	2	8	0	11	3	4	4	38	9	**47**
	17%	0%	6%	13%	15%	0%	14%	13%	67%	57%	14%	12%	**13%**
30 - 50	36	4	20	4	19	7	90	13	5	4	170	32	**202**
	4%	2%	4%	4%	8%	8%	27%	22%	18%	27%	9%	6%	**8%**
>50			14	2	20	4	33	9			67	15	**82**
	0%	0%	9%	4%	9%	4%	34%	90%	0%	0%	7%	7%	**7%**
TOTAL	**46**	**4**	**39**	**8**	**47**	**11**	**134**	**25**	**9**	**8**	**275**	**56**	**331**
	3%	1%	6%	4%	9%	6%	27%	27%	23%	35%	9%	7%	**8%**

Fair remuneration

Ansaldo STS manages employment relationships with its employees in accordance with the laws in place in the various countries where it operates. It also periodically weighs the most significant positions in the organization with the support of a company specialized in this field and compares the remuneration of the employees holding such positions on a weighted basis, against the market benchmarks. If the remuneration is not in line with the market (and, obviously, if the employees have received positive performance assessments), their remuneration is adjusted.

Since 2013, Ansaldo STS has extended the weighting to lower levels of its organization as well, using the results of the Global Job System project, which involved approximately 3,000 of the company's personnel. This made it possible to create a tool useful in the global assessment of the consistency between the responsibilities and remuneration, without distinguishing by country, gender, culture, etc., in accordance with the company's values, which protect and promote the equal treatment of people.

Protected worker categories

The policies for the inclusion of disabled people in the headcount fall within the framework of a program defined at European level with respect to social inclusion policies. In Italy, the integration of disabled citizens or citizens belonging to protected categories is subject to Law 68 of 12 March 1999, which first recognized the dignity and social value of the disabled by effectively including them in the labor market. Having abandoned the concept of the "mandatory" hiring practices that were provided for by the previous law (Law 482/1968), Law 68/99 introduced the key concept of "targeted" employment, defined in article 2 as "a set of technical and support tools which make it possible to adequately assess disabled people in their work abilities and to recruit them for the most suitable position, by analysing positions, forms of support, positive actions and solutions to issues related to environments, tools and interpersonal relations in the daily place of work and contact".

Compliance with the provisions of Law 68/99 entails the obligation for companies to hire a specific percentage, determined in that law, of personnel in protected worker categories. In Italy, in particular, the percentage of disabled workers required by law for Ansaldo STS SpA is 7%. Ansaldo STS has reached agreements with the labor centres for the hiring of people in protected worker categories.

EMPLOYEE WELL-BEING: PEOPLE CARE

The "People Care" concept is an extensive one for Ansaldo STS and applies to employees' well-being as both professionals and individuals. The basic concept is linked to the "Total Reward" strategy, based on tangibles and intangibles, to improve personal satisfaction. It is no coincidence that "People" is one of the company's five values in its identity: people are at the very heart of the Organization, and this demonstrates the company's focus on making the work place an environment where they can gain experience, develop competencies, forge relationships and find motivation continuously.

Ansaldo STS's focus on people can be first seen in the way it guarantees a comfortable and motivational work environment by actively supporting, through its corporate processes, relationships between managers and employees and relationships between colleagues. Furthermore, there are various support services available in different countries for both full time and part time employees and, in some cases, their families as well.

Flexible schedules, agreements with entertainment and sports centers, benefits like health insurance, Family Open Days, employee scholarships, corporate welfare and celebrations of successful projects are some of the tools used.

One of the points on which Ansaldo STS is most committed worldwide is supplementary health care, considered one of the measures most appreciated by its employees. In this regard, the company has developed health care plans in various countries (Australia, USA, Italy). In Italy, starting in 2017, supplementary health care was extended to all employees under the national collective labor agreement, while higher-level care is still available for middle managers and executives.

In Australia, a Health & Wellbeing Committee has been created, which has substantially improved the workers' perception of work-life balance.

In addition, due to the strong propensity to travel required of Ansaldo STS employees, insurance policies have been taken out to ensure that staff on missions and expatriates receive healthcare treatment comparable with that provided in their country of origin all over the world.

Colleagues who have to travel abroad on business can also use a travel tracker to be constantly informed about any issues related to their travel and their country of destination.

Further corporate investments in people care such as company canteens, corporate credit cards, employee welfare vouchers and recreational clubs are in line with the expectations of employees in their home countries and may therefore vary from region to region.

TRAINING AND DEVELOPMENT

Our approach to the management of training and human resources development is based on translating the company's goals into development paths and management and operating methods consistent with Ansaldo STS's business model, by defining development paths that are consistent with the required profiles and developing both core competencies (needed to supervise work activities) and managerial skills aimed at supporting the personnel's full compliance with the Group's distinctive values.

Training is developed through projects in four main areas:

- regulatory training;
- language training;
- managerial training;
- technical/specialized training.

Ansaldo STS also offers specific training courses to many groups of employees, ensuring paths that will help them develop in their career or expand upon the skills needed to meet the responsibilities of their job.

In 2017, 93,368 hours of training were provided, up 25.7% compared to 2016.

HOURS OF TRAINING	2016	2017
	74.269	93.368

The average yearly hours of training per employee in 2017 totalled 22.1 (22.9 for men and 19.0 for women), up 17.5% over 2016. Details are provided below broken down by category.

AVERAGE HOURS OF TRAINING PER YEAR	**2016**		**2017**	
	MEN	**WOMEN**	**MEN**	**WOMEN**
Managers	11.9	2.3	11.6	3.3
Junior managers	19.0	28.2	24.1	25.8
White collars	18.8	19.9	23.3	19.6
Blue collars	17.0	12.4	20.6	9.3
Average hours per year per employee	**18.8**		**22.1**	

Average hours by region and gender in 2017 are illustrated below:

AVERAGE HOURS OF TRAINING PER YEAR BY GENDER AND REGION	**Central and Eastern Europe and the Middle East**		**Western Europe**		**The Americas**		**Asia Pacific**		**China**		**TOTAL**	
	MEN	**WOMEN**	**MEN**	**WOMEN**	**MEN**	**WOMEN**	**MEN**	**WOMEN**	**MEN**	**WOMEN**	**MEN**	**WOMEN**
2017	26.2	19.5	31.7	23.6	13.6	17.2	11.7	13.1	18.0	16.3	**22.9**	**19.0**
2016	18.1	17.0	23.3	24.8	15.6	13.3	16.8	34.5	11.9	14.7	**18.5**	**19.8**

Ansaldo STS has also updated its corporate talent management and development model in order to ensure that these high development potential profiles can access a path that focusses on increasing key skills such as innovation and knowledge of current business developments as well as the new technological trends and services required by the constantly evolving digital market.

Ansaldo STS also monitors the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

The selection involves opening several channels aimed at identifying the best candidates for the open position. Ansaldo STS offers candidates the possibility to apply for a position via our web site. In addition, the company employs leading personnel recruitment providers to identify people with greater skills. Lastly, Ansaldo STS has opened a LinkedIn page and uses the recruiter profile to make targeted selections. Agreements have also been entered into with universities for the scouting of recent graduates and we now have consolidated contacts within the main business schools to carry out internships and training periods.

All employees that are hired at Ansaldo STS are included in the company's organizational structure, receive a job title and a structured induction course. Every year, the company initiates the Performance Development Plan (PDP), the skills assessment (Global Job System) and salary review processes. These processes, launched simultaneously in all Ansaldo STS regions, facilitate the professional growth of our employees.

The company also provides processes that are aimed at the highest levels of the of the company's workforce, which are subject to a comprehensive assessment process and receive variable incentives (so-called MBO) and/or other benefits[10].

The comprehensive evaluation process also applies to middle management, worldwide. In 2016, throughout Ansaldo STS worldwide, 325 resources participated in the program, versus 367 in 2017.

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[10] For further information, see paragraph *Incentive Plans* in the Consolidated Financial Statements at 31 December 2017

Over the past two years, and in line with the empowerment programs, the PDP has been fine-tuned further so that not only department heads are rated, but also Project Managers (PMs) and Project Engineers (PEs).

The performance evaluation system

Performance assessment is a key tool in managing the development of human resources. Ansaldo STS has implemented a global, structured and consistent process at international level called Performance Development Plan (PDP), which it launched in 2010, and which assigns and assesses performance and development targets for all Ansaldo STS personnel. The entire process is managed online, to significantly reduce the use of printed paper, and consists of three phases:

- phase 1 - planning: relates to the formalized assignment of targets linked to business and/or individual performance indicators and professional development indicators;
- phase 2 - coaching: involves the continuous monitoring of performance by the employee's direct supervisor and mentor;
- phase 3 - review: the final assessment phase in which all the employee's ratings are combined (self-assessment, direct supervisor's assessment and those of other people selected from within the organization for a more comprehensive outlook of individual performance).

The process now covers over 95% of the company's headcount. The result is significant, as it lays a sound foundation for a more objective and structured definition of the development paths and ways in which to reward all Ansaldo STS employees worldwide. In particular, after the integration of the Global Job System, PDP became an even more complete development tool, as the assessment of abilities and skills performed concurrently with the performance assessment, makes it possible to define individual targets and growth paths that are effectively in line with expectations for the position.

During 2017, following last year's Global Employee Survey on the company's workforce, the Human Resources Department identified and carried out a series of initiatives aimed at improving perceptions that arose from the responses in some areas. In addition, each manager with more than 6 direct reports was given direct access to the aggregated results of his team, inviting the team members to include among their objectives for the year improvement actions based on the feedback of the survey. In September a new questionnaire was launched in which about 76% of the company's workforce participated. The 2017 results highlighted improvements compared to 2016 on all areas surveyed.

SOCIAL DIALOGUE

The relaxed relationship that Ansaldo STS maintains with its employees is reflected in an extremely low rate of trade union disputes. This context often leads to the resolution of any issues with employees internally, with scarce recourse to intervention by trade unions, which, in any case, act in an environment of general cooperation. The only strikes declared have been due to general political and trade union issues, which have nothing to do with the company.

At the group level, Ansaldo STS has reached formal agreements with the trade unions in the various countries concerned, as shown in the table. In Central Europe and Western Europe, the agreements relate to, inter alia, work hours, remuneration and health and safety conditions in the workplace.

In Australia, labor relations are extremely positive and the next 3-year company contract is due to be negotiated soon.

In Malaysia there are no formal agreements and employees must only comply with the Employment Act of 1955 (which establishes that the number of hours worked may not exceed 48) and specific Acts enacted by the Government with respect to health and safety.

In Italy, Ansaldo STS's system for trade unions is based on two levels of participation, given the fact that the company has various operating sites scattered throughout Italy:

1. Strategic Observatory; 2. National Coordination

The industrial relations system (in Italy) makes it possible to act upon the requests from the company's population and improve the well-being of workers. In this perspective, in December 2017 the Trade Unions presented a proposal for a platform for the second level supplementary contract, which will be discussed with the company in 2018. Among the proposed issues that will contribute to improving employees' working conditions, the possibility of extending the flexibility of employees' working hours and starting a smart working experiment will be considered.

Each month, in France, personnel delegates may present individual or collective issues to their employers, in relation to the application of the law, regulations and collective agreements.

The system of trade union relationships at Ansaldo STS Spain is based on the following:

1. strategic lines; 2. national coordination

The total number of employees covered by national labor agreements, where this type of trade union negotiation is applicable, is shown below:

2017	Central and Eastern Europe and the Middle East		Western Europe		Asia Pacific	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managers	56	8	11	0	0	0
Junior managers	298	51	53	10	0	0
White collars	1,103	303	574	163	0	0
Blue collars	38	6	62	20	6	0
TOTAL	**1,495**	**368**	**700**	**193**	**6**	**0**

The percentage of employees covered by national labor agreements in Central and Eastern Europe and the Middle East is 100%, while in Western Europe it is 98%. The percentage is minimal in the Asia Pacific due to Ansaldo STS's ongoing efforts to invest in a fair work environment with respect to the market. The data are not meaningful for the Americas and China as there are no national labor agreements in these areas.

Prior notice in the event of organizational changes

The adjustment of the organizational structure, along with the operating procedures that support it, is an ongoing and continuously evolving process that meets the similarly ongoing and continuously evolving scenario in markets where Ansaldo STS operates. In the event of particularly significant organizational changes, specific communications initiatives target broad categories of employees to explain the reasons for the changes.

Although not having an obligation related to the number of weeks of notice, the company issues, on average every six months, the organizational chart that specifies inclusion and classification of each employee.

Furthermore, in Italy, the currently applicable national labor agreement requires a specific meeting to inform the Trade Unions of decisions that have a material impact on labor organization. A similar procedure is provided for in France, requiring a mandatory document to be sent to the work council explaining the reasons for the organizational change, followed by a meeting with work council representatives no later than 15 days after the document is sent.

SOCIAL ASPECTS

Customer satisfaction, Social innovation and ethical management of supplies are between the most relevant issues for the company related to the Social scope, in terms of the ability to increase the company's reputation and competitive advantage and being able to influence the judgment and choices of its stakeholders.

As of the present day, no specific policies have been formalized on these issues, but the company practices some policies that result in consolidated practices and management procedures effective for the whole Group.

CUSTOMER SATISFACTION

Customer satisfaction is central to Ansaldo STS's strategy: the ability to understand customers' needs and expectations and meet them is the top value on which it bases its company culture. In general, each Customer has a contact at Ansaldo STS, a specific Project Manager overseeing its contract.

The Project Manager is responsible for ensuring the customer is satisfied, responding to any issues that might arise over the course of the contract.

The organization of Proposal activities and Project Management is fundamental to carrying out a project that meets the quality requirements of the products and services offered and in order to provide them according to deadline and budget restrictions. To this end, the objective of Project Management is to protect the interests of Ansaldo STS's Stakeholders, including shareholders, who are mainly focused on the results of the business, and its customers, who want to receive top quality responses according to established schedules in line with the transportation needs of a city or the community at large.

In this area, the most significant development in market dynamics in recent years has entailed the progressive shift from the provision of products and technologies to customers' demand for turn-key transportation solutions that efficiently meet the needs of local and national institutions. This new type of offer requires the capability of helping our customers, who are increasingly considered less as buyers and more as partners, to manage a project throughout its entire life cycle.

The management of Customer Satisfaction

A specific Team handles Customer Satisfaction ("CS") activities. The team is made of the managers of the various departments: System Assurance & Control, Railways & Mass Transit Business Unit, Freight Business Unit, Operations and HSE, Facility Management & Physical Security.

Customer Satisfaction activities consist of various stages and are carried out using different tools to accurately monitor the customer satisfaction level and the progress of projects until their completion. These tools include:

- **Customer Satisfaction Monthly Meeting**: monthly meetings via videoconferencing, to discuss CS activities and reach decisions on the steps to be taken.
- **Customer Satisfaction Quarterly Reports**: quarterly reports prepared with the support of the Business Unit managers on projects that are critical to Customer Satisfaction. The Project Manager is responsible for reporting on critical points (in terms of planning, quality

and costs) and the related mitigation action. A statistical analysis on the development of these critical points is attached to the Report.

- **Customer Satisfaction Survey**: a series of one-on-one interviews with top representatives of a sample of customers. It is carried out using a specific questionnaire

CUSTOMER SATISFACTION SURVEY	2016	2017
Number of customer satisfaction surveys received	8	7

- **Complaints Management**: the Project Managers are responsible for recording customers' complaints, which are sent each quarter to the Customer Satisfaction Coordinator, until the complaint is resolved. The Customer Satisfaction Team checks and records all information and, twice a year, prepares a global analysis. This analysis is used as the basis to calculate the "customer complaint" KPI.
- **Customer Satisfaction of Project Teams**, whereby customer satisfaction is evaluated for each key project considering the following main aspects: costs, planning, service quality and product quality. The Regional BU Managers gather the results of these surveys from the Project Managers. Finally, the CS Team checks the global results and their consistency with expectations.
- **Customer Satisfaction Reports**: reports prepared half-yearly by the Customer Satisfaction Process Owner. These reports summarize CS activities in the period (CS of the Project Teams, complaints analysis and focus on various projects) and are sent to the company's top management. They are included in the Management Review.

Control of project operational risks and project opportunities

Among actions to mitigate risks and increase opportunities linked to the quality, timing and costs of projects, note:

- adoption of Project Risk Management processes, both during the bidding and project performance stages, to minimize the consequences of negative events and maximize the impact of positive events, through constant monitoring of risks, mitigation and opportunities;
- clear assignment of responsibilities to the Project Manager, Project Controller and project team;
- periodic review of the project and of estimates during bidding;
- periodic monitoring and reporting of key projects by the Risk Management function;
- independent review of key projects by the Risk Management department.

SOCIAL INNOVATION

NEW TECHNOLOGIES TO IMPROVE THE PERFORMANCE, RELIABILITY, SAFETY AND ENVIRONMENTAL IMPACT OF OUR PRODUCTS AND SOLUTIONS.[11]

Ansaldo STS has always devoted ongoing attention to Research and Development, in order to identify and create innovative technical solutions and develop products of the very highest quality, safety and environmental standards.

Ansaldo STS operates daily with the aim of improving quality of life by designing new transport systems which, every day, safely carry millions of people and freight while fully respecting the environment and energy efficiency, by developing increasingly compact and energy-efficiency hardware, integrated in increasingly advanced solutions and able to respond to the new frontiers of community needs, the search for new green technologies and above all trying to rationalize consumption while avoiding waste.

Today the Ansaldo STS team within the Hitachi group can further develop its innovative approach, also by tapping the group's references in the Big Data and Internet of Things field. It is now possible to combine a range of technologies to create integrated solutions that lead to new performance and services offered.

At Ansaldo STS "Innovation" also means participating in research projects funded by the European Commission, the Ministry of Education, Universities and Research, the Ministry for Economic Development and the Ministry of the Environment.

Research and development expense taken directly to profit or loss for the year ended 31 December 2017, net of grants, totalled €41.3 million (€36.7 million in 2016). In particular, total research and development expense was €43.6 million (€38.6 million in 2016), against grants approximating €2.3 million (€1.9 million in the previous year).

Product and solution safety and reliability

Ansaldo STS ensures that it develops and delivers products, applications and systems that are: safe, in compliance with Italian and international laws applicable to railway systems and reliable, compliant with its customers' needs and its internal quality standards. It achieves this through RAMS (Reliability, Availability, Maintainability & Safety) activities.

These activities are performed on all Ansaldo STS projects in which safety and reliability are relevant, which constitute over 90% of total company activities.

Safety and reliability are achieved through hazard analysis, a structured process in line with sector standards. It begins with the identification of hazards based on previous experience, the assessment of specifications for the various processes stages and hazard workshops during which experts from Ansaldo STS and from the customer discuss the various issues. Potential risks are then included in a hazard log, which is constantly updated over the life cycle of the project. For each hazard mapped, the log also includes the mitigation measures, activities to check that they were effectively implemented and an assessment of the residual hazard. The residual hazard level is assessed and accepted only if it is below the limits established by standards and customer requirements.

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[11] For more information see chapter *Research And Development* in the Consolidated Financial Statements at 31 December 2017

The main safety standards are those issued by CENELEC - European Committee for Electro technical Standardization. Specifically, relevant standards are:

- CEI 50126 on RAMS applicable to the railway field;
- CEI 50128 on software security;
- CEI 50129 on electronic device safety;
- CEI 50159 on railway communications security.

Recording and assessment of non-conformities and accidents to improve safety

Any non-conformities with safety specifications during the development, testing and, obviously, roll-out, is carefully analysed and recorded. In general, no conduct of this type is tolerated and requires a review and change (hardware or software) in the element that does not meet the required technical specifications.

In general, Ansaldo STS gathers two types of data to assess the reliability of its products: data on parts (fault charts), beginning with the assistance requests sent to the Service unit, and data on systems affecting the key service parameters (frequency of trains, skipped runs, delays, etc.). Data on parts are analysed to identify the most defective parts and alternative solutions are sought to improve performance, while for data on systems, all service interruptions are analysed to determine the causes.

Reliability of solutions

The reliability of solutions is also due to the use of redundant platforms that provide fault tolerant configurations, i.e., those that can continue to function even when certain sections present faults. This type of approach was successfully applied in Italian high-speed railways, where specific systems have been developed for the diagnostics and control of the electrical substations. These tools make it possible to plan “preventive maintenance” on lines, i.e., monitoring all substations and reporting when one of them is at risk of faults. In this way, greater environmental sustainability is ensured, with the resulting reduced consumption of spare parts and lower risk of service interruptions on the line due to faults.

ETHICAL MANAGEMENT OF SUPPLIES

Ansaldo STS has drawn up new criteria to assess and monitor its suppliers and to define a new action plan to assist them improve their sustainability given the increasing importance of the Supply Chain’s social and environmental aspects.

Supplier vetting and the process for the purchase of assets, goods and services are carried out in accordance with the principles of the code of ethics and internal quality procedures, as well as in accordance with current environmental, health and safety regulations. In the management of relationships with suppliers and subcontractors, as for all business and financial dealings of any kind, Ansaldo STS requires its counterparties to conduct themselves in accordance with the principles of loyalty, fairness, transparency, efficiency and legal compliance.

To this end, suppliers and subcontractors are vetted on the basis of objective, transparent and documentable evaluation criteria, in accordance with the principles of the Code of Ethics and all procedures provided for by specific protocols, in writing and in line with the current hierarchical structure.

A new Supplier Qualification & Monitoring Unit, part of the Quality Assurance function coordinates supplier qualification. In addition, Ansaldo STS has specified that the qualification process is interdisciplinary and based on opinions of several units involved therein. The Technical, Procurement, Quality and EHS units are involved.

Ansaldo STS revised its supplier questionnaire, introducing specific questions about the environment and safety, directly involving the EHS unit in supplier qualification and defining a list of “sensitive” goods, where the latter unit’s involvement is mandatory.

The questionnaire update covered the following EHS aspects

- introduction of a safety management system compliant with the BS OHSAS 18001 standard;
- introduction of an environmental management system compliant with the UNI EN ISO 14001:2007 standard;
- introduction of sustainability procedures/programs;
- application of the legislative requirements to comply with the REACH/ROHS/RAEE regulations;
- collection of data about accidents, non-compliance, training and emergencies.

The questionnaire is sent to all new suppliers during the qualification phase.

Supply Chain Mapping

Ansaldo STS has conducted an initial mapping of its supply chain with respect to compliance with Environmental, Social and Governance (ESG) criteria. Indeed, the standard purchase order model includes general supply conditions, compliance with the Code of Ethics and, when vetting new suppliers, Ansaldo STS gathers information on their compliance with quality, hygiene, health and safety in the workplace standards and their environmental policies, by requiring ISO 9001, ISO 14001 and OHSAS 18001 certification. Ansaldo STS applies these characteristics as preferential requisites and they are considered in the supplier’s eligibility score. The mapping showed:

SUPPLIER MAPPING	2016	2017
Number of suppliers in the register by direct and indirect product types (2010-2017)	15,025	16,146
Total active suppliers (with order issued during the year)	3,250	3,321
Number of suppliers covering 80% of the value of ordered in the year	190	136
Qualified suppliers (Classes A and B)	124	311
of which[12]:		
ISO 14001 certified suppliers	17	42
OHSAS 18001 certified suppliers	15	37

[12] The 2017 figures have been estimated in proportion to the 2016 data

As Ansaldo STS is increasingly operating in emerging countries, during supplier selection and qualification phase, it has been decided to prefer large companies, possibly with quality, environmental and safety certifications. For this reason, in 2017 there was an increase in the number of qualified Class A and B companies and an increase in those in possession of ISO 14001 and OHSAS 18001 certifications.

Mapping is the first step in the definition of the specific sustainability policy for the Supply Chain. The main guidelines of this policy will be:

- audit activities on site suppliers, including a review of sustainability performance, with technical controls on products for suppliers of materials;
- collaboration between Ansaldo STS and suppliers in product design;
- activities to inform suppliers about sustainability issues;
- the extension of annual monitoring activities to suppliers classified in the A category.

In the United States, it is common that customers include the obligation to assign a percentage of the contract to a DBE company (Disadvantaged Business Enterprises) that is regulated by the local and federal governments. Each DBE must be certified by the specific Transit Authority.

To meet the contractual requirements, Ansaldo STS in the USA has identified and qualified several DBE companies with which it is possible to carry out transactions in order to meet the percentage required by the contractual objectives.

In general, this includes training DBE employees to carry out work normally performed by Ansaldo STS employees, in compliance with processing standards.

PROTECTION OF HUMAN RIGHTS

The protection of human rights is considered a very relevant issue by company and its stakeholders, as highlighted by the materiality analysis.

Ansaldo STS, despite not having formalized its commitment to a specific policy, practices policies in order to uphold and promote human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all - regardless of race, nationality, political creed, religion, gender, age, minority status, disability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and each employee.

Ansaldo STS does not allow or tolerate the establishment of employment relationships, even by external collaborators, suppliers or business partners, violating the existing legislation on child, woman and immigrant labor, and carefully controls the risks associated with the employment of forced workers. The Company, besides, requires its contractors and subcontractors to ensure the same attention in order to contribute to abolish such illegal behaviours.

For what concerns the respect of human rights as they relate to workers' rights, Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labor agreements, company agreements and current regulations. Ansaldo STS guarantees that its workers are free to join trade unions, and sees that its relationships with the unions are cooperative and friendly in which workers may report their opinions to Human Resources Department directly or via delegates.

TOOLS AND INITIATIVES RELATED TO THE RESPECT OF HUMAN RIGHTS

The main instrument through which Ansaldo STS guarantees its commitment to respecting human rights is the **Code of Ethics**, to which members of the governing and controlling bodies, managers and employees - including those of the companies directly or indirectly controlled by the Group – adhere, together with all those who enter into contractual relationships that imply fulfilments of which the company can request compliance.

In 2017 a specific training activity on human rights aspects, which has involved 32 people, has been carried out, for a total of 224 hours of training. In 2016, similar training courses had not been provided.

COMMITMENT TO THE GLOBAL COMPACT

Ansaldo STS has also endorsed the Global Compact, a voluntary United Nations initiative to **encourage respect for human rights, labor**, environment and anti-corruption set out in 10 principles. Its confirmation reiterates its commitment to considering the Global Compact and its main principles an integral part of the company's strategies and culture.

THE GLOBAL COMPACT

WE SUPPORT

GLOBAL COMPACT NETWORK ITALY FOUNDATION

Ansaldo STS is a Founding member and Sponsor of the Global Compact Network Italy Foundation which contributes to the development of the "Global Pact", along with 17 other organizations, private companies, universities and research institutes, non-profit foundations and civil society organizations.

ANTI-CORRUPTION

Ansaldo STS promotes at all levels and within the scope of its business, the fight against corruption in all its different forms, whether active or passive, direct or indirect, involving subjects related to the public or private sector.

In this context, Ansaldo STS has adopted a "zero tolerance" approach, which entails that the Company does not tolerate any kind of corruption, in any form, manner or jurisdiction it may occur, including therein any conduct that may be permitted, tolerated or not prosecuted in the countries in which the Group does business.

Ansaldo STS, despite not having a specific formalized policy, has a corruption risk management system based on several control tools to combat and prevent corruption-related behavior that together constitute the system of policies practiced by Ansaldo STS in the fight against corruption. Among these tools, the Ansaldo STS Group considers particularly important its adoption of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001, the body of corporate procedures and also the due diligence activities carried out on the third parties with which Ansaldo STS deals.

The main risk areas, in terms of both direct risks and risks supporting the committing of corruption-related offences, subject to compliance with the Model, are mainly: the commercial area, the area related to management of contracts, purchases, work sites, finance administration and control, the Human Resources area and subsidized loans area.

As a tool for controlling and mitigating corruption risk, the Group's Code of Ethics contains principles and rules of conduct, compliance with which enables Ansaldo STS and the Group Companies to prevent certain illegal conduct or offences - including those that are corruption-related - as required by the regulations of the various countries in which the Ansaldo STS Group operates, from being committed by corporate representatives. In particular, through the Code of Ethics, the Company promotes and applies a corporate culture inspired by responsibility, correctness and integrity in the conduct of daily activities, paying maximum attention to the professional conduct of its recipients.

The above-mentioned Code of Ethics is complemented by the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001 approved by the Board of Directors of Ansaldo STS, which contains specific principles of conduct and control aimed at preventing and mitigating the risk of committing corruption-related offences as set out by Italian Legislation and specifically referred to in articles 25 and 25-ter of Legislative Decree 231/2001.

In order to ensure that all employees are completely familiar with the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001, they receive reports when it is updated. In addition, a new e-learning training program was recently provided for nearly all employees of Ansaldo STS S.p.A. Employees working in crime risk areas, namely the company's executives and managers, sign periodic statements to certify their compliance with the Model and, if applicable, to describe the most significant relationships with public administration customers and representatives.

The prevention and fight against corruption-related conduct are also supported by a well-structured and comprehensive body of corporate procedures, applicable - where possible - to all Group Companies, in under which the conduct of company transactions and operations is governed so as to ensure the identification of the persons responsible for the decision-making and authorization process, and to provide traceability, so as to be able to identify, among other things, the reasons for the decisions made and the persons to be held accountable for them. The corporate body of procedures specifically governs and defines those which, due to their very nature or to the type of parties involved, possibly also external, are potentially vulnerable to the risk of corruption.

In order to mitigate, among other things, also the risk of corruption, Ansaldo STS has defined, as a tool to combat this problem, a process to assess the various types of third parties with whom it deals, both within the scope of business activities and for of ordinary corporate operations. This process includes, in view of the multiple risk profiles that can be associated with the third parties involved, a range of assessment tools, aimed at verifying, among other things, the existence of potential indicators of a high risk of corruption.

Further to equip itself with effective prevention tools against the occurrence of potential corruption-related events, Ansaldo STS has launched - at Group level - a process to analyse its own corruption risk management system and to identify its possible areas to enhance. This activity, also in compliance with the Company's international vocation, was carried out taking into consideration the Best Practices in this area and the main international Guidelines and Conventions concerning the prevention and fight against corruption. This activity, also in order to ensure the uniformity and completeness of the risk management systems adopted by the Company, was also carried out with an overreaching perspective and in full coordination with the instruments defined as risk management pursuant to Italian Legislative Decree 231/2001.

The strengthening initiatives identified as a result of the aforesaid analysis will refine the current corporate corruption risk management system, with a view to increasing the effectiveness of the mitigation instruments that concern combating and preventing corruptive phenomena, including those at an international level. In this regard, Ansaldo STS has drawn on industry's best practices to support the analysis described above.

As a result of this analysis, Ansaldo STS is in the process, among other actions, of:

- refining its Corporate Governance system, by means of an extensive allocation of further specific roles and responsibilities within the corruption risk management system, also from a Group perspective;
- strengthening the existing monitoring tools and control mechanisms designed to control the corruption risk, and to define additional tools;
- strengthening the tools for disseminating the elements of its corruption risk management system to its staff, and improving its awareness and training.

Finally, it should be noted that no cases of corruption involving the Company and/or its employees were found during the year.

APPENDIX

GRI CONTENT INDEX

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GRI 102-4	Location of operations	p.15-16	
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GRI 102-15	Key impacts, risks, and opportunities	p.11-13; 21; 28; 41; 46; 47-48	
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GRI 416-1	Assessment of the health and safety impacts of product and service categories	p.42-43	

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of legislative decree 254/2016 and with article 5 of Consob regulation adopted with resolution 20267

(Translation from the original Italian text)

To the Board of
Directors of Ansaldo STS S.p.A.

We have performed a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Ansaldo STS S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 14th March 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative ("GRI Standards"), with regard to the selection of GRI Standards specified in the paragraph "Methodology and reporting criteria" of the DNF, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.
The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regard to the selection of GRI Standards specified in the paragraph "Methodology and reporting criteria" of the DNF. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;

2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;

3. comparison of the economic and financial data and information included in the DNF with those included in the Ansaldo STS Group's consolidated financial statements;

4. understanding of the following aspects:
   - group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in art. 3 Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

   With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
   In particular, we have conducted interviews and discussions with the management of Ansaldo STS S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the site of Piossasco of Ansaldo STS S.p.A. and for the sites of Batesburg and Pittsburgh of Ansaldo STS USA INC., that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Ansaldo STS Group for the year ended on 31st December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regard to the selection of GRI Standards specified in the paragraph "Methodology and reporting criteria" of the DNF.

Other Information

The Group has prepared a Sustainability Report for the year ended on 31st December 2016; such data is presented for comparative purposes in the DNF. This Sustainability Report has been subject to voluntary limited assurance procedures in accordance with ISAE 3000 by EY S.p.A., that has expressed an unqualified conclusion.

Genova, 27th March 2018

EY S.p.A.
Signed by: Enrico Lenzi, Partner

This report has been translated into the English language solely for the convenience of international readers.

Attachment "D"

REPORT OF THE

BOARD OF DIRECTORS

ON THE CORPORATE GOVERNANCE SYSTEM

AND ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

FOR LISTED COMPANIES

FOR THE FINANCIAL YEAR 2017

(PREPARED PURSUANT TO ARTICLE 123-*BIS* OF THE CONSOLIDATION ACT ON FINANCE TUF)

WWW.ANSALDO-STS.COM

Approved by the Board of Directors of Ansaldo STS S.p.A.

on 14 March 2018

INDEX

GLOSSARY

Ansaldo STS	Ansaldo STS S.p.A.
Code, or Corporate Governance Code	Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Board	Board of Directors of Ansaldo STS
Financial Year	Financial year 2017
Group	Ansaldo STS and its subsidiaries pursuant to Article 93 of the TUF (TUF)
Rules of the Market Instructions	Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A.
Rules of the Market	Rules of the Market organised and managed by Borsa Italiana S.p.A.
Issuers Regulation	Regulation issued by Consob by Resolution no. 11971 of May 14 1999 relating to issuers, as subsequently amended and integrated
Markets Regulation	Regulation issued by Consob by Resolution no. 20249 of 28 December 2017 relating to markets.
Related-Party Regulation	Regulation issued by Consob by Resolution no. 17221 of March 12 2010 regarding related-party transactions, as subsequently amended and supplemented
Report	This corporate governance and ownership structure report prepared pursuant to Articles 123-*bis* of the TUF
Company	Ansaldo STS S.p.A.
TUF	Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented

1. ISSUER'S PROFILE

The organisation of Ansaldo STS, founded on the traditional corporate model, conforms to the provisions on listed issuers and is structured as follows.

1.1 COMPANY ORGANISATION

- **GENERAL SHAREHOLDERS' MEETING.** Has the authority to resolve, in ordinary and extraordinary sessions, on the matters reserved to it by the law or by the Company's By-laws.

- **BOARD OF DIRECTORS**. Is vested with full powers for the management of the Company, with the authority to take all appropriate actions to achieve the corporate purposes, excluding any actions which are reserved – by the law or by the By-laws – to the General Meeting.

- **BOARD OF STATUTORY AUDITORS.** It has the task of supervising:
  - in compliance with the law and with the By-laws;
  - in compliance with the principles of sound management;
  - the adequacy of the corporate organisational structure for matters under its responsibility, of the Internal Control System and of the Administrative and Accounting System, ensuring that the latter system accurately represents the operating management;
  - the methods used to implement the corporate governance rules as prescribed by codes of conduct prepared by companies that manage regulated markets or by trade associations, with which the Company declares compliance in the information it discloses to the public;
  - the adequacy of the Company instructions to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF;
  - the financial reporting process;
  - the effectiveness of the Internal Control, Internal Control and Risk Management Systems;
  - the statutory audit of the annual accounts and consolidated accounts;
  - the independence of the statutory auditor or the statutory auditing firm, particularly as concerns the provision of non-auditing services to the Company;
  - compliance of the Company's procedures for related-party transactions with the principles indicated in the Related-Party Regulation, as well as their implementation and reports to the General Meeting pursuant to Article 153 of the TUF.

- **INDEPENDENT STATUTORY AUDITING FIRM**. The accounts are legally audited by a specialised company entered in the register of statutory auditors, appointed for this purpose by the Shareholders' Meeting, on a justified proposal submitted by the Board of Statutory Auditors. The company entrusted with the statutory audit of the Ansaldo STS accounts is performing a similar task for the parent company Hitachi Rail Italy Investments S.r.l. and in almost all of Ansaldo STS' subsidiaries.

1.2 COMPANY OBJECTIVES AND MISSION

Ansaldo STS intends to maintain and reinforce its position as a primary international player in the industry of railway and underground transport systems. In particular, the Company deals (i) in the sector of design, manufacture, distribution, management and maintenance of systems, subsystems and components for the signalling and supervision of railway and underground traffic ("Signalling"), aimed at increasing the safety and efficiency of railway and underground transport systems, and (ii) in the sector of design, implementation, integration and maintenance of "turnkey" transport systems, of which the signalling systems are an essential part.

Ansaldo STS pursues its mission strictly to further its objective of creating value for its Shareholders.

2. INFORMATION ON THE OWNERSHIP STRUCTURE AT 14 MARCH 2018

2.1 STRUCTURE OF THE COMPANY'S SHARE CAPITAL

Amount in Euro of the share capital subscribed and paid in:

- EUR 100,000,000.00 fully paid in

Classes of shares that comprise the Company's share capital:

- 200,000,000 ordinary shares for a value of EUR 0.50 each.

	No. of Shares	% of the share capital	Listed (specify the markets) / not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote at ordinary and extraordinary general meetings, right to dividends and capital refund in case of liquidation
Multiple-voting Shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Other	-	-	-	-

Ansaldo STS has not issued any other classes of shares or financial instruments convertible into or exchangeable with shares.

It should be noted, finally, that the incentive plans adopted by the Company do not involve capital increases.

2.2 RESTRICTIONS ON TRANSFER OF SECURITIES

No restrictions of any kind apply to the transfer of Ansaldo STS securities at the date of this Report.

2.3 SIGNIFICANT INVESTMENTS IN THE CAPITAL

Based on the records in the Shareholders' Register and taking into account the notices received in accordance with Article 120 of the TUF and other information obtained, at the date of the Report, the following shareholders directly or indirectly own Company shares amounting to more than 3% of the Company's share capital:

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	50.772%	50.772%
UBS GROUP AG	UBS AG UBS ASSET	5.034% (1)	5.034% (1)

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
	MANAGEMENT TRUST COMPANY		
SINGER PAUL E. (in his capacity as *General Partner* of The Liverpool Limited Partnership and Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL L.P.	25.665%(2)	25.665%(2)

Please note that, on the basis of the holdings submitted for the General Meeting held on 11 May 2017, Litespeed Management LLC / Litespeed Master Fund LTD holds no. 7,532,322 ordinary shares, equal to 3.77% of the share capital.

1) UBS Group AG made known to the Company pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 119 of the Issuers Regulation of holding 5.043% of the Company's share capital.
2) Shareholding made known to the Company on 8 November 2017, pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 117 of the Issuers Regulation. It must be noted that on 8 November 2017, Mr. Paul E. Singer, who is directly and indirectly general partner of the limited partnership Elliott International LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers Regulation, of holding 31.794% of the Company's share capital.

2.4 SECURITIES THAT GRANT SPECIAL RIGHTS

The Company has not issued any securities that grant special control rights.

2.5 EMPLOYEE SHARE OWNERSHIP: PROCEDURE FOR EXERCISING VOTING RIGHTS

The incentive plans adopted by the Company do not permit voting rights attached to the shares to be exercised by persons other than the plan beneficiaries. For further information on these plans, see the reports drafted pursuant to Article 84-*bis* of the Issuers Regulation on the company website http://www.ansaldo-sts.com/en/documents/informative-document.

2.6 RESTRICTIONS ON THE RIGHT TO VOTE

At the date of the Report, there are no restrictions or mandatory terms for exercising the right to vote. Nor are there any financial rights associated with securities, which are separate from the possession thereof.

2.7 SHAREHOLDERS' AGREEMENTS

At the date of the Report, there are no agreements concerning the company shares under Article 122 of the TUF known to the Company.

2.8 CHANGE OF CONTROL CLAUSES AND PROVISIONS OF THE BY-LAWS RELATING TO IPO (INITIAL PUBLIC OFFERING)

Following the merger by incorporation of Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo STS, the Company took over all rights and obligations of the merged companies. In particular, Ansaldo STS took over the Concession Agreement for the realisation of Line 6 of the Naples Underground, according to which, in case of merger of the Licensee with other Companies outside the Group, the Licensor shall immediately terminate the concession.

The By-laws of Ansaldo STS have no provision derogating from the passivity rule under Article 104, paragraphs 1 and 1-*bis*, of the TUF, nor do they have provisions applying the neutralisation rules under Article 104-*bis*, paragraphs 2 and 3, of the TUF.

2.9 DELEGATIONS OF AUTHORITY TO INCREASE THE COMPANY'S SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

On the date of this Report no mandate has been given to the Board of Directors to carry out share capital increases pursuant to Article 2443 of the Civil Code nor may the Board issue participatory financial instruments.

On 11 May 2017 the Shareholders' Meeting authorized the purchase of own shares pursuant to Article 2357 of the Civil Code up to the maximum amount of no. 300,000 ordinary shares by the deadline of 18 months. The own shares acquired were fully allocated to the Company's Chief Executive Officer and Managers, executing the share incentive plans approved by it. At the date of this Report, therefore, Ansaldo STS S.p.A. does not own ordinary shares of the Company.

2.10 MANAGEMENT AND COORDINATION ACTIVITIES

Ansaldo STS is subject to management and coordination by Hitachi Ltd. pursuant to Article 2497 of the Civil Code, as established by the Board on 21 December 2015.

2.11 INDEMNITY OF DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF THE RELATIONSHIP FOLLOWING A TAKEOVER BID

For more information on the directors' compensation and on the effects of termination provided for by the incentive plans adopted by the Company, please see the Remuneration Report, prepared in accordance with article 123-*ter* of the TUF and 84-*quater* of the Issuers Regulation, and made available to the public on the Company website http://www.ansaldo-sts.com/en/documents/report-remuneration-2 and with the other methods provided for by law.

2.12 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY-LAWS

For detailed information on the appointment and replacement of directors, see Part 4, paragraph 4.1.1 of the Report ("*Information on the implementation of the Corporate Governance Code provisions. Board of Directors. Appointment and Replacement*").

The clauses of the By-laws regulating the amendments to the By-laws do not contain any different provisions from the ones set out by the applicable laws.

Furthermore, in accordance with the provisions of Article 2365 of the Civil Code, the Company's By-laws entrust the Company Board of Directors with adopting resolutions to ensure their compliance with any legal provisions.

3. GOVERNANCE STRUCTURE OF ANSALDO STS

3.1 INTRODUCTION

By resolution of the Board of Directors meeting held on 19 December 2006, Ansaldo STS endorsed the Corporate Governance Code approved by the Corporate Governance Committee of Borsa ltaliana S.p.A. in March 2006.

Subsequently, on 18 December 2012, the Board of Directors of Ansaldo STS resolved to conform to the principles included in the Corporate Governance Code approved by the Corporate Governance Committee in December 2011, and to align its corporate governance system to the new provisions of the Code.

Lastly, in July 2015, the Corporate Governance Committee of Bprsa Italiana S.p.A. adopted a new version of the Corporate Governance Code to which, moreover, the system of Corporate Governance Ansaldo STS already seemed to be substantially aligned.

The Code is available on the Borsa ltaliana S.p.A. website at the following address: http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/code2015.en.pdf.

The primary purpose of the Corporate Governance System adopted by the Company is the creation of a shareholder value, as the Company is aware of the importance of transparency for the decisions made by the Company and for their formation, and of the necessity to prepare an effective Internal Control and Risk Management System. In compliance with the applicable laws, the Report illustrates the "Corporate Governance" system of Ansaldo STS and indicates the procedures for the actual implementation of the Code provisions by the Company.

Neither the Company nor those of its subsidiaries that have strategic importance are subjected to non-Italian laws that influence Ansaldo STS' Corporate Governance structure.

3.2 MAIN GOVERNANCE INSTRUMENTS

Here below are the main governance instruments that the Company has adopted, also in compliance with the most recent laws and regulations, with the Code provisions and with national and international best practices:

- By-laws
- Code of Ethics
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01
- General Meeting Regulation
- Board of Directors Regulation
- Control and Risk Committee Regulation
- Nomination and Remuneration Committee Regulation
- Executive Committee Regulation
- Related-party transactions - Procedure adopted pursuant to Article 4 of the Related-Party Regulation
- Procedure for the management and communication of inside information of importance for the institution and update of the Insider List
- Internal Dealing Code

These documents are available to the public on the Company's website at http://www.ansaldo-sts.com/en/governance/governance-system.

4. INFORMATION ON IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

4.1 BOARD OF DIRECTORS

4.1.1 APPOINTMENT AND REPLACEMENT

The Company is managed by a Board of Directors consisting of no less than seven and no more than thirteen members. On each occasion, before electing the members, the General Meeting shall define the number of Board members within the aforesaid limits.

Directors are appointed for no more than three financial years and may be re-elected pursuant to Article 2383 of the Civil Code.

The directors are appointed by the Ordinary General Meeting on the basis of list voting. Lists may be submitted by shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (equal to 1% of Ansaldo STS share capital for both the financial year 2016 and the financial year 2017) or, failing that, represent at least 2.5% of the shares with voting rights at the Ordinary Shareholders' Meeting.

Without prejudice to the other publication obligations under the lssuers Regulation, the lists submitted by the shareholders must be deposited at the Company's registered office and made available to the public in accordance with the terms and procedures set out by the applicable provisions.

In order to prove ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by virtue of an authorised intermediary giving notice in accordance with current legislation.

Each list shall include two candidates, endowed with the independence requirements set out by the law, or more as required by the law, indicated separately and one of whom shall appear at the top of the actual list.

In addition, the lists that have a number of candidates equal to or greater than three must include candidates of different gender, as provided for in the notice of call of the Meeting, so as to ensure that the new Board of Directors is composed of members of the less represented gender, in accordance with applicable regulations. In case of a fraction, the number shall be rounded up to the higher unit.

Subject to the above provisions, the notice of call for the Ordinary General Meeting convened for 13 May 2016 on the sole call, where one of the items on the agenda is the appointment of the Board of Directors, provided that, in the lists for the appointment of the members of the Board of Directors, at least a third of the candidates should belong to the less represented gender and at least one of the candidates belonging to the less represented gender should be placed in the first two places in the list.

If the aforesaid requirements are not fulfilled, the list shall be considered as not submitted.

In order to ensure the actual participation of minorities in the Company management, as well as the transparency of the process of selection and appointment of directors, the Company's By-laws expressly provide that each shareholder is entitled to submit or concur to submit one list only, that each candidate can be presented in one list only. Failure to comply with these requirements shall result in the candidate being declared ineligible. Furthermore, each eligible voter can vote for one list only. Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's By-laws for their respective offices.

According to the Company's By-laws, in addition to the integrity requirements set forth under the applicable laws and regulations (or any similar requirements according to equivalent provisions of other rules and regulations), to be appointed as directors, candidates must also possess certain professional skills indicated in the By-laws.

In particular, candidates cannot be appointed to the office of director of the Company and, if appointed, shall cease from office if they have less than a total of three years' experience in:

- management or control activities or executive duties in corporations endowed with a share capital of no less than two million Euro; or
- professional activities or teaching in universities as a tenured professor of legal, economic, financial and technical-scientific subjects strictly connected with the Company business; or
- managerial duties in public authorities or public administrations operating in the credit, financial and insurance sectors or, in any case, in sectors strictly connected with the company business.

This experience may be assessed on the basis of the curriculum vitae containing exhaustive information on the personal and professional characteristics of each candidate, to be made available to the public together with each list, pursuant to Article 144-octies, paragraph 1, of the lssuers Regulation. The Board of Directors shall make sure each of its members is in possession of the aforesaid requirements.

The directors shall be appointed as follows: (i) two thirds of the directors to be appointed shall be taken from the list that has obtained the majority of votes expressed by eligible voters (any fraction being rounded-down to the nearest whole number), in the progressive order in which they appear on the same list; (ii) the remaining directors shall be taken from the other lists in accordance with the criteria and procedures indicated in the By-laws (see Article 16.3, letter b) of the By-laws); (iii) if, following the procedure described above, the minimum number of independent directors required by law has not been appointed, then the criteria and procedures specified in the By-laws must be followed (see Article 16.3, letter c) of the By-laws); (iv) if the application of the above procedure does not permit compliance with the rules in force relating to gender balance, then the criteria and procedures specified in the By-laws must be followed (see Article 16.3, letter c-*bis*) of the By-laws).

In the event that only one list or no list is submitted, the Meeting shall adopt a resolution with the majorities required under law, and in any event so as to ensure the presence of the minimum number of independent directors required by applicable rules and to ensure compliance with the rules in force relating to gender balance.

If one or more Directors cease from office during the financial year, and on condition that the majority be always formed of Directors appointed by the Meeting, the provisions of Article 2386 of the Civil Code shall apply, in compliance with the replacement criteria indicated in the Company's By-laws (see Articles 16.5, 16.6 and 16.7 of the By-laws), and so as to ensure compliance on the regulations in force concerning gender balance.

If the majority of directors appointed by the Meeting cease from office, the entire board shall be considered outgoing and the Directors who are still in office shall convene a General Meeting without delay in order to re-form the Board.

The Meeting shall elect the Chairman of the Board of Directors; if the Meeting fails to do so, the Chairman shall be elected by the Board itself. The Board may also elect a Vice Chairman, who shall replace the Chairman in cases of absence or impediment.

Please note that Article 16, paragraph 1, letter d) of the Markets Regulation, provides for stricter criteria for the composition of the Board of Directors of subsidiaries subject to direction and coordination by another company, either ltalian or foreign, with shares listed on regulated markets. In particular, pursuant to that provision the majority of the Board of Directors must consist of independent directors.

Similarly, Article 16, paragraph 1, letter d) of the Markets Regulation, provides for stricter criteria also for the internal committees of the Board of Directors established in compliance with the Corporate Governance Code –i.e. in the case of this Company, the Control and Risk Committee and the Nomination and Remuneration Committee - within companies subject to direction and coordination by another company and they must consist of independent directors only.

SUCCESSION PLANNING

During the years 2013 and 2014, the Nomination and Remuneration Committee – whilst carrying out the appointment conferred by the Board of Directors that was in office at such time – conducted, with the help of the competent company officers and an external consultant specifically appointed for such purpose, inquiries in relation to the Ansaldo STS executive directors' Succession Plan.

At the meeting held on 25 March 2014, the Board of Directors, taking note of the work done by the Committee, pursuant to Article 5.C.2 of the Corporate Governance Code, decided, in view of the imminent expiry of the appointment of said Board and the ensuing reappointment of both the Board and Internal Committees (including the Nomination and Remuneration Committee), to postpone the approval of the Plan for Succession of Executive Directors to a later date (i.e. after the reappointment of the new Nomination and Remuneration Committee and the Board of Directors, so to make its own independent evaluation of said Plan).

Following the renewal of the Board and Internal Committees in November 2015, Nomination and Remuneration Committee commenced on 15 February 2016 drafting the Company's executive director's succession plan.

Following the further nomination made by the Shareholders' Meeting on 13 May 2016, the Board of Directors has not as yet assessed the possibility of adopting these plans, nor have any proposals to that effect been submitted by the Nominations and Remuneration Committee.

4.1.2 CURRENT COMPOSITION

The Company's Board of Directors was appointed by the Ordinary Shareholders' Meeting held on 13 May 2016 for the financial years 2016–2018. In particular, the Shareholders' Meeting appointed the following people as directors of Ansaldo STS: Alistair Dormer (Chairman), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Two lists were submitted to the Shareholders' Meeting held on 13 May 2016 for the appointment of directors.

In particular, the directors Alistair Dormer, Alberto de Benedictis, Andrew Thomas Barr, Mario Garraffo, Katherine Jane Mingay and Katharine Rosalind Painter were drawn from the majority list submitted by Hitachi Rail Italy Investments S.r.l. (which then held an interest equal to 50.772% of the share capital). This list obtained a number of votes equal to 63.078% of the voting capital.

The directors Giuseppe Bivona, Rosa Cipriotti and Fabio Labruna were drawn from the list submitted jointly by the minority shareholders Elliott Associates L.P., Elliott International L.P. and The Liverpool Limited Partnership (jointly, the "**Funds**") which, overall, held an interest equal to 20.587% in the share capital. This list obtained a number of votes equal to 36.851% of the voting capital.

Following the appointment of the new directors, on 16 May 2016 the Board of Directors appointed Ms. Katherine Jane Mingay as Vice Chairman of the Board of Directors. At that same meeting, the Board of Directors also appointed Mr. Francesco Gianni as Secretary of the Board.

During the course of the meeting held on 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Chief Executive Officer and General Manager of Ansaldo STS S.p.A.

Following that, on 21 October 2016, Ms. Katherine Jane Mingay resigned from her position as Vice Chairman of Ansaldo STS with immediate effect. During the course of the meeting held on 28 October 2016, the Board of Directors appointed Mr. Alberto de Benedictis as the new Vice Chairman of the Board of Directors, replacing Ms. Katherine Jane Mingay.

Please note that the Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against Mr. Giuseppe Bivona who, on that account, was dismissed from office with immediate effect. At that same meeting, the Shareholders' Meeting appointed Mr. Michele Alberto Fabiano Crisostomo as a new Company director replacing Mr. Giuseppe Bivona. Mr. Crisostomo would remain in office up to expiry of the Board's current term of office.

Pursuant to paragraph 4.1.1. above, the current Board of Directors is mostly composed of independent directors: in particular, the directors Alberto de Benedictis, Mario Garraffo, Katharine Rosalind Painter, Michele Alberto Fabiano Crisostomo, Rosa Cipriotti and Fabio Labruna are independent directors (for the assessment of independence made by the Board, see paragraph 4.1.6 below entitled "Independent Directors"). In the same way, the internal committees, of the same composition were established only with the favourable vote of the Hitachi appointed directors and, pursuant to the Corporate Governance Code, are composed solely of independent directors.

The tables below show the composition of the Board of Directors.

Current composition of the Board of Directors (until the approval of the 2018 financial statement).

Name	Office
Alistair Dormer(1)	Chairman
Alberto de Benedictis(2)	Independent Director and Vice Chairman
Andrew Thomas Barr	Chief Executive Officer – General Manager - Executive Director
Rosa Cipriotti	Independent Director
Michele Alberto Fabiano Crisostomo(3)	Independent Director
Mario Garraffo	Independent Director
Fabio Labruna	Independent Director
Katherine Jane Mingay	Non-Executive Director
Katharine Rosalind Painter	Independent Director

1 Mr. Alistair Dormer, Chairman of the Board of Directors, is deemed to be an executive director on account of the positions held in the Hitachi Group although he has not received any delegation by the Board and, therefore, is not performing any executive role within the Company.
2 Appointed Vice Chairman of the Company's Board of Directors on 28 October 2016, replacing Ms. Katherine Jane Mingay.
3 The Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against Mr. Bivona – a director appointed by the Company's Ordinary Shareholders' Meeting held on 13 May 2016 – who, on that account, was dismissed from office. The Shareholders' Meeting appointed Mr. Michele Alberto Fabiano Crisostomo as a Company director, replacing the director Mr. Bivona, who declared that he satisfied the requirements of independent stipulated by the Code.

Of the current directors, 2 are executive directors as defined in the Code and 7 are non-executive directors (of whom 6 are independent directors).

* * *

Information about the personal and professional characteristics of each member of the Board of Directors is reported here below.

ALISTAIR DORMER - CHAIRMAN

Alistair Dormer is Global CEO for the rail sector and is at the helm of the Hitachi group companies, which are active throughout the world in the railway sector. Hitachi Ltd. is one of the leading companies in the supply of railway systems, with centres in Japan, China, Southeast Asia, the United Kingdom, the European Union and South America.
Before becoming the Global CEO for the rail sector on 1 April 2014, Alistair had already been Chairman of Hitachi Rail Europe Ltd. He joined the Hitachi group in 2003 and drove the market entry and business expansion of Hitachi Rail Europe Ltd's business activities. Among other things, mention must be made of the success achieved with the contracts for the production of Class 395 and Class 465 trains. More recently, he directed the consortium Agility Trains (which is a consortium formed between Hitachi and John Leng), which

was awarded and completed contracts in the framework of the Intercity Express Programme (IEP) ensuring that the Hitachi Rail Europe Ltd. companies entered the ETCS (European Train Control System) market.

ALBERTO DE BENEDICTIS – VICE CHAIRMAN

Alberto de Benedictis, born in Rome on 17 May 1952, graduated in Economics and Commerce from the "Università La Sapienza" of Rome.
From 1977 to 1981, he was assistant Executive Director of The World Bank.
From 1981 to 1995, he held the position of US Representative for Finmeccanica North America.
From 1996 to 2005, he worked for Finmeccanica Corporate Italia. In particular, up to 2002, he held the position of Senior Vice President, Strategic Finance and Acquisitions and Mergers, i.e. he was responsible for the development of Finmeccanica's new strategy in Aerospace and Defence, carrying out a major reorganization of the Group's investment and corporate recapitalization portfolio.
From 2002 to 2005, he held the position of Senior Vice President, Business Development, i.e. he was responsible for the Finmeccanica Group's strategic acquisitions, managing to develop a position on the US defence market and consolidate the Group's positioning in the UK.
From 2006 to 2015, he was Chief Executive Officer of Finmeccanica UK.
At the moment Mr. de Benedictis is Chairman of the Protection and Security Advisory Group, European Commission, Horizon 2020, Secure Societas Programme.

ANDREW THOMAS BARR – CHIEF EXECUTIVE OFFICER

Andrew Thomas Barr, born in 1973, graduated with honours in Production Technology and Management at Brunel University. He is a member of the Institution of Mechanical Engineers.
In 1990, he began his career with London Underground Limited and also held positions with the British Rail operator GNER, before joining Bombardier Transportation UK Ltd.
From 2002 to 2005, he worked for Strategic Rail Authority, of the UK Government, as Rolling Stock Managing Engineer. He then worked at Hitachi Rail Europe Ltd., holding positions as Senior Vice President of Head of Projects, Operations and Maintenance and as Head of Maintenance Delivery.
Before joining Ansaldo STS, he worked for Hitachi as Deputy Managing Director and Chief Operating Officer and was a member of the board of Hitachi Rail Europe Ltd. and of Agility Trains.
He is currently General Manager of Ansaldo STS.

ROSA CIPRIOTTI

Rosa Cipriotti, born on 14 December 1974, graduated with honours in Economics and Commerce from the "Università La Sapienza" of Rome and in 2015 attended the Executive Master "General Management Program" at Harvard Business School in Boston.
She held executive positions in the Nomura Group, at Lehman Brothers Italy and at Lehman Brothers London and from 2014 to date she has worked as an independent consultant for Italian groups in extraordinary transactions.
From 2015 to 2017, she has been a member of the Board of Directors and a Member of the Risk Committee of Arca Fondi SGR.
From 2016 to 2017 she has been a non-executive director and member of Nominations Committee of Banco Popolare di Vicenza S.p.A.
Currently she is member of the Board of Directors of Prelios Credit Servicing and Prelios Group.
She is also a member of the Internal Control and Risks Committee (CCIR) of PRELIOS S.p.A. She is a professional with more than 15 years' experience in the financial and strategic consultancy sector. She also has significant international experience, particularly within the scope of financial institutions and the private equity sector.

MICHELE ALBERTO FABIANO CRISOSTOMO

Michele Alberto Fabiano Crisostomo, born on 20 January 1972, graduated with honours in Law from the "Università di Bari" and qualified as a lawyer in 1997. In 1996, he obtained a scholarship to undertake further

training at Essex University (UK) and in 1997 he carried out supervisory duties in relation to banks and investment companies for the Commissione Nazionale per le Società e la Borsa *[Italian Securities and Exchange Commission]* (Consob), Intermediaries Division.
From 1998 to 2009, he worked for the law firm Clifford Chance, at its offices in Milan and London, as an Associate and subsequently as a Partner. He is currently working for the law firm Riolo Calderaro Crisostomo e Associati, of which he has been a founder partner since 2009.
From November 2017 he is also member of the Investors Committee at the Italian Recovery Fund.
Michele Crisostomo is an expert in banking, insurance and financial regulations, derivatives transactions, capital markets and rules on listed companies. He is the author of many publications and has participated in conventions as reporter on banking and financial matters. He is constantly committed to updating and investigating the profession and is publicly mentioned among the top lawyers in Italy in the capital market and financial regulation sector.

MARIO GARRAFFO

Mario Garraffo, born on 2 August 1937, graduated in economics from the "Università Commerciale Luigi Bocconi". From 1960 to 1970 he held the position of Controller and Development Director at La Centrale Finanziaria Generale, which is a company active in the public utilities (communications and energy) field. From 1970 to 1980 he served as Investment Director at IFI (Gruppo Agnelli). From 1980 to 1985 he was also CEO of IFIL and from 1985 to 1993 he was Chairman of IFI INTERNATIONAL (today EXOR). From 1993 to 1998 he was Chief Executive Officer of Lazard Italy until its acquisition by Vitale Borghesi & Co. in 1998.
Commencing from such date, he covered for two years the position of Chief Executive Officer of UNIM – Unione Immobiliare, and was subsequently Chairman of General Electric Italy (2000-2004) and Senior Advisor at General Electric Europe (2004-2007) . Between 2005 and 2008 he was also an independent Director of Terna S.p.A. and Pirelli & C. S.p.A. Since 2014 he has been an Independent Director, Chairman of the Remuneration Committee of Recordati S.p.A. From the beginning of 2015 to the present date he has held the position of independent director and member of the Capital Investment Committee of Quadrivio SGR.
Mario Garraffo was a member of the Board of the Johns Hopkins University in Baltimore and the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna. From 1995 to 2006 he was Chairman of the Alumni Bocconi University and he is a member of the Board of Directors of the Javotte Bocconi Women's Foundation.

FABIO LABRUNA

Fabio Labruna, born in Naples on 21 October 1968, graduated with honours in Case Law from the "Università degli studi di Napoli Federico II" and completed his training by following a Master's Degree in European Legal Studies (LLM) at the College of Europe in Bruges.
From 1993 to 2006, he worked for the law firms Baker e McKenzie, Gianni Origoni Grippo & Partners, Skadden Arps Slate Meagher & Flom and finally once again at Gianni Origoni Grippo & Partners, of which he has been a partner since 2002. Since 2006 he has been a founder partner of the law firm LMS, which mainly deals with legal matters relating to financial markets and extraordinary finance transactions of listed and unlisted companies.
From 2007 to 2008, he was a member of the Supervisory Committee of Kamps AG and, from 2009 to 2010, he was an independent Director of Prysmian S.p.A.
From 2013 to 2017 was an independent director of Acomea Sgr and, from 2014 to 2017 he was a non-executive director of Agrinvest BL S.r.L. Currently he is non-executive director of Sparco S.p.A.

KATHERINE JANE MINGAY

Katherine Jane Mingay, born on 26 September 1965, graduated from Cambridge University and obtained an MBA from the London Business School.
From 1987 to 2003, she held corporate finance roles in the investment banks Goldman Sachs and UBS and, from 2003 to 2013, was a Director in the UK Department of Transport, where she formed and led an in-house corporate finance team.

Since 2013, she has been a Senior Advisor of Cambridge Economics Policy Associates, which deals with economic and financial policy in the infrastructure sector and, since 2014, she has been a non-executive Director of Mutual Energy and a Senior Advisor to Horizon Nuclear Power, a subsidiary of Hitachi.
Katherine Mingay has over 25 years' experience in the field of corporate finance in the infrastructure and transport sector, in both the public and the private sectors.

KATHARINE ROSALIND PAINTER

Katharine Rosalind Painter, born on 19 March 1960, obtained a BA (honours) in Chemistry and an MA from Jesus College, Oxford University, obtained a DPhil in Theoretical Chemistry from Linacre College, Oxford University and an MBA from Cranfield University.
From 1983 to 1989, she was at Esso Petroleum, in part dealing with Finance and Corporate Planning. Kathie then worked for Schroders and, following its takeover by Citigroup, for Citigroup with a focus on Energy and Infrastructure Finance. She was a Director at Schroders and, between 1996 to 1998 was responsible for the Project Finance team in South-East Asia. At Citigroup she was a Managing Director, Head of the Infrastructure Advisory Group to 2004, Co-Regional Head of Infrastructure & Energy Finance for Europe, Middle East and Africa to 2005, and Head of Government Infrastructure as part of the Global Infrastructure Group to 2008.
From 2008 to 2010, she held the position of Managing Director at Alinda Capital Partners, based in Europe. Since 2010, she has been a Senior Advisor to Newstate Partners and, since 2012, she has been a non-executive Director, Member of the Control and Risk Committee and Member of the Projects Review Committee of InfraCo Africa Limited.
She is also independent director at "Crossrail 2 (London) Programme Board" and director of "Finance Sub-Panel".

DIVERSITY POLICIES

The diversity policies adopted by the Company deal with the gender composition for both the members of the Board of Directors and the Statutory Auditors. In fact, according to the By-laws at least a third of the members of the Administration and Control bodies should belong to the least represented gender pursuant to Art. 147-*ter* paragraph 1-*ter* of the TUF and according to the current legislation on gender balance. To this end, specific procedures are carried out for the draft of the slates for the appointment of the members belonging to the Boards, as well as specific criteria for the appointment of these members, in compliance with the observance of the representation of the least represented gender within the Board of Directors and the Board of Statutory Auditors. The Company did not adopt additional diversity policies because the current composition of the Board of Directors and the Board of Statutory Auditors seems to be properly diversified with regard to the age, the professional career, independence and representation of minorities, as represented in this report and in the *curricula* of the members.

OTHER OFFICES OF DIRECTOR OR AUDITOR HELD BY THE BOARD MEMBERS OF ANSALDO STS

On 14 February 2007, the Company's Board of Directors approved an Internal Regulation *("Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A.")* aimed at setting out limits to the number of director or Auditor positions that Ansaldo STS board members could hold. On 16 December 2013 the Board of Directors, after receiving the favourable opinion of the Nomination and Remuneration Committee, resolved to make the necessary changes to said Internal Regulation in order to align it with the provisions of application criterion 1.C.3 of the Corporate Governance Code.

In particular, the changes introduced will ensure that, in calculating the "weight" of the offices held by the non-executive directors of Ansaldo STS in other companies, account is also taken of increased commitment associated with the possible participation of the aforementioned directors in committees within the Board of Directors of Ansaldo STS.

Moreover, given the *ratio* of the rules relating to the accumulation of offices, and the various commitments normally expected of directors who are also members of committees established within the administrative bodies of other Listed and/or Non-Listed Companies (as defined below), it has been clarified that in calculating the total "weight" of the offices held by the Directors of Ansaldo STS in other companies, account should be taken also of any possible participation in those committees.

Therefore, pursuant to the Internal Regulation in force, Ansaldo STS directors shall accept the office when they consider they will be able to devote the necessary time to diligent fulfilment of their duties, also taking into account the number of positions held in management and control bodies in (i) Italian and foreign companies with shares listed on regulated markets ("**Listed Companies**"); (ii) Italian and foreign companies with shares not listed on regulated markets, which carry out financial, banking or insurance services or that have an annual revenue equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS ("**Non-Listed Companies**").

The positions held by each director of Ansaldo STS in the administrative and/or control bodies of other Listed Companies and/or Non-Listed Companies should have a total "weight" not exceeding 15, also taking into account the possible participation in committees established within the Board of Directors (and/or the administrative bodies of non-traditional systems) in other Listed and/or Non-Listed Companies.

This Internal Regulation to date requires - for the purpose of calculating the maximum number of positions as director or Auditor deemed to be compatible with effective fulfilment of the appointment as Company director – a different assessment of the offices of executive and non-executive director, to take account - for non-executive directors only - also of the offices held by the latter in one or more Committees established within the Board of Directors of Ansaldo STS.

In these calculations, no account is taken of positions held in Listed Companies or Non-Listed Companies that control or are controlled (either directly or indirectly) or invested in by Ansaldo STS.

The Board of Directors of Ansaldo STS has the authority to grant temporary and permanent exceptions, allowing the directors to hold offices in administrative and control bodies of other Listed Companies and Non-Listed Companies which, taken together, exceed the maximum weight of 15.

The Directors shall promptly inform Ansaldo STS of any change in the offices they hold in other Listed Companies and/or Non-Listed Companies, indicating the average monthly commitment these positions require.

As of 27 February 2018, the current composition of the Company's Board of Directors complied with the above general criteria, as the self-evaluation process showed.

The Internal Regulation *"Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A."* is accessible on the Company's web page http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/policy_sul_cumulo_degli_incarichi.pdf.

At the date of approval of the Report, please note that 4 Directors held positions in other listed companies or in financial, banking or insurance companies or large companies, the latter being companies, other than those indicated above, with an annual revenue equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS.

The table below indicates the offices held by each director in the aforementioned companies:

Director	Office held	Company
Rosa Cipriotti	Non-executive Director	PRELIOS S.p.A.
	Non-executive Director	PRECS S.p.A (Prelios Credit Servicing)

	Member of the CCIR	PRELIOS S.p.A
Mario Garraffo	Independent Director – Chairman of the "Remuneration Committee"	Recordati S.p.A.
	Independent Director	Quadrivio Sgr
Alistair Dormer	Chairman of the Board of Directors	Hitachi Rail Europe Limited
Fabio Labruna	Non-executive Director	Sparco S.p.A.

INDUCTION PROGRAMME

On 26 October 2016, a specific "induction" session was organized for the Company Auditors and Directors, aimed at providing them with adequate knowledge of the sector of activity in which Ansaldo STS operates, the business dynamics and their development, the principles of correct risk management and the reference legislative and self-regulatory framework.

In particular, a meeting was organized at the Company offices during which the management and organization mechanisms of the business and of the business sector in which it operates were illustrated and many existing contracts and projects were analysed.

During financial year 2017, a specific "induction" session was organized for the new Statutory Auditors appointed by the Shareholders' meeting held on 11 May 2017, also regarding legal topics related to the specific activity of the Company, as explained below.

During the current financial year, general "induction" sessions on business and relevant topics are in progress, for both the members of the Board of Directors and the Board of Statutory Auditors.

4.1.3 ROLE AND DUTIES

The Board of Directors has exclusive responsibility for the Company's management and takes all necessary actions to achieve the corporate purpose.

The Board of Directors Rules, initially approved on 29 January 2007, was subsequently amended in order to implement the changes deriving from the adoption of the new Procedure for Related-Party transactions. On 30 January 2017, the Board Rules were further amended with the double purpose of: (i) introducing the modifications as a result of the Corporate Governance Code adherence as updated in July 2015; and (ii) adapting them with regard to the powers attributed to the delegated bodies following the formation of the Company's Executive Committee on 28 October 2016. For purposes of precise compliance with the provisions of the aforesaid Regulation, and in line with applicable laws and regulations, the Board of Directors, specifically:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group it directs, and periodically monitors its implementation;

- defines the Company’s corporate governance system and the Group’s structure;
- defines the nature and level of risk compatible with the Company’s strategic objectives, including in its assessments all risks that may assume significance from the viewpoint of sustainability of the Company’s activities in the medium/long term;
- assesses, on an annual basis, the adequacy of the general organisational, administrative and accounting structure of the Company, of the Group and of the strategically relevant subsidiaries;
- evaluates the general company performance, taking the information received by the delegated bodies into particular consideration and periodically comparing the results achieved with the planned results;
- defines the Internal Control and Risk Management System guidelines (“**SCIGR**”), in order to correctly identify and measure the main risks affecting the Company and its subsidiaries and to determine the extent to which these risks are compatible with managing the company consistently with its strategic objectives;
- evaluates, on at least an annual basis, whether the SCIGR is adequate considering the company's features, the risk profile it has chosen, and its effectiveness;
- identifies within its members one or more Directors in charge of setting up and maintaining an effective Internal Control and Risk Management System (the “**Director in Charge of the Internal Control and Risk Management System**”);
- appoints the Control and Risks Committee composed of at least three Directors possessing the independence requirements mandated by the Code;
- on a proposal of the Director responsible for the SCIGR, and favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors, the Board of Directors: (i) appoints and revokes the Head of Internal Audit; (ii) ensures that he/she has the necessary resources to perform its duties; (iii) defines his/her remuneration consistently with the company's policies;
- approves, on at least an annual basis, the work plan drafted by the Head of Internal Audit, after having consulted the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System;
- evaluates, after consulting with the Board of Statutory Auditors, the results presented by the independent statutory auditors in any recommendation letter and in the report detailing key issues arising from the statutory audit;
- ensures that the Director in charge of drafting the company's accounting documents has adequate means and powers to perform his/her duties and that all administrative and accounting procedures are complied with;
- adopts the Organisational Management and Control Model drafted in accordance with Legislative Decree No. 231/2001 and approves any further amendments or updates;
- appoints and revokes the members of the Surveillance Body in compliance with the Organisational Management and Control model pursuant to Legislative Decree No. 231/2001;
- without prejudice to the matters reserved for the Board of Directors pursuant to Article 2381 of the Civil Code, and to the provisions of the By-laws, delegates and revokes powers to the Chief Executive Officer, determining his limits and terms of exercise thereof;
- after having examined the proposals of the Nomination and Remuneration Committee and, having consulted the Board of Statutory Auditors pursuant to Article 2389, paragraph 3 of the Civil Code, determines the remuneration and regulations applicable to the Chief Executive Officer. If the Shareholders' Meeting fails to do so, determines the allocation of the global remuneration due to the

members of the Board;

- approves the transactions of the Company and of its subsidiaries whenever these transactions are strategically, economically or financially relevant for the Company. For this purpose, it determines the general criteria for identifying significantly relevant transactions;
- performs, on at least an annual basis, an assessment on the performance of the Board and of its committees as well as on their dimension and composition, taking into account elements such as the professional skills and experience (including managerial experience and gender) of its members and their seniority in the office;
- provides information, in the Corporate Management Report: (i) on its composition, stating whether each member is executive, non-executive or independent as well as his/her role within the Board, his/her main professional characteristics and the seniority from his/her first appointment; (ii) on the implementation of Article 1.C.1 of the Corporate Governance Code and, in particular, on the number and average duration of the board meetings held during the financial year as well as on the attendance figures of each director; (iii) on the modes of performance of the above evaluation procedure;
- describes, in the report on corporate governance, the main features of the Internal Control and Risk Management System, giving an evaluation of its adequacy;
- to ensure the correct management of corporate information, upon the proposal of the Chief Executive Officer or of the Chairman of the Board of Directors, adopts a procedure for the internal management and external communication of documents and information concerning the Company, with specific reference to privileged information.

Without prejudice to the provisions of the law and of the By-laws, the Board of Directors at its meeting held on 28 October 2016, following the formation of the Executive Committee, reserved the following matters to its own exclusive competence:

- defining the strategic and organisational directions, including the approval of plans, programs and budgets;
- approving investments, whether on tangible or intangible assets, if (i) such investments are not mandatory and (ii) provided that their value is higher than EUR 500,000;
- approving Significant Transactions as identified in the Related Party Transactions Procedure approved by the Company pursuant to the Related Parties Regulation;
- acquiring and selling shareholdings and interests in other companies whether existing or to be incorporated, also by exercising or waiving option rights, contributions, usufruct, pledges and any other act of disposal even within the framework of joint ventures or of transactions establishing encumbrances on such interests;
- transferring, contributing, leasing, granting usufruct on and any other act of disposal or transaction establishing encumbrances to other company's assets or part thereof; acquisition, leasing, usufruct of companies’ assets or part thereof;
- capital transactions, setting up, transforming, listing in the stock market, merger, demerger, winding-up, entering into shareholders' agreements concerning subsidiaries directly controlled by the Company;
- appointing Directors and Auditors in directly controlled subsidiaries, except for non-executive directors within the Group;
- medium to long term active and passive financial transactions, except for those operations aimed at hedging exchange risks concerning certain orders;
- granting guarantees, including bonds and mortgages (without prejudice to the powers of the Chief Executive Officer and the Executive Committee);
- purchasing, exchanging and selling real estate, as well as any contract concerning real estate with a term longer than nine years;
- submission offers and entering into supply contracts where the value is higher than EUR 350,000,000 (three hundred and fifty million) or that otherwise imply serious commitments or risks;

- entering into permanent consulting agreements amounting to more than EUR 300,000;
- hiring, appointing, promoting and revoking Managers reserved by the law or the By-laws to the Board of Directors, as well as the head of the Internal Audit function, which so provides upon Director in charge of the Internal Control and Risk Management System so proposing;
- granting prior authorisation to the subsidiaries to perform transactions that are strategically, economically and financially relevant for the company; these transactions include the presentation of offers and signing of supply contracts by the subsidiaries; (i) with a value higher than EUR 150,000,000 (one hundred fifty million), or (ii) which imply serious commitments or risks.

During the Financial year 2017, the Board of Directors, *inter alia*:

- on 27 February 2017, after consultation with the Control and Risk Committee - (i) acknowledged the updated mapping of risks relating to the Company and its subsidiaries and the measures adopted to manage and/or mitigate such risks, considering these risks to have been properly identified, measured, managed and monitored and to be consistent with a business management that is in line with its strategic objectives; (ii) considered that the Ansaldo STS Internal Control and Risk Management System was adequate to the nature and characteristics of the Company and the risk profile thereof; (iii) positively assessed the governance structure adopted by the Company, considering the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries to be satisfactory, with particular reference to the Internal Control and Risk Management System;
- on 24 March 2017 approved - subject to the opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors and the Director responsible for the Internal Control and Risk Management System - the audit plan prepared by the Head of Internal Audit for the year 2017;
- on 27 February 2017 verified the existence, for the Company, of the conditions under Articles 15-16 of the Markets Regulation with reference to the financial year 2016. Such certification regarding financial year 2017 was issued on 14 March 2018;
- on 9 February 2017, approved the Budget Plan 2017-2021, while on 27 February 2018 approved the Budget Plan 2018- 2022;
- verified in compliance with the administrative and accounting procedures provided for under Law No. 262/2005;
- verified, on 15 June 2017, on the basis of the documentation submitted by the individual independent directors, and on the basis of the information made available to the Company, that it satisfied the requirements of independence provided for under the legal and regulatory provisions and pursuant to Article 3 of the Code and the Rules of the Market Instructions;
- rated the overall operating performance (by comparing the results achieved with those planned when approving the quarterly and half-yearly financial reports and the financial statement);
- verified the Board Member’s compliance with the Rules of Procedure with which the Board of Directors had defined the maximum number of posts that could be covered by the Company's Directors;
- approved in advance all the transactions performed by the Company and its subsidiaries of particular strategic, economic, asset and/or financial significance.

For more information about the actions of the Board of Directors relating to the Internal Control and Risk Management System, see Part 4, paragraph 4.3 ("*Information on the implementation of the provisions of the Corporate Governance Code. Board of Directors. Internal control and risk management system*").

4.1.4 DELEGATED BODIES

The Board of Directors may delegate some of its tasks to an executive committee or to the Chairman and/or to other members of the Board, appointing one or more Chief Executive Officers. As part of the tasks entrusted to them, the delegated bodies may in turn delegate single acts or categories of acts to employees of the Company and to third parties, with the authority to sub-delegate.

Chairman of the Board of Directors

Except for the case of impediment, the Chairman of the Board of Directors shall call the Board meetings, coordinate the relative activities and chair these meetings, ensuring that the Board Members are suitably and promptly informed, to give the Board adequate knowledge to act on the matters submitted to it.

The office of Chairman of the Board of Directors is held by Mr. Alistair Dormer, who was appointed by the Company's shareholders on 2 November 2015 and subsequently confirmed in office by the Shareholders' Meeting held on 13 May 2016.

Mr. Alistair Dormer in his capacity as Chairman of the Board of Directors, did not receive any special delegation from the Board, apart from the powers relating to the legal representation and company signature conferred pursuant to Article 25.1 of the By-laws. Therefore, he does not perform a specific role in preparing business strategies. However, he is deemed to have an executive role pursuant to the provisions of the Corporate Governance Code by virtue of the positions held in the Hitachi Group.

Vice-Chairman of the Board of Directors

The Vice Chairman in office, Mr. Alberto de Benedictis, who was appointed Director on 13 May 2016 and Vice Chairman of the Board of Directors on 28 October 2016, has not received any particular delegation from the Board and therefore has no executive role within the Company, apart from the powers relating to the legal representation and company signature conferred pursuant to Article 25.1 of the Company's By-laws, in the event of the absence or impediment of the Chairman of the Board of Directors.

Chief Executive Officer

On 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Chief Executive Officer and General Manager, conferring on him specific managerial powers. Subsequently, on 28 October 2016, at the time of appointing the Executive Committee, the Board of Directors altered the powers of the Chief Executive Officer, in order to render the powers conferred on those delegated bodies consistent and therefore, along with the power of legal representation of the Company before all courts of law and administrative authorities and before third parties, the Chief Executive Officer was attributed the following powers to be exercised with single signature:

- to direct and manage the corporate business in accordance with the guidelines and directives of the Board of Directors;
- to perform all actions that fall within the Company's ordinary management;
- to implement the resolutions of the Board of Directors, performing all actions of ordinary and extraordinary management decided by the same Board.

By way of example and not expressly, and without prejudice to the competence of the Executive Committee (*Bid Committee*) as well as reservation of sole competence attributed to the Board of Directors for Transactions of Greater Significance as well, referred to in the Related-Party Transactions Procedure approved by the Company pursuant to the Related Parties Regulation, such powers include the following:

1. To represent the Company before any ordinary or special judicial, administrative or tax authority, at any level and in any location, and therefore even in the office of the Council of State or in the event of an appeal against or action to set aside a judgment, with powers to sign petitions and appeals for any reason, lodging and supporting actions, both administrative and judicial, to obtain knowledge and on execution and also bankruptcy proceedings, arrangements with creditors and suspensions, carrying out the relevant formalities and therefore also issuing powers of attorney and special mandates for lawyers, lawyers vested with general and special powers for legal proceedings and to elect domicile, and to appoint special lawyers to represent the Company in court.

2. To settle any dispute, accept or reject proposed arrangements, reach settlements and refer to arbitrators, including mediators, any dispute, either based on an arbitration clause or based on separate deeds of arbitration, appointing arbitrators and carrying out all relevant formalities relating to the resulting arbitration

proceedings.

3. To submit and refer to oaths, submit and respond to interrogations or questioning, even on forgery, join criminal proceedings as a civil party seeking damage and elect domicile.

4. To appoint and dismiss representatives, sales agents in general and operators; confer and revoke mandates ad *negotia* for sales.

5. To accept bank credit and overdraft facilities.

6. To issue and accept liabilities on bills of exchange of any kind.

7. To perform any short-term financial sale or purchase transactions, including the discounting of bills signed by the Company itself, carry-over transactions at any bank, including the issuing institute, assuming undertakings and carrying out the necessary formalities, as requested; perform exchange risk hedging transactions relating to orders.

8. To perform bill discounting transactions signed by third parties, endorse and receipt bank cheques, promissory notes, certificates of credit, bills of exchange and postal orders payable at credit institutions, post and telegraph offices and at any natural or legal person in general.

9. To issue bank and giro cheques on current accounts held by the Company, even overdrawn.

10. To hire, suspend and dismiss managerial and non-managerial personnel, save as provided for by point 13 of the Powers of the Board of Directors; change the conditions of employment of employees.

11. To represent the Company before organizations in the category and unions and before any institution, association or consortium.

12. To represent the Company at Shareholders' Meetings of entities in which it has interests, units, shares or holdings, exercising any right relating to the shares, interests or units themselves.

13. To issue payroll extracts and certificates concerning personnel, both for social security, insurance or mutual institutions and for other entities or individuals; ensure the observance of measures the Company is required to take such as tax substitute measures, with the power, *inter alia*, to sign declarations, certifications or any other deed or certificate stipulated by the legislation in force on the subject, for the purposes of such measures.

14. To sign letters for the crediting and debiting of current accounts.

15. To acquire and grant contracts for the execution of works and supplies of any kind, arranging the relevant contracts, participating, where appropriate, in public and private bidding and appointing special representatives, if necessary, to participate in the relevant tenders and bidding.

16. To arrange, amend and terminate, for and on behalf of the company, contracts for the purchase, exchange and sale of materials, products, machinery and plant and, in general, any other contract on movable property, even if registered, the Company being bound by all rights and obligations deriving therefrom.

17. To arrange, amend and terminate, for and on behalf of the Company, any contract or agreement relating to original works, trademarks, drawings, patents, models and any other similar works; contracts relating to immovable property for a period not exceeding nine years; and consortium, rental, transportation, insurance, mediation, agency, deposit or credit transfer contracts.

18. To arrange, amend and terminate, for and on behalf of the Company, contracts for the establishment of joint ventures.

19. To establish, register and renew mortgages and liens borne by third parties in favour of the Company, consent to mortgage cancellations and restrictions borne by third parties in favour of the Company owing to the termination and reduction of liabilities; waive mortgages or mortgage substitutes, even on a legal basis and perform any other mortgage transaction, always borne by third parties in favour of the Company and therefore payment transactions, releasing the competent real estate register custodians from any liability.

20. To arrange, for and on behalf of and in the interests of the Company, the collection, release and withdrawal of all sums and all securities howsoever payable thereto by anyone, such as the State Administrations, the Regions, Municipalities and Provinces, Cassa Depositi e Prestiti, the State Provincial Treasuries, the Revenue Agencies, Consortia and credit institutions, always including the issue and subsequently the collection of mandates already issued or to be issued in the future, without any time limitation, in favour of the Company, for any amount of capital or interest payable to the latter by the aforesaid administrations or by the aforesaid offices and institutes, whether in settlement of the deposits made by the Company itself or for any other reason.
To issue in the Company's name the corresponding declarations of receipt and discharge and in general any declarations requested at the time of performance of individual measures, including those of exemption of the aforesaid offices, administrations and institutes from any liability in that respect.

21. To collect securities, parcels, packages and letters, including registered and guaranteed items, as well as ordinary postal and money orders, and appoint special representatives for that purpose.

22. To carry out any actions and transactions in respect of rail, customs, post and telegraph offices and in respect of any public or private transportation office in general, with the power to issue the necessary receipts and declarations of discharge and to grant liens and releases.

23. To represent the Company in carrying out all measures relating to import and export, temporary import and export, re-import and re-export transactions.

24. To grant guarantees and counter guarantees in favour of banks or insurance institutes for customs transactions, for participating in tenders, for works to be executed, for the correct execution of supplies to be provided by the Company and its subsidiaries or companies in which it has an interest, in Italy or abroad, within the limits stipulated for the transactions for which the issue of the aforesaid guarantees is accessory; issue guarantees in the interests of subsidiary companies up to a maximum amount of EUR150,000,000 (one hundred and fifty million).

25. To acquire at third parties, State administrations, banks and credit institutions, loans in any form relating to Company credits arising from the export of goods and services and the execution of works abroad.

26. To take any measures and assume any initiatives, with the fullest powers, to ensure full compliance of the activities with the provisions of the law, regulations, ordinances, orders and instructions of any international, community, national or local authority.

27. To sign, amend and supplement requests to participate in tenders, including the relevant documentation, for the submission and execution of research and development projects; in the event of an award, to sign the relevant contracts with the financing entities, acquire/grant the relevant loans and take any measures and assume any initiatives, with the fullest powers to guarantee observance of the procedures stipulated by the tenders, including, merely by way of example, the establishment of new entities or legal persons established for that purpose.

28. Within the limits of the powers conferred, to delegate appropriate signatory powers to managers, to be exercised in the name and on behalf of the Company for the performance of the assignments and tasks entrusted to them, and to issue special mandates to Company employees and also to third parties, authorising them to perform certain operations, or categories of operations, on behalf of the company, with the use of the corporate signature.

The Chief Executive Officer reports to the Board of Directors and to the Board of Statutory Auditors at least on a quarterly basis and in any case during meetings of that board. This Report covers the activities carried out, the general company performance and the business outlook, as well as significant economic, financial and equity transactions, or in any case, transactions carried out by the Company and by its subsidiaries that are particularly important due to their entity or characteristics; in particular, the Chief Executive Officer shall report on the transactions in which she/he may have an interest, either on his/her own behalf or on behalf of third parties, as well as on any Significant or Less Significant Related-Party Transactions (as defined in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party Regulation).

As a rule, information shall be given when the Board of Directors approves the periodical accounting situations (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations). This communication may be made during board meetings or in writing.

The Chief Executive Officer also reports to the Board of Directors at least on a quarterly basis on transactions falling within the competence of the Executive Committee and on any conflicts of interest affecting its members or related parties with regard to transactions performed in that respect.

In 2017, this information was actually given by the Chief Executive Officer to the Board of Directors and to the Board of Statutory Auditors on a quarterly basis and, as a rule, when the Board of Directors approved the periodical accounting statements (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations).

Furthermore, at the date of this Report, the Company's Chief Executive Officer, Mr. Andrew Thomas Barr, being as such the figure principally responsible for the management of the Company, does not hold any office as director of another issuer not belonging to the same group of which a director of Ansaldo STS S.p.A. is the Chief Executive Officer.

Executive Committee

On 28 October 2016, the Board of Directors resolved by a majority (with the vote against cast by Mr. Giuseppe Bivona, Ms. Rosa Cipriotti and Mr. Fabio Labruna) to form an Executive Committee (known as the "Bid Committee"), on which the following powers were conferred:

(i) to acquire contracts for the execution of works and supplies of any kind, arranging the relevant contracts, participating, where appropriate, in public and private bidding and appointing special representatives, if necessary, to participate in the relevant tenders and bidding, for individual transactions with a value not exceeding EUR 150,000,000, and up to a limit of EUR 350,000,000 again for individual transactions and solely for the purpose of the Company's work;
(ii) with regard to the transactions referred to in point (i) above, to grant guarantees and counter guarantees in favour of banks or insurance institutes to participate in tenders, for works to be executed, for the correct execution of the supplies to be provided by the Company and its subsidiaries or companies in which it has an interest, in Italy or abroad, within the limits stipulated for transactions for which the issue of the aforesaid guarantees is accessory, if for an amount exceeding EUR 150,000,000, and up to a limit of EUR 350,000,000 again for individual transactions and solely for the purpose of the Company's work;
(iii) to arrange ongoing service contracts (consultancy, technical, etc.) for a period of more than one year or for a value exceeding EUR 150,000, in any event up to a limit of EUR 300,000 per individual contract.

During the same meeting held on 28 October 2016, the Board of Directors also amended the powers attributed to the Chief Executive Officer Mr. Andrew Thomas Barr during the meeting held on 24 May 2016 and the sole competences of the Board in order to coordinate them with the powers conferred on the Executive Committee.

The Executive Committee is composed of the Chairman Mr. Alistair Dormer, the Chief Executive Officer Mr. Andrew Thomas Barr and the Board Member Ms. Katherine Jane Mingay.

The Executive Committee, through the Chief Executive Officer, reports to the Board of Directors at least on a quarterly basis on the transactions within its competence and on any conflicts of interest affecting its members or related parties in transactions relating thereto.

During financial year 2017 the Committee met 10 times, with an average duration of 23 minutes and it examined the following topics:

- Tender promoted for the renewal of the onboard systems of the entire Norwegian fleet;
- Consultancy agreement with PricewaterHouse Coopers in order to control and assess the compliance with Danish pay and work conditions applied by the ASAL Consortium of which Ansaldo STS is member;
- Tender promoted for the design, supply, installation and commissioning of electromechanical systems of the Metro Panama Line 3 monorail system;

- Consultancy agreement with Pirola Pennuto Zei & Associati Tax firm, relating to tax issues;
- Tender promoted for the execution of the onboard system with regard to the construction of the Light Rail in Copenaghen;
- Consultancy agreement with Ashurst LLP law firm, Deloitte and Gideon Franklin Limited, for an assessment related to a potential acquisition;
- Consultancy agreement with Caiazzo Donnini Pappalardo & Associati law firm, for legal and corporate assistance;
  Consultancy agreement with PricewaterHouse Coopers, for an analisys of the market in which Ansaldo STS operates.

All the absences were justified.

No. 6 Committee meetings are planned for the current financial year.

The table below shows the number of the meetings held by the Executive Committee and the attendances of the members for the financial year 2017:

Members	Atendances / No of Meetings	% Attendances
Alistair Dormer	8/10	80%
Andrew Thomas Barr	10/10	100%
Katherine Mingay	10/10	100%

4.1.5 NON-EXECUTIVE DIRECTORS

The Board consists, for the most part, of non-executive members (without operational and/or management delegations within the company) whose number and authority shall ensure that their opinion carries significant weight in the adoption of board decisions.

Non-executive Directors bring their specific expertise to the board discussions, so as to encourage an examination of the issues to be dealt with from different points of view, and a consequent adoption of well-thought out, rational decisions in line with the interests of the company.

At the date of this Report, the Chief Executive Officer and the Chairman are qualified as executive administrators, under criterion 2.C.1 of the Corporate Governance Code, for the reasons indicated above, whereas the other members of the Board are all non-executive.

In particular, the Board member Ms. Katherine Jane Mingay, while being a member of the Bid Committee, cannot be classified as an executive director, pursuant to application criterion 2.C.1 of the Code, as the Company has appointed a Chief Executive Officer, to which have been conferred the management powers previously indicated. Therefore, the Board Member Ms. Katherine Jane Mingay cannot be deemed to be systematically involved in the current management of the Company.

Similarly, Mr. de Benedictis, Vice Chairman of the Board of Directors, cannot be classified as an executive director, pursuant to application criterion 2.C.1 of the Code, as he does not hold managerial powers but only holds delegated powers.

4.1.6 INDEPENDENT DIRECTORS

The current Board of Directors, appointed at the Shareholders' Meeting held on 16 May 2016, is composed of 6 independent directors and, more specifically, the Directors Giuseppe Bivona (replaced, following his revocation, by Mr. Michele Alberto Fabiano Crisostomo), Rosa Cipriotti, Alberto de Benedictis, Mario Garraffo, Fabio Labruna and Katharine Rosalind Painter.

These directors, when the lists were submitted, undertook, on declaring that they met the independence requirements, to promptly give the Board of Directors notice of any changes to such declaration.

The Board of Statutory Auditors on 10 June 2016, following the appointment of the Board of Directors (and on 9 February 2017 as far as Michele Alberto Fabiano Crisostomo is concerned) – on the basis of the declarations of the directors and having acknowledged the evaluations of the Board – verified the correct application of the criteria and the assessment procedures adopted by the Board in order to evaluate the independence of its members.

The Board on 15 June 2017 carried out the annual control pursuant to Article 3.P.2 of the Corporate Governance Code regarding the existence of the requirements of independence pursuant to Article 148, section 3, of the TUF (applicable to directors pursuant to Article 147-*ter*, section 4, of the TUF), Article 16, section 1, letter d) of the Market Regulation and Article 3.C.1 of the Corporate Governance Code in respect of the Directors Rosa Cipriotti, Alberto de Benedictis, Michele Alberto Fabiano Crisostomo, Fabio Labruna, Katharine Rosalind Painter and Mario Garraffo.

In checking the requirements of independence of the Directors, the Board, in light of the statements provided by each person concerned, or the information otherwise available to the Company, assessed the existence of any relations that might be or appear to affect the independent judgement of the independent directors. The results of this assessment were made known to the market through a press release issued on 15 June 2017.

During the financial year 2017, no meetings of the Company's independent Directors were planned as the need did not arise.

4.1.7 LEAD INDEPENDENT DIRECTOR

It should be noted that the conditions which, pursuant to the Code, require the establishment of the role of lead independent director are absent, given that the Chairman of the Board of Directors does not act as the figure principally responsible for the management of the Company (Chief Executive Officer) and does not have a controlling interest in the Company.

4.1.8 DOCUMENTATION AND REPORTING TO THE BOARD OF DIRECTORS

The Chairman of the Board of Directors makes sure that the Board Members are suitably and promptly informed, so that the Board has the necessary knowledge of the matters submitted to it for examination.

The Chairman makes sure that enough time is spent on the items on the agenda for constructive debate and encourages the directors to actively contribute during the meetings.

Based on the Rules of the Board of Directors, directors may participate in meetings remotely, by teleconference or by videoconference, provided they notify it to the Secretary of the Board in advance and all participants can be identified and are able to follow the discussion and participate in dealing with the items, and can view any documentation distributed during the course of the meeting in real time.

Pursuant to the Board of Directors Rules, the supporting documents for the Board meetings shall be sent to each Director and each Auditor on the same date that the meeting is called, if viable, and in any case within three days before the date fixed for the meeting, except for urgent cases, when the documents shall be made available as soon as possible. The periods indicated therein were normally observed for convening Board meetings during the financial year 2017.

If the Chairman deems it appropriate in relation to the contents of the item under discussion and of the relative resolution, the informative documents may be directly provided at the meeting, notifying the directors and auditors thereof; however, if they wish, the directors and auditors may access the information available at the company registered office in the days immediately preceding the meeting; this circumstance never arose during the 2017 financial year.

4.1.9 BOARD MEETINGS – FREQUENCY OF THE BOARD OF DIRECTORS MEETINGS

During the year 2017, the Board of Directors held 13 meetings. The average duration of the meetings of the Company's Board of Directors during the financial year 2017 was approximately three hours and twenty minutes.
All absences were justified.

The table below shows the number of Board of Directors meetings held in 2017, as well as the attendance rate for each director:

Board of Directors currently in office

Members	Attendance/No. of Meetings	Attendance %
Alistair Dormer	11/13	84.61%
Alberto de Benedictis	13/13	100%
Andrew Thomas Barr	13/13	100%
Rosa Cipriotti	12/13	92.30%
Michele Alberto Fabiano Crisostomo[1]	13/13	100%
Mario Garraffo	9/13	69.23%
Fabio Labruna	12/13	92.30%
Katherine Mingay	13/13	100%
Katharine Rosalind Painter	13/13	100%

(1) The Company's Ordinary Shareholders' Meeting held on 19 January 2017 appointed Mr. Michele Alberto Fabiano Crisostomo as a Board Member of Ansaldo STS S.p.A., replacing Mr. Giuseppe Bivona who, pursuant to Article 2393 of the Civil Code, had been revoked from the office of Board Member of the Company.

For 2018, no. 6 meetings have already been planned. Since early 2018, the Board of Directors have met on 24 January 2018 and 27 February 2018.

The Board Meetings were attended, depending on the items indicated on the agenda, by the Company's Chief Financial Officer, the Internal Audit Manager, the Company's HR & Organization Manager and, upon being invited by the Chairman, other Company Managers, with a view to providing the appropriate information on the agenda items. The Secretary of the Company's Board of Directors and the General Counsel also attended all the Board Meetings.
Pursuant to the By-laws, the Board of Directors meets whenever the Chairman or his/her substitute deems it necessary, or on written request of the majority of its members.
Any of the Auditors may also call a Board of Directors meeting.

4.1.10 ASSESSMENT OF THE OPERATION OF THE BOARD OF DIRECTORS

The Corporate Governance Code for the listed companies states that, pursuant to Criterion 1.C.1, letter g, the Board of Directors conducts an annual assessment of the functioning, the size and the composition of the Board and its Committees.

During the meeting held on 28 July 2017, the Board of Directors carried out some evaluations regarding the assignment to an external company for the conduction of a "board evaluation performance", in order to share the approach to be adopted.

Such assignment has been conferred to Spencer Stuart, an external consultancy company

4.1.11 REMUNERATION OF DIRECTORS, GENERAL MANAGER AND OF MANAGERS WITH STRATEGIC RESPONSIBILITIES

The information relative to the remuneration of directors, of the General Manager and of Managers with Strategic Responsibilities is contained in the remuneration report drafted pursuant to articles 123-*ter* of the TUF and 84-*quater* of the Issuers Regulation, available to the public on the Company's website http://www.ansaldo-sts.com/en/documents/report-remuneration-2 and in other ways required by applicable laws.

On 24 March 2017, the Company's Board of Directors, subject to the approval of the Nomination and Remuneration Committee, approved the Company's remunerations policy for the financial year 2017 and the Ansaldo STS remuneration report, prepared pursuant to Article 123-*ter* of the TUF. The first section of this report, containing a description of the remuneration policy adopted by the Company and of the procedures used to adopt and implement such policy, was then submitted - pursuant to paragraph 6 of Article 123-*ter* - to the non-binding vote of the General Meeting held on 11 May 2017. The Meeting voted favour thereof.

It must also be pointed out that in compliance with the provisions of Article 123-*ter*, paragraph 6 of the TUF, the Ordinary General Meeting to be called to approve the 2017 financial statements will also be called to vote in favour of or against the resolution on the first section of the remuneration report, according to the provisions set forth in Article 123-*ter*, paragraph 3 of the TUF, approved by the Board of Directors, upon the Nomination and Remuneration Committee so proposing, explaining the remuneration policy applicable to members of administrative bodies, General Manager and Managers with Strategic Responsibilities for the financial year 2018, as well as the procedures utilised to adopt and implement that policy.

With regard to the remuneration of the directors of Ansaldo STS for the year 2017, see Section Two of the remuneration report, available on the Company's website at http://www.ansaldo-sts.com/en/documents/report-remuneration-2.

The incentive mechanisms for the lnternal Audit Manager and the Manager in Charge of drafting the company's accounting documents are in line with their respective assignments.

4.2 COMMITTEES

The Control and Risk Committee and the Nomination and Remuneration Committee have been established within the Board of Directors and in compliance with the principles and criteria of the Corporate Governance Code to which the Company adheres, in order to make the conduct of the Board's business more efficient and effective.

After the approval of the Corporate Governance Code in December 2011, the Company resolved to adopt the principles contained in such new edition of the Code, conforming its own governance system to the new self-discipline provisions.

On 18 December 2012 the Company resolved, among other things, to: i) set up a Nomination committee, merging it with the already established Remuneration Committee and naming the new committee - vested with a dual function - "Nomination and Remuneration Committee", and approving its regulation and ii) amend and redefine the tasks and duties of the various individuals and subjects involved in the Company's internal control and risks management system, by approving the Regulation of the Control and Risk Committee.

The decision to bring together into a single committee the functions of the Nomination and the Remuneration Committee, was reached after having taken into account: i) the size of the Board of Directors, ii) the organisational needs thereof, also with a view to boosting the efficiency of its operations and its committees, iii) the close correlation between the tasks that had already been assigned to the Company's Remuneration Committee and those that had been attributed by the Corporate Governance Code to the Nomination and Remuneration Committee. In making its assessment, the Board of Directors also took into account the already suitable composition of the said Remuneration Committee, in terms of the independence and expertise of its members. It must be pointed out that this choice still allows the objectives set out in the Code for each committee to be achieved and the Nomination and Remuneration Committee to fulfil the requirements of both committees.

4.2.1 NOMINATION AND REMUNERATION COMMITTEE

Pursuant to the provisions of Article 16, letter d), of the Markets Regulation, the Nomination and Remuneration Committee is entirely composed of non-executive, independent directors, and namely Katharine Rosalind Painter (Chairman), Alberto de Benedictis and Mario Garraffo, appointed by the Board of Directors on 16 May 2016.

Pursuant to Article 6, paragraph 3 of the Corporate Governance Code, in appointing the members of the Committee, the Board of Directors of the Company verified and certified that the Directors Katharine Rosalind Painter and Alberto de Benedictis have at least one of the requirements (knowledgeable and experienced in accounting and financial matters). As far as the director Mario Garraffo is concerned, please note that such verification was made, with positive result, during the first meeting of the Board, following its establishment held on 24 May 2016.

The activities of the Committee are governed by Rules, in line with the Corporate Governance Code provisions, approved by the Board on 29 January 2007 and lastly amended on 18 December 2012.

These Rules are available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/5_regolamento_comitato_nomine_e_remunerazione_en_2.pdf In particular, as regards the Committee's role in terms of appointing Directors pursuant to Article 5 of the Corporate Governance Code, the Committee has the main task of performing the following functions:

- submitting opinions to the Board of Directors regarding the dimension and composition of the same Board and expressing recommendations regarding the professional positions that it may be deemed appropriate to bring onto the Board, as well as on the issues mentioned in Criteria 1.C.3 (maximum number of positions as director and auditor) and 1.C.4, (exceptions to the non-competition clause) of the Corporate Governance Code;
- submitting to the Board of Directors candidates for the office of director in cases of co-option, where it is necessary to replace independent directors;
- on an assignment from the Board of Directors, carrying out the background preparation to prepare the succession plan for executive directors;

On the other hand, as the Remuneration Committee, pursuant to Article 6 of the Corporate Governance Code, the Committee has the task of performing the following functions:

- submitting proposals to the Board of Directors on the remuneration policy for directors and for any Managers with Strategic Responsibilities;
- making periodical assessments of the adequacy, overall consistency and actual implementation of the remuneration policy mentioned in the point above, availing itself - in relation to Managers with Strategic Responsibilities - of the information provided by the Chief Executive Officer, and submitting proposals in this matter to the Board of Directors, where appropriate;
- submitting proposals or giving opinions to the Board of Directors on the remuneration of executive directors and of any other directors holding particular offices as well as on the performance targets linked to the variable part of such remuneration, monitoring the implementation of the decisions taken by the Board itself and verifying the actual achievement of the performance targets;
- evaluating the proposals of the Chief Executive Officer relevant to the general remuneration and incentive policy, as well as to the management development systems and plans, for the key resources of the Group and the directors vested with powers of the Group companies;
- assisting the Company top management in defining the best policy for handling the managerial resources of the Group;
- proposing share-based compensation plans in favour of Directors and Managers of the Company and of the other companies of the Group and the relevant implementing regulations, carrying out the tasks reserved to it for the management of the plans adopted by the Company case by case;
- reporting the way it exercises its tasks to the Company's shareholders.

The directors shall not participate in the Committee Meetings, in which proposals are submitted to the Board regarding their remuneration.

During the Financial Year, in performing its functions as Remuneration Committee, it exercised a role of support to the Board of Directors and the Human Resources & Organization Department of Ansaldo STS on certain priority issues in the examination of the Company's management systems and the relevant variable remuneration plans.

More specifically, the Committee:

- defined the guidelines for the determination of the remuneration policy of the Ansaldo STS Group and subsequently approved the remuneration policy of the Ansaldo STS Group for financial year 2017;
- approved the Remuneration Report pursuant to Article 123-*ter* of the TUF, submitted to Board of Directors and, therefore, the General Meeting held on 11 May 2017;
- examined the development and results of the 2016 MBO Plan, establishing the amount to be paid to the Chief Executive Officer and to the Managers with Strategic Responsibilities, who are beneficiaries of the plan and were in office during the course of 2016;
- positively evaluated Management's MBO 2017 Plan and approved the MBO 2017 Plan for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- reviewed the development and results of the Stock Grant Plan 2014-2016 for the year 2016;
- examined and defined the Stock Grant Plan 2017-2019;
- examined the development and results, for the year 2016, of the 2014-2016, 2015-2017 and 2016-2018 Long Term Incentive Plans for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- examined and approved the 2017-2019 Long Term Incentive Plan for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- evaluated and expressed its favourable opinion on the appointment of Mr. Renato Gallo as Chief Financial Officer;
- identified new Managers with Strategic Responsibilities of the Company.

For more information about the resolutions passed by the Nomination and Remuneration Committee regarding the Chief Executive Officer's, General Manager's and Managers with Strategic Responsibilities' remuneration, please refer to the Remuneration Report made available to the public on the Company's website http://www.ansaldo-sts.com/en/documents/report-remuneration-2 as well as in any other manner provided for under the law.

In carrying out its duties, the Committee was able to access all the corporate functions and information necessary for the performance of their duties.

The Committee reports to the Board of Directors at least every six months and meets periodically in order to perform the functions and duties assigned to it.

During 2017, the Committee met on 27 January 2017, 23 February 2017, 27 February 2017, 17 March 2017, 23 March 2017, 27 April 2017, 14 June 2017, 27 July 2017 and 13 December 2017.

In 2018, no. 6 meetings have been planned. Up until the date of approval of this Report, the Committee met on 23 January 2018, 26 February 2018 and 13 March 2018.

The Committee's work is coordinated by the Chairman of the Committee, Ms. Katharine Rosalind Painter.

The average duration of the meetings of the Nomination and Remuneration Committee during the financial year 2017 was of approximately two hours.

The following table indicates the number of meetings held by the Committee, as well as the attendance rate of the individual members:

Nomination and Remuneration Committee currently in office

Members	Attendance/No. of Meetings	Attendance %

Katharine Rosalind Painter (Chairman)	9/9	100%
Alberto de Benedictis	9/9	100%
Mario Garraffo	7/9	77.77%

The meetings of the Nomination and Remuneration Committee were also attended by the Chairman of the Board of Statutory Auditors and by the Statutory Auditors and also - pursuant to the provisions of Article 1.4 of the Committee rules - the current Human Resources & Organization Manager. The Company's General Counsel, Mr. Filippo Corsi, also attended the Committee meetings, in the capacity of Secretary thereof.

The tables below show the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings:

Members of the Statutory Auditors in office from 11 May 2017

Actual Statutory Auditors	Attendance/No. of Meetings	Attendance %
Antonio Zecca (Chairman)	2/3	66.6%
Giovanni Naccarato	3/3	100%
Alessandra Stabilini	2/3	66.6%

Members of the Statutory Auditors in office from 1 January 2017 to 11 May 2017

Actual Statutory Auditors	Attendance/No. of Meetings	Attendance %
Giacinto Sarubbi (Chairman)	6/6	100%
Renato Righetti	6/6	100%
Maria Enrica Spinardi	5/6	83.3%

The Committee meetings were regularly recorded in minutes and, during the first useful meeting of the Board of Directors, the relevant information was provided.

The Committee has its own budget that adequately covers the performance of the duties entrusted to it and that has been determined for the year 2017 in EUR 30,000.00. Such budget was also confirmed, upon the Nomination and Remuneration Committee so proposing by the Board of Directors for financial year 2018. Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and external consultants, at the Company's expense, for the performance of its duties.

4.2.2 CONTROL AND RISK COMMITTEE

The Control and Risk Committee in office consists of three directors, all of whom are non-executive and independent. Its members are the Directors Alberto de Benedictis (Chairman), Mario Garraffo and Katharine

Rosalind Painter, appointed by the Board of Directors on 16 May 2016. Pursuant to the Code, in appointing the Committee members, the Board of Directors examined the accounting and financial experience of the Committee Chairman, and of its members.

The Committee activities are governed by its own Rules, most recently amended by the Board meeting of 18 December 2012. The rules also comply with the amendments made to the Corporate Governance Code in July 2015.

The updated version of the Rules is available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/7_regolamento_comitato_controllo_e_rischi_en_0.pdf.

The Control and Risk Committee operates to assist the Board of Directors with advice, proposals and preliminary briefs in relation primarily to defining the guidelines of the Internal Control and Risk Management System ("**SCIGR**") and for the periodic assessment of the adequacy and actual operation of the organisational structure relevant to that system.

In particular, the Committee is in charge of verifying the levels of functionality and adequacy of the SCIGR as well as actual compliance with the internal procedures and guidelines adopted, both to ensure sound and effective management and as far as possible, to identify, prevent and manage financial and operating risks and fraud having an impact on the Company.

The Control and Risk Committee shall carry out all duties assigned to it by the Corporate Governance Code, and in particular it shall:

- support, with appropriate background preparation, the assessments and resolutions of the Board of Directors relative to:
  - the Internal Control and Risk Management System and
  - the approval of interim financial reports;
- express its favourable opinion to the Board of Directors with regard to:
  - defining the guidelines of the internal control and risk management system, so that the main risks inherent in the Company and in its subsidiaries are correctly identified and suitably measured, handled and monitored, and in defining the extent to which such risks are compatible with a business management that is consistent with the set strategic goals;
  - assessing, at least on a yearly basis, the adequacy of the internal control and risk management system in relation to the business features and the risk profile undertaken, as well as to its effectiveness;
  - approving, at least on a yearly basis, the work plan prepared by the Internal Audit Manager;
  - describing, within the Corporate Governance Report, of the main features of the internal control and risk management system, and providing an assessment of its adequacy;
  - assessing the results reported by the statutory auditor in its letter of suggestions, if any, and in the report on the fundamental issues that emerged during the statutory audit;
- express its favourable opinion to the Board of Directors with regard to:
  - the appointment and revocation of the Internal Audit Manager;
  - whether this latter is endowed with suitable resources to carry out his duties;
  - whether the remuneration of the Internal Audit Manager is defined in keeping with corporate policy;
- evaluate, together with the Manager in charge of drafting the corporate accounting documents and after consulting the statutory auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purposes of preparing the consolidated financial statements;

- express opinions on specific aspects relating to the identification of the main business risks;
- examine the interim reports concerning the assessment of the internal control and risk management system and the reports of major importance prepared by the lnternal Audit function;
- examine, with the assistance of the Risk Manager, the trend of the main job orders and of the relevant risks, based on the summaries of such job orders, asking the Risk Manager for details about projects of major significance and critical points;
- monitor the independence, adequacy, effectiveness and efficiency of the lnternal Audit Function;
- ask the lnternal Audit Function, where it is deemed necessary or advisable, to carry out audits on specific operating areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- report to the Board of Directors on the activity carried out and on the adequacy of the internal control and risk management system at least every six months, upon approval of the half-yearly and the yearly financial report;
- evaluate the notices given by the Director in charge of the Internal C ontrol and Risk Management System, relating to problems and critical points of the Company's internal control and risk management system, and take appropriate actions;
- support, with an adequate examination, the assessments and decisions of the Board of Directors on the management of risks deriving from prejudicial facts brought to the knowledge of the Board itself;
- carry out any other duties that the Board of Directors may assign to it.

In addition, the Control and Risk Committee carries out the duties of the Related-Party Transaction Committee mentioned in the procedure for related party-transactions adopted pursuant to Article 4 of the Related Parties Regulation, and exercises the relevant powers.

In carrying out the duties entrusted to it, the Control and Risk Committee may examine and discuss the most significant findings, justifications given and any difficulties encountered during its activity with management and with the lnternal Audit Manager; it may also avail itself of the assistance of both Company employees and of external consultants, as long as they are duly bound by the necessary confidentiality restrictions.

The Control and Risk Committee shall promptly share any relevant information for the performance of its tasks with the other Company bodies and functions that carry out significant tasks in connection with internal control and risk management.

As part of its activity, during 2017, the Committee, among other things:

- examined the report for the second half of 2016 and the report for the first half of 2017 prepared by the Head of the Internal Audit function and assessed favourably the adequacy, efficiency and effectiveness of the Company's Internal Control and Risk Management System with respect to the characteristics and the risk profile thereof;
- examined the 2017 Audit Plan, expressing a positive opinion thereon and submitting it to the Board of Directors for its approval;
- examined the performance of certain significant orders;
- conducted the inspections coming within its remit in respect of the Financial Statement for the year 2016, the Interim Financial Reports and the Half-Year Report, and also met with the external auditors and informed the Board of the results of these inspections, making any recommendations as well as observations about the effectiveness of the Internal Control and Risk Management System;
- checked the adequacy and appropriateness of the accounting principles that are being used and their uniformity for the purpose of preparing the Consolidated Financial Statements for the year 2016, the Quarterly Financial Reports and the Half-Year Report;

- examined the Company's results in order to verify the fulfilment of the requirements provided for under Law No. 262/2005.

During the first months of 2018 the Committee also:

- examined the periodic reports for the year 2017 prepared by the Head of the Internal Audit, and gave a positive assessment of the adequacy, efficiency and actual operation of the Internal Control and Risk Management System of the Company in relation to its nature and characteristics and to the assumed risk profile;
- examined the progress of the Group's Audit Plan for 2017, verifying the key results of the last half-year;
- examined 2018 Audit Plan, positively evaluating it and submitting it to the approval of the Board;
- conducted the verifications it was called to carry out with reference to the process of preparing the Financial Statements for the year 2017. To this end, met with the independent auditing firm and informed the Board of the results of such verifications and of any recommendations, and of any issue encountered with reference to the effectiveness of the Internal Control and Risk Management System;
- verified the adequacy and the correctness of the accounting principles used and their consistency for the purposes of preparing the 2017 consolidated financial statements;
- examined the results of the activities carried out by the Company in order to verify the performance of the provisions of Law 262/2005;
- examined the progress of certain significant job orders;

During 2017, the Committee met on 24 February, 8 March, 23 March, 27 April, 29 May, 14 June, 27 July, 30 October and 13 December.

No. 6 meetings have so far been scheduled for 2018. Until the date of approval of this Report, the Committee has met on 23 January, 26 February and 13 March 2018.

The Committee meets at least every six months (in concurrence with Board of Directors approval of the Financial Statements and the Half-Yearly Financial Report). The Committee business is coordinated by its Chairman, Mr Alberto de Benedictis.

In 2017, the Company's Control and Risk Committee meetings lasted an average of three hours.

The table below shows the number of meetings of the Control and Risk Committee held during 2017, as well as the attendance rate for each member:

Control and Risks Committee in office

Members	Attendance/No. of Meetings	Attendance %
Alberto de Benedictis (Chairman)	9/9	100%
Mario Garraffo	8/9	88.8%
Katharine Painter	9/9	100%

The Committee meetings were attended by the Board of Statutory Auditors, the Chief Executive Officer as Director in charge of the Internal Control and Risk Management System and the Internal Audit Manager. The Company's Risk Manager and Chief Financial Officer also attended, and on invitation of the Chairman of the Committee, other Company Managers to provide whatever detailed information was required relevant to the items on the agenda.

Please note that during 2017, the Committee meetings were attended by the Company's General Counsel, Mr. Filippo Corsi, in the capacity of Secretary of the Committee.

The table below shows the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings held during the 2017 financial year:

Board of Statutory Auditors in office as of 11 May 2017

Members	Attendance/No of Meetings	Attendance %
Antonio Zecca (Chairman)	5/5	100%
Giovanni Naccarato	5/5	100%
Alessandra Stabilini	4/5	80%

Board of Statutory Auditors in office from 1 January 2017 to 11 May 2017

Members	Attendance/No of Meetings	Attendance %
Giacinto Sarubbi (Chairman)	4/4	100%
Renato Righetti	4/4	100%
Maria Enrica Spinardi	4/4	100%

The Control and Risk Committee meetings were regularly recorded in minutes and, during the first useful meeting of the Board of Directors, the relevant information was provided.

During the Financial Year, the Committee was given access to all corporate functions and information it required for the performance of its duties.

The Committee has its own budget to cover the performance of the duties entrusted to it, which has been fixed for the financial year 2017 in EUR 30,000.00. With regard to 2018, the budget has been confirmed in EUR 30,000.00 unless any further requirements arise.

Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and of external consultants, at the Company's expense, for the performance of its duties.

4.3 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

4.3.1 ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With the assistance of the Control and Risk Committee and also through the activity of the Director in charge of the lnternal Control and Risk Management System, the Board of Directors has defined the guidelines of that system, so that the main risks inherent in the Company and its subsidiaries are correctly identified, as well as suitably measured, handled and monitored, also defining how compatible such risks are with business management that is consistent with the set strategic goals. As part of the definition of the strategic, industrial and financial plans, the Board of Directors has also defined the nature and level of risk compatible with the Company’s strategic goals, in terms of sustainability and taking into account the most recent sustainability report approved by the Board of Directors on 28 July 2017.

The Internal Control and Risk Management System is the set of rules, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of the principal risks. Such system is integrated into the more general corporate organisational and governance structures adopted by the issuer and takes into account Italian and international models of reference and existing best practice. The Internal Control and Risk Management System helps the business to be run in keeping with the company goals defined by the Board of Directors, encouraging aware decision-making. It helps to guarantee protection of the corporate assets, the efficiency and effectiveness of the company processes in addition to the reliability of financial information and compliance with laws and regulations, as well as with the Company's By-laws and internal procedures.

The Internal Control and Risk Management System reduces - but cannot eliminate - the risk of incorrect decisions, human error, fraudulent breach of the control systems, unforeseeable occurrences as well as risk intrinsic to exercising the business activity. The Internal Control and Risk Management System therefore provides reasonable but not absolute assurance that there are no obstacles to the Company and its subsidiaries achieving their business targets or to the ordinary and legitimate performance of its activities, arising from circumstances that could be reasonably predicted.

The Company's Internal Control and Risk Management System, in line with international best practice, consists of the following elements:

a) Internal environment. This is the set of standards, processes and structures that are the basis for implementing the Internal Control and Risk Management system. For these purposes:

- Ansaldo STS has defined a set of rules for governance of the group through specific procedures;
- the Company has a Code of Ethics for the Group updated on the basis of developments in the organisational and business structure; as regards Ansaldo STS, specific standards of conduct have been put forward in the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, according to the requirements set out by the provisions of the same;
- powers and responsibilities are defined in the corporate procedures in compliance with the principle of separating incompatible duties;
- human resources management conforms to principles of transparency, promotion of dignity, health, freedom and equality of workers and development of competences.

b) Risk management. This is a dynamic and interactive process which identifies and analyses the risks that could prevent the Company from achieving its business goals and allowing it to determine how it can manage those risks.
The Group has in place risk management processes with regard to offers and projects, as well as to corporate processes; these processes are monitored and updated in relation to the business targets. The management process for business process risks refers to the Enterprise Risk Management methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report).

c) Control activities. These consist in carrying out those actions foreseen under the Company policies and procedures - which ensure that the risk is mitigated. In this regard it is noted that:

- periodic "management reviews" are conducted on the offers and the progress of projects and of the overall corporate performance. Moreover, the company management verifies that the targets of the processes are implemented;
- computerised and non-computerised policies and procedures are used to define the control activities. Ansaldo STS has put into place procedures relating to sensitive areas such as consultants and business promoters, sponsorships, consultancy, free gifts, accommodation expenses and entertainment expenses.

d) Information and communication. The information that enables everyone to correctly perform their own duties with a view to achieving the objectives and performing the control activities must be appropriately communicated. In this regard, please note that information:

- is managed through IT systems constantly monitored with regard to efficiency and effectiveness and updated according to business needs;

- is disseminated at various levels according to business goals and needs, including through specific IT tools.

e) Monitoring. The internal control and risk management system is to be monitored by assessing the operations and presence of the people who make it up over time. In this regard, note that:

- specific corporate functions carry out periodic monitoring of the Internal Control and Risk Management System, including the strategy, quality and process improvement function, and the Internal Audit function. The Manager in charge of preparing the accounting and corporate documents periodically monitors the processes providing the financial information;
- the improvement actions identified further to such monitoring are subject to management assessment and to specific monitoring.

Based on the representations made by the Chairman of the Control and Risk Committee during the meeting of the Board of Directors held on 14 March 2018, the said Board, after having consulted the Board of Statutory Auditors, assessed the Internal Control and Risk Management System adopted by the Company to be adequate and effective in relation to the nature and characteristics of the enterprise and its risk profile, as well in relation to the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries (which have a strategic importance).

For the purposes of the above assessment, during the financial year, the Control and Risks Committee examined in particular:

- the outcome of the risk assessment activity;
- the outcome of the assessments carried out by the Risk Management function on the projects pursuant to a previously examined work plan;
- the outcome of the audit activities conducted by the Internal Audit function, pursuant to a previously examined audit plan;
- the outcome of the meetings with the independent auditing firm;
- the reports of the Surveillance Body on the Organisation, Management and Control Model regarding the aspects pursuant to Legislative Decree no. 231/2001.

During the meeting that took place on 14 March 2018, the Chairman of the Control and Risk Committee also reported to the Board of Directors on the examination and assessment of the updated map of the risks inherent in the Company and its subsidiaries, prepared by the Director in charge of the Internal Control and Risk Management system, identifying the relevant risk reduction plans. At the same meeting, after the Board also examined the information above, it decided that the risks inherent in the Company and its subsidiaries are correctly identified, measured, managed and monitored and that they are compatible with Company management that is in line with its strategic goals. For the purpose of making its assessment, the Board of Directors also took into account, at the Board Meeting held on 14 March 2018, all the risks that could be significant in view of sustaining the Company's activities in the medium to long term.

4.3.2 DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Internal Control and Risk Management System on financial reporting is part of the Internal Control and Risk Management System.

The system is defined as the set of activities aimed at identifying and evaluating the cases in which the fact that an action or event occurs, or does not occur, may hinder, either totally or in part, the achievement of the targets of credibility, accuracy, reliability and timeliness of financial reporting. It ensures that the administrative/accounting procedures adopted and their implementation are suitable to ensure the reliability and timeliness of financial reporting, in accordance with the reference accounting standards.

The Internal Control and Risk Management System on financial reporting has been defined in keeping with the generally accepted frameworks issued by the Committee of Sponsoring Organizations of the Treadway

Commission - COSO Report, integrated, as regards IT aspects, by the Control Objectives for lnformation Technology - COBIT.

This system includes a component defined on the basis of a fraud risk assessment for the management of fraud risks. It consists of a set of controls to offset the risk of fraud in the financial reporting processes, subject to periodic monitoring.

The administrative and accounting procedures imply the analysis of the risk that errors, whether intentional or not, may occur in the processes leading to the development of the financial reporting. Therefore, to define such system, the risk areas where there is a possible occurrence of events that could endanger financial reporting reliability are identified and assessed.

On the basis of the identification and assessment of risk areas, the components of the Internal Control System in relation to the financial reporting have been analysed through:

- a brief overall analysis regarding the main companies of the Group, and particularly the control components relevant to financial reporting reliability;
- an analysis of each operating process, relevant to significant financial statement items for financial reporting purposes, through a correlated matrix between targets identified for the process activities and the controls associated therewith.

The system has been developed in the following macro-stages for key companies in the Group:

a. Identification and assessment of risks. Risk is identified in relation to the financial statements assertions (existence and materialisation, completeness, rights and obligations, evaluation and registration, presentation and reporting) and other control objectives such as compliance with the authorisation limits, separation of incompatible tasks, controls on physical safety and on the existence of assets, documentation and traceability of transactions. The identification of risk also includes risks of fraudulent activity, to be understood as intentional acts capable of generating a false economic/balance-sheet/financial representation in the financial statements or of diverting the Company's assets.

b. Assessment of adequacy of controls. Based on the risk assessment, specific risk-mitigation controls are identified which can be distinguished into the following macro-categories:

- controls applicable to the entire corporate organisation (Group/Company) which, being common across the entire organisation to be evaluated, represent structural elements of the internal control system on financial reporting (so-called "Entity Level Control" or Company Level Control");
- specific process-level controls (so-called “Process Level Control”);
- checks relating to the operation and management of information systems (so-called “IT General Control”).

c. Verification of the Internal Control and Risk Management System functionality. In order to verify and ensure the funcionality of the internal control system on financial reporting, specific monitoring activities are to be performed both by the people in charge of the processes (so-called "process owners") and by independent third parties with respect to the operability of the processes (lnternal Audit). The controls that are subject to monitoring include controls for the prevention of fraud risk.

d. Monitoring and evolution of the control system. In order to ensure that the system is adequately monitored, the "design" of its components is subject to systematic assessment which is undertaken, in all cases, whenever significant events occur. Specific tests are carried out every six months to assess the operability of the controls indicated by the administrative and accounting system supervision procedures.

The process owners and the Manager in Charge of drafting the corporate accounting documents are notified of any deficiencies either in the design or in the operability of the controls so they can plan remedial action, with regular follow-up to make sure such actions have been implemented.

The Manager in Charge of drafting the corporate accounting documents, together with the Chief Executive Officer, provide the certification under Article 154-*bis*, paragraph 5 of the TUF.

Ansaldo STS, being subject to the management and coordination of Hitachi Ltd, is also subject to "Japan's Financial Instruments and Exchange Law" (so-called "J-SOX") concerning the operation of the system of internal control over financial information. The relevant monitoring and control activities are carried out periodically.

4.3.3 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as the Director in charge of the Internal Control and Risk Management System.

The Director in charge of the Internal Control and Risk Management System identifies the main business risks, implements the guidelines defined by the Board of Directors and makes sure the Internal Control and Risk Management system is adapted accordingly, promptly reporting to the Control and Risk Committee and/or the Board any problems and critical issues that emerge in the performance of his actions or that in any case come to his notice.

The director in charge of the Internal Control and Risk Management System can request the Internal Audit function to look at specific operating areas and verify whether the internal rules and procedures are being observed when Company business is being conducted, provided that the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Statutory Auditor is given notice thereof.

The Director in charge of the Internal Control and Risk Management System:

- identified the main business risks, taking into account the characteristics of the business conducted by the Company and its subsidiaries, periodically submitting them to the Board for examination;
- implemented the guidelines defined by the Board of Directors, supervising the planning, completion and management of the Internal Control and Risk Management System and constantly making sure it was adequate and effective;
- took actions to adapt such system to the dynamics of the operating conditions and of the legislative and regulatory scenario.

4.3.4 HEAD OF INTERNAL AUDIT

The Head of Internal Audit verifies the operability and suitability of the Internal Control and Risk Management System - both on an ongoing basis and in relation to specific needs - in compliance with international standards; this is done through an audit plan approved by the Board of Directors, after hearing the opinion of the Control and Risk Committee, based on a structured process of analysing and identifying the main risks and attributing an order of priority thereto.

The Board of Directors on 27 February 2018, on the proposal of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors and the Head of Internal Control and Management System, approved the working plan for 2018 drafted by the Head of Internal Audit.

The Head of Internal Audit is not responsible for any operational area and is directly responsible to the Board of Directors. The Head of Internal Audit has also access to any information required to carry out the assignment.

On 15 March 2016, following the resignation of Mr. Mauro Giganti from his position as Head of Internal Audit, with effect from 1 April 2016, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, awarded a mandate for the Internal Audit to the company Protiviti Srl, appointing Mr. Giacomo Galli, Managing Director and Country Leader of the said company as Head of Internal Audit.

Note also that following the renewal of the Board of Directors, as appointed by the Shareholders' Meeting on 13 May 2016, on the proposal of the Director In Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, on 24 May 2016, the Board of Directors resolved to confirm the mandate of Protiviti Srl as the entity in charge of the internal audit office, confirming Mr. Giacomo Galli, Managing Director and Country Leader of the said company, as Head of Internal Audit.

On 24 March 2017, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, extended the mandate granted to Protiviti Srl, which was initially scheduled to expire on 30 March 2017, until 30 September 2017.

On 28 July 2017, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, appointed Mr. Andrea Crespi as the new Head of Internal Audit, with effect as of 1 October 2017, establishing his remuneration in line with company policy and ensured that the latter is given adequate resources to carry out his responsibilities. In particular, the financial resources made available to the Internal Audit for the year 2017 amounted to about EUR 667,000.00.

During the financial year, the Head of Internal Audit:

- Reported on his work to the Director in Charge of the Internal Control and Risk Management System, the Control and Risks Committee and the Board of Statutory Auditors;
- verified the operability and suitability of the Internal Control and Risk Management System and the reliability of the IT systems, including the accounts recording systems, as part of the 2016 and 2017 audit plans, the results of which were submitted to the Control and Risks Committee at its meetings of 24 February and 27 July 2017;
- participated directly, or through persons mandated by him, in periodic meetings of the Supervisory Board pursuant to Legislative Decree 231/2001.

The Head of Internal Audit also prepared his own periodic reports - for the year 2017 - on his activities, on the procedures used to conduct risk management and on compliance with the risk reduction plans. These reports were examined by the Control and Risk Committee at its meetings on 27 July 2017 and 13 March 2018. These periodic reports contain an assessment of the suitability of the internal control and risk management system and were transmitted to the Chairman of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the Internal Control and Risk Management System.

4.3.5 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

Following the entry into force of Legislative Decree no. 231 of 8 June 2001, as amended, which introduced a specific corporate liability regime for certain classes of criminal offences, the Company has adopted measures, in accordance with the provisions of the same Decree, suitable to avoid the possibility of being charged with such liability, by establishing specific protocols and supervision systems aimed at preventing certain types of offences.

For such purpose, by resolution of the Board of Directors on 27 June 2006, the Company adopted the Organisation, Management and Control Model pursuant to Legislative Decree 231/01, which was then updated, following legislative and organisational changes, by Board resolutions of 11 November 2008, 6 March 2009, 6 July 2010, 28 June 2012, 26 June 2013, 16 December 2014, 25 February 2016, 27 February 2017 and, most recently, on 28 July 2017.

The update of 28 July 2017 was mainly undertaken to bring Special Part B1, dedicated to "Private Bribery" into line with the new provisions introduced by Legislative Decree No. 38/2017, which (i) introduced a new Article 2635-*bis* to the Italian Civil Code, which punishes the instigation of corruption between private individuals, (ii) extended the category of punishable entities and conduct by which a corrupt agreement could be reached, and (iii) amended paragraph 6 of Article 2635 of the Italian Civil Code on seizure with the addition of the words "or offered" to the expression "given or promised benefits".

The Company also adopted the Code of Ethics by resolution of the Board of Directors on 27 June 2006; the Code of Ethics was then amended by the resolutions of 11 November 2008, 6 July 2010 and 28 June 2012.

The Model is comprised of a general part and twelve special sections.

The general part essentially focuses on the Surveillance Body ("S.B.") and on the information flows to be transmitted to the same, as well as on the reporting, by the same S.B., to the corporate bodies; on personnel training, on the diffusion of the Model inside and outside the company and on the disciplinary system for the case of non-compliance with the Model prescriptions.

The special sections, relevant to the various offences described in the decree, which might in theory apply to the Company, are as follows: (i) offences to the detriment of the Public Administration, (ii) offences committed for terrorism-related purposes or for the purpose of subverting democracy; (ii) corporate and market abuse offences, (iv) corruption between private parties, (v) negligent homicide and grievous bodily harm committed in violation of occupational health and safety rules, (vi) offences of employing third-country nationals whose stay is illegal, and reducing to or maintaining in slavery or servitude (vii) offences of receiving stolen goods, money laundering and using money, goods or other property of illicit origin and self-laundering; (viii) computer-related offences and unlawful processing of data as well as infringement of copyright, (ix) organised crime offences, (x) offences relating to breach of environmental regulations, (xi) crimes of obstruction of justice, (xii) crimes against industry and commerce and crimes of counterfeiting money, public credit cards, revenue stamps and identification instruments or signs of recognition. The special sections of the Model list the relevant risk areas for the type of offence, refer to the specific decision-making protocols in force and the relevant rules of conduct for anyone operating in the aforesaid areas and define the related monitoring procedures.

Annexes and integral parts of Ansaldo STS's Organisation Model are:

- the Code of Ethics;
- the organisational structure of Ansaldo STS;
- the subdivision of powers and delegation system;
- Evidence file indicating relations with Public Administrations;
- Periodic statement relating to compliance with the Model and with the powers of attorney and the limits of signatory powers;
- list of significant parties under the "Internal Dealing Code";
- list of procedures referred to in the special parts of the Model.

The Organisation, Management and Control Model pursuant to the Legislative Decree No. 231/2001 and the Code of Ethics are available on the company website at the address http://www.ansaldo-sts.com/en/governance/governance-system.

In relation to the provisions of Article 6 of the mentioned Decree, on 27 June 2006 the Board resolved to establish a multiple-member Surveillance Body (S.B.). The tasks, activities and operation of this body are governed by specific bylaws approved by the Board of Directors on 24 October 2006 and last amended on 6 May 2013. The S.B. also has an internal regulation, brought to the attention of the Board of Directors on 6 July 2010.

In particular, the Surveillance Body bylaws - most recently modified on 6 May 2013 - provide that its term of office is three years and that it must be comprised of three members, chosen as follows: (i) two members from outside the Company having the relevant expertise and experience necessary for the position, so as to further enhance the independence of the S.B., and (ii) an internal company figure identified as the current *pro tempore* Corporate Affairs Manager.

The Board of Directors meeting of 6 May, 2013 - in order to align the composition of the S.B. to the new statutory provisions - appointed two new members of the S.B. to replace two members who resigned: their names were drawn from outside the Company and they are academics and professionals with proven expertise and experience in the legal, economic and financial fields, and it also confirmed the *pro tempore* Corporate Affairs Manager of the Company as a member of the S.B.

In this regard it is must be noted that, following the resignation of the Company's pro tempore Corporate Affairs Head, the Company's Board of Directors, appointed Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer, on 21 December 2015, as an internal member of the SB who replaced the former SB member.

On 16 May 2016, following expiry of the three-year term of office conferred on the S.B., the Company's Board of Directors confirmed all members of the S.B. already appointed for a further three years.

In particular, this body - following the resolution passed by the said Board of Directors - is currently composed of the lawyer Ms. Nicoletta Garaventa, an external member entrusted with the office of Chairman of the S.B. by Mr. Alberto Quagli, an external member and by Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer.

The S.B. transmits to the Board of Directors, on a half-yearly basis, a written report relating to the implementation and actual operation of the Organisation, Management and Control Model.

The S.B. has its own budget amounting to EUR 40,000.00 for 2017 that adequately covers the performance of the duties entrusted to it. Such budget has, furthermore, been confirmed for the year 2018.

The S.B. independently approves, on a yearly basis, its own supervision plan, which includes both actions to verify Model adequacy and actions of compliance with the same Model.

4.3.6 INDEPENDENT AUDITING FIRM

The independent statutory auditing firm KPMG S.p.A. ("KPMG"), appointed by the Ordinary Shareholders' Meeting held on 7 May 2012 for the financial years 2012-2020, resigned, on 14 November 2016, from the task of auditor of Ansaldo STS. KPMG believed that it had to resign from the position since, following the acquisition of control of Ansaldo STS by the Hitachi Group, it might find itself in a situation capable of jeopardizing its independence pursuant to Article 5, section 1, letter f), of Ministerial Decree 261/2012.

During the course of the meeting held on 24 November 2016, the Board of Directors therefore convened the Ordinary Shareholders' Meeting to assign the new statutory audit task.

On 19 January 2017, the Company's Shareholders' Meeting therefore assigned the audit task to the independent auditing firm Ernst & Young S.p.A. for the financial years 2016-2024.

4.3.7 MANAGER IN CHARGE OF DRAFTING THE CORPORATE ACCOUNTING DOCUMENTS

In accordance with Article 154-*bis* of the TUF, Article 23.2 of the Company's By-laws states that the Board of Directors is to appoint a Manager in Charge of drafting the corporate accounting documents, after hearing the binding opinion of the Board of Statutory Auditors. The same provision in the Articles of Association also states that the Manager in Charge must have gained at least three years' experience in the exercise of:

a) management or control activities or executive duties in corporations with a share capital of no less than two million Euro, or

b) professional activities or university professorship with tenure in law, economics, finance or technical and scientific subjects strictly pertaining to the company's business and to the functions which the Manager in Charge is to carry out, or

c) managerial duties in public organisations operating in the field of credit, finance and insurance or, in any case, in sectors strictly connected with the company's field of business.

Following the resignation of Mr. Roberto Carassai, the Chief Financial Officer and Manager responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF on 19 October 2016, Mr.

Carassai signed an agreement with the Company for the termination of his employment with effect from 28 February 2017.

Subsequently, on 27 February 2017, the Board of Directors appointed Mr. Renato Gallo, following the approval of the Board of Statutory Auditors, as the Manager in Charge of drafting the corporate accounting documents pursuant to Article 154-*bis* of the TUF, and as interim Chief Financial Officer of the Company as of 1 March 2017. Subsequently, on 28 March 2017, Mr. Gallo's appointment as Chief Financial Officer of Ansaldo STS was confirmed.

The manager in charge, to be able to perform the task assigned, has the power to access and request any information considered relevant within the scope both of the Company and of the subsidiary companies or companies in which it has an interest, and to make use of the other Departments/Functions of the Company and of the Group or the respective resources, for the activities within their competence and to promote the adoption of business procedures or guidelines, in respect of the Group companies as well.

In accordance with the provisions of the applicable laws, the Manager in Charge has set up proper administrative and accounting procedures for preparing the annual financial statements and the consolidated financial statements, as well as for any other financial disclosure.

The Manager in Charge together with the Chief Executive Officer also attested as follows - in a special report annexed to the financial statements, the consolidated financial statements and the half-yearly financial report: (i) the adequacy and actual implementation of the administrative and accounting procedures as indicated above for the period to which such accounting documents refer; (ii) the compliance of the contents of such documents with the international accounting standards that apply within the European Union pursuant to the (EC) Regulation no. 1606/2002 of the European Parliament and the Board, dated 19 July 2002; (iii) the consistency of the same documents with the data resulting from the accounting books and records and their suitability to provide an true and accurate representation of the equity, economic and financial position of the Company and of all the companies included in the consolidation; (iv) that the directors' report accompanying the annual financial statements and the consolidated financial statements contains a reliable analysis of the performance and of the operating results, as well as of the position of the Company and of all the companies included in the consolidation, together with a description of the main risks and uncertainties to which these latter are exposed; (v) that the interim director's report included in the half-yearly management report contains a reliable analysis of the information under paragraph 4 of Article 154-*ter* of the TUF.

4.3.8 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company's Internal Control and Risk Management System involves the following subjects:

- the Board of Directors;
- one or more Directors in charge of setting up and maintaining an effective Internal Control and Risk Management System;
- the Control and Risk Committee;
- the lnternal Audit Manager;
- the other company positions and functions with specific duties relating to internal control and risk management, including in particular, (i) the Risk Management function, (ii) the Manager in Charge of drafting the corporate accounting documents and (iii) the Surveillance Body set up under Legislative Decree No. 231/2001 ("S.B.");
- the Board of Statutory Auditors, also in its role as the internal control and audit committee.

In order to ensure adequate coordination of the various parties involved in the internal control and risk management system, the Company has put in place an information flow system that guarantees timely sharing of information.

4.3.9 REQUIREMENTS UNDER ARTICLES 15 AND 16 OF THE MARKETS REGULATION

With reference to the 2017 financial year, both the Board of Statutory Auditors and the Board of Directors of the Company verified compliance by Ansaldo STS with the rules set out by Consob in Articles 15 and 16 of the Markets Regulation in matters of (i) conditions for the listing of parent companies of companies established and operating under laws of non-member Countries of the European Union ("non-EU foreign subsidiaries") and of (ii) conditions preventing the listing of subsidiaries subject to direction and coordination by other companies.

In particular, with respect to the verifications carried out in the financial year, and, most recently, in early 2018, the following is confirmed:

- in application of the parameters of significance referred to in the current Article 15, paragraph 2, of the Markets Regulation, the identification of the following non-EU foreign subsidiaries: Ansaldo STS USA lnc., Ansaldo STS Australia Pty Ltd;
- the Balance Sheet and the lncome Statement for 2017 of all companies mentioned above will be made available to the public by the Company within the dates indicated by the law (in accordance with the provisions of Article 15, paragraph 1, letter a) of the Markets Regulation);
- Ansaldo STS has obtained the By-laws, the composition and the powers of the corporate bodies of all companies mentioned above and the updated versions of these documents will be kept at the disposal of Consob, if it specifically requests them to be exhibited for supervision purposes (in accordance with the provisions of Article 15, paragraph 1, letter b) of the Markets Regulation);
- all the companies indicated above: (I) provide the Company auditor with the information required by the latter to carry out the audit of the annual and interim accounts of Ansaldo STS (in accordance with the provisions of Article 15, paragraph 1, letter c), item (II), of the Markets Regulation); (ii) have an administrative and accounting system that can regularly transmit to Company management and auditor the necessary economic, equity and financial data to prepare the consolidated financial statements of Ansaldo STS (in accordance with the provisions of Article 15, paragraph 1, letter c), item (ii) of the Markets Regulation);
- compliance with the publication requirements under Article 2497-*bis* of the Civil Code (in accordance with the provisions of Article 16, paragraph 1, letter a), of the Markets Regulation);
- the Company can independently negotiate with customers and suppliers (in accordance with the provisions of Article 16, paragraph 1, letter b) of the Markets Regulation);
- the Company has no cash pooling relationship with the company that manages and coordinates it or with other companies of the group it belongs to (in accordance with the provisions of Article 16, paragraph 1, letter c) of the Markets Regulation);
- the Control and Risk Committee and the Nomination and Remuneration Committee are composed only of lndependent Directors (in accordance with the provisions of Article 16, paragraph 1, letter d) of the Markets Regulation).
- the Board of Directors consists of a majority of lndependent Directors (in accordance with the provisions of Article 16, paragraph 1, letter d) of the Markets Regulation).

In light of the above, the Board of Directors has certified compliance with the conditions under articles 15 and 16 of the Markets Regulation (pursuant to Article 2.6.2, paragraphs 10 and 11, of the Stock Markets Regulation).

4.4. RELATED-PARTY TRANSACTIONS

The Board of Directors of the Company unanimously approved the Procedure regarding related-party transactions (the "Procedure") on 26 November 2010, upon the favourable opinion unanimously expressed by the Procedures Committee, pursuant to Article 2391-*bis* of the Civil Code and Article 4, paragraphs 1 and 3, of the Regulation on related-party transactions. On the same date, the Company's Board of Statutory Auditors confirmed compliance of the aforesaid Procedure with the principles indicated in the Regulation.

Three years after the approval of the Procedure, the Board of Directors on 4 November 2013, in accordance with the recommendations of Consob in its communication No. DEM/10078683 of 24 September 2010 relating to related-party transactions in line with the provisions of Article 13.1 of the Procedure, assessed the adequacy of the Procedure. In particular the Board, after obtaining the approval of the Procedures Committee, assessed the Procedure to be adequate and considered that no substantial amendment thereof was required.

In accordance with the aforesaid Consob recommendation, at the time of the three-yearly assessment of the Procedure, on 24 November 2016 the Board assigned to Protiviti Srl the task of preparing a document concerning transactions involving Ansaldo STS and the Hitachi Group companies. In such meeting the Board resolved to assess the suitability of the Procedure as soon as Protiviti Srl concluded its assignment, i.e. on 28 July 2017.

The Procedure, available on the Company's website http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/procedura_parti_correlate_eng.pdf is aimed at defining the rules, methods and principles to ensure the transparency and the substantial and procedural correctness of the related-party transactions conducted by the Company, either directly or through subsidiaries.

4.4.1 SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL

Pursuant to the provisions of Article 8 of the Regulation and Article 6.2 of the Procedure, except for Significant Related-Party Transactions (as defined in the Procedure adopted by the Company) for which the General Meeting is responsible, or that it must authorise, the Company Board of Directors is competent to authorise Significant Related-Party Transactions, subject to the binding and justified favourable opinion of the Committee for Related-Party Transactions (which, pursuant to the Procedure, coincides with the Control and Risk Committee - established in accordance with the Corporate Governance Code), subject to receipt of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out.

Even if it is through one or more of its members delegated for such purpose, the Committee for Related-Party Transactions must be involved during negotiations and during the background preparation stage. The Committee, or its delegated member, is entitled to ask for information and to formulate observations to the delegated bodies and the people in charge of carrying out the negotiations or the background preparation.

Once the background preparation is completed, after receiving the final data and information relevant to the Transaction, the Committee for Related-Party Transactions, will express - in time to allow the responsible body to reach a decision - a binding, justified opinion on the benefits to the Company of performing the Significant Transaction and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said opinion, choosing persons with proven skills and expertise on matters of interest. The costs and expenses relating to consultancy services provided by the said experts are borne by the Company.

If the Related-Party Transactions Committee has expressed a prior justified opinion opposing a Significant Transaction, or if it has expressed a conditional opinion or recommendations, the Board of Directors of the Company may: (i) approve the Significant Transaction subject to adopting all the recommendations made by the Committee for Related-Party Transactions, or alternatively, (ii) approve the Significant Transaction despite the negative opinion of the Committee, or without otherwise taking into account its recommendations, on condition that the Transaction is authorised by the General Meeting or lastly, (iii) not approve the Significant Transaction and therefore not proceed with it.

In relation to Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the negotiation, background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply.

If the Board of Directors intends to submit a Significant Transaction to the General Meeting despite the negative opinion or without otherwise taking into account the recommendations made by the Committee for Related-Party Transactions, the Transaction shall not be carried out if the majority of non-related voting shareholders vote against the Transaction, on condition, however, that the non-related shareholders present at the Meeting represent at least 10% of the voting share capital.

Without prejudice to the information required under Articles 5 and 6 of the Regulation, the Chief Executive Officer shall provide the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Significant Transactions.

4.4.2 LESS SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL

Subject to the justified and non-binding opinion of the Committee for Related-Party Transactions and subject to receipt from the Corporate Affairs office of the General Counsel & Compliance function of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out, the body responsible for decision-making shall approve Less Significant Transactions (as defined in the Procedure adopted by the Company).

After receiving full and final data and information relevant to the Transaction the Company intends to carry out, the Committee for Related-Party Transactions will express - in time for the responsible body to reach a decision - a non-binding, justified opinion on the benefits to the Company of performing the Transaction, and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said non-binding opinion, among persons of proven professionalism and expertise on matters of interest. The costs and expenses of the consultancy services provided by the experts will be borne by the Company.

In relation to Less Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply *mutatis mutandis*.

Without prejudice to the information required under Article 5, paragraph 8, and article 6 of the Regulation:

(i) the Chief Executive Officer provides the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Less Significant Transactions;

(ii) without prejudice to the provisions of Article 114, paragraph 1, of the TUF (and also today based on Article 17 of EU Regulation 596/2014), within fifteen days of the end of each financial year quarter, the Company makes available to the public a document specifying the other party, the subject-matter and the amount associated with the Less Significant Transactions approved during that quarter despite the negative opinion of the Committee for Related-Party Transactions, in addition to the reasons why it decided to disregard that opinion.

4.4.3 TRANSACTIONS CARRIED OUT THROUGH SUBSIDIARIES

Transactions carried out through subsidiaries must be submitted for the prior, non-binding opinion of the Committee for Related-Party Transactions, which shall issue its opinion in time to allow the responsible body to authorise, examine or assess the Transaction.

4.4.4 EXEMPT TRANSACTIONS

The terms of the Procedure do not apply to Transactions for Small Amounts (i.e. for no more than EUR 150,000.00 when the Related Party is a natural person or no more than EUR 1,000,000.00 when the Related Party is a legal person).

Without prejudice to the periodic financial reporting obligations under Article 5, paragraph 8 of the Regulation, the Procedure does not apply to the following Transactions, where applicable:

(a) Transactions relevant to share-based compensation plans approved by the Meeting pursuant to Article 114-*bis* of the TUF, and all relevant implementing operations;

(b) resolutions relating to the remuneration of directors vested with particular positions, other than those referred to in Article 13, paragraph 1 of the Regulation, as well as other Managers with Strategic Responsibilities, on condition of compliance with the requirements under Article 13 of the Regulation;

(c) Regular Transactions concluded under the same conditions as those normally adopted for non-related parties for transactions of a corresponding nature, size and risk, or based on regulatory tariffs or imposed prices, or adopted for persons with whom the Company is legally obliged to agree to a specific fixed amount, without prejudice to the obligation to comply with the information requirements as per Article 13 of the Regulation;

(d) urgent Transactions which do not fall within the remit of the General Meeting or are not required to be authorised thereby, on condition of compliance with the requirements under Article 13 of the Regulation;

(e) Transactions with or between companies individually or jointly controlled by the Company, as well as Transactions with associates of the Company, if other Related Parties of the Company have no Significant lnterest in the subsidiaries or associates that are parties to such Transaction.

Such cases of exemption also apply, *mutatis mutandis*, to Transactions carried out through subsidiaries. With regard in particular to the exemption for Regular Transactions, the activity carried out by the subsidiary is used to assess the regular nature of the Transaction, except where such subsidiary is a special purpose vehicle established to perform the Transaction, in which case the regularity must be verified with regard to at least one of the activities carried out by the Ansaldo STS Group.

4.5. Board of statutory auditors

4.5.1. Appointment

The General Meeting elects, through list voting, the Board of Statutory Auditors, which consists of three Statutory Auditors and determines the Statutory Auditors' remuneration. The General Meeting also elects three alternate Statutory Auditors.

As provided for the submissions of lists of candidates to the Board of Directors, if the lists of candidates for the office of Auditors are not submitted by the above terms, the lists shall be considered as not submitted.

Lists may only be submitted by Shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (for the financial year 2017, equal to 1% of the Ansaldo STS share capital). Each Shareholder may submit or contribute to submitting only one list and can vote for only one list. Shareholders belonging to the same group or being party to a shareholders' agreement concerning shares in the Company cannot submit or vote for more than one list, even through intermediaries or trust companies.

In order to prove ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by giving notice through an authorised intermediary, pursuant to the applicable legislation that is in force at any given time.

The lists must include the name of one or more candidates (provided that their number shall not be greater than the members to be elected). Each candidate can be only in one list. Failure to comply with this provision shall result in the candidate not being eligible.

The lists are divided in two sections: one for candidates as Standing Member and the other for candidates as Alternate Member. The first candidate of each section must be registered in the Register of Statutory Auditors and have performed statutory audits for no less than three years.

Furthermore the lists that, considering both sections, have three or more candidates must include, in the first two places of the Standing Auditors section and of the Alternate Auditors section, candidates of different gender.

Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's By-laws for their respective offices.

Auditors shall be elected as follows:

- Two Standing Auditors and two Alternate Auditors shall be taken from the list that has obtained the majority of votes expressed by eligible voters, based on the progressive order they are on the list;
- The remaining Standing Auditor and Alternate Auditors shall be taken from the other lists according to the same rules for the appointment of members of the Board of Directors under Article 16.3, letter b) of the By-laws; for this purpose, the votes obtained by each section of the other lists are divided by one. The results so obtained are allocated to the candidates of each section of each list, according to the order provided therein. The quotients allocated to the candidates of each section of the lists are placed in a single decreasing ranking. Those who have obtained the highest quotient in each section are elected.

In the event that (i) only one list or (ii) no list is submitted or (iii) outside the cases of renewal of the entire Board of Directors, the Meeting shall adopt a resolution with the majorities required under law without observing the procedure above mentioned, and in any event so as to ensure that the composition of the Board of Statutory Auditors complies with the provisions pursuant to Article 1, paragraph 1 of Ministry of Justice Decree 30 March 2000, no. 162 and with the regulations in force relating to gender balance.

If more candidates have obtained the same quotient, the candidate in the list who has not elected any Auditor or has elected less Auditors shall be elected.

If none of these lists has still elected any Auditor or all of them have elected the same number of Auditors, the candidate of the list that has obtained the highest number of votes shall be elected. In case of equal votes and quotient, a new voting shall be held, electing the candidate by simple majority.

In case of replacement of one of the Auditors taken from the list that has obtained the highest number of votes, the first Alternate Auditor, taken from the same list, shall be appointed; if such replacement does not allow for a composition of the Board of Statutory Auditors in compliance with the regulations in force on gender balance, the second Alternate Auditor, taken from the same list, shall be appointed. In case of replacement of the Auditor taken from the other lists, the Alternate Auditor elected under Article 16.3., letter b) of the Articles of Association shall be appointed.

If this latter mechanism does not ensure compliance with the regulations in force on gender balance, the General Meeting shall be convened without delay to ensure compliance with these regulations. In any case, the General Meeting under Article 2401, paragraph 1 of the Civil Code shall replace the Auditor based on the principle of necessary minority representation and in compliance with the regulations in force on gender balance.

The Chairman of the Board of Statutory Auditors is appointed by the General Meeting and shall be the Standing Auditor elected by the minority, unless only one list was presented or no lists were presented; in this case, the Chairman of the Board of Statutory Auditors shall be appointed by the General Meeting with the majority provided by the law.

4.5.2 Composition

The Company’s current Board of Statutory Auditors was appointed by the Ordinary General meeting on 11 May 2017.

The following table shows the members of the Board of Statutory Auditors in office during 2017.

Current composition of the Board of Statutory Auditors (2017 – 2019)

Members	Office
Antonio Zecca	Chairman
Giovanni Naccarato	Standing Auditor
Alessandra Stabilini	Standing Auditor
Alessandro Speranza	Alternate Auditor
Valeria Galardi	Alternate Auditor
Cristiano Proserpio	Alternate Auditor

Composition of the Board of Statutory Auditors until 11 May 2017

Members	Office
Giacinto Sarubbi	Chairman
Renato Righetti	Standing Auditor
Maria Enrica Spinardi	Standing Auditor
Giorgio Mosci	Alternate Auditor
Daniela Rosina	Alternate Auditor
Fabrizio Riccardo Di Giusto	Alternate Auditor

2 lists were submitted to the General Meeting on 11 May 2017 for the appointment of the Board of Statutory Auditors.

The Standing Auditors Giovanni Naccarato and Alessandra Stabilini, and the Alternate Auditors Alessandro Speranza e Valeria Galardi were taken from the majority list submitted by Hitachi Rail Investments S.r.l, which held a shareholding equal to 50.772% of the share capital, and obtained a number of votes equal to 60.47% of the voting capital.

The Chairman of the Statutory Board of Statutory Auditors, Mr. Antonio Zecca, and the alternate Statutory Auditor Mr. Cristiano Proserpio were taken from the minority list presented jointly by the shareholders Elliott International L.P. and The Liverpool Limited Partnership which together held a shareholding equal to 22.543% of the Company's share capital, whose winning votes amounted to 39.48% of the voting capital. The shareholders who submitted the minority list certified that they have no connection with Hitachi Rail Investments S.r.l., as provided for under Article 144-*quinquies* of the Issuers' Regulation.

The term of office of the members of the Board of Statutory Auditors will expire at the General meeting called to approve the Financial Statements as of 31 December 2019.

The Board of Statutory Auditors verified that the Auditors possess the independence requirements under the applicable law and Article 8.C.1 of the Code, as already represented by the same Auditors upon their appointment. The independence requirements were verified again on 5 July 2017. Moreover, no member of the Board of Statutory Auditors has notified the existence of any interests held, on his/her behalf or on that of third parties, in any of the Company's transactions.

Following the appointment of the new Board of Statutory Auditors during the Shareholders' meeting held on 11 May 2017, on June 2017 a specific "induction" session was organized also regarding legal topics related to the specific activity of the Company. During the current financial year, general "induction" sessions on business and relevant topics are in progress, for both the members of the Board of Directors and the Board of Statutory Auditors aimed at providing them with adequate knowledge of the sector of activity in which Ansaldo STS operates, the business dynamics and their development, the principles of correct risk management and the reference legislative and self-regulatory framework.

Below you can read the personal and professional information about each member of the Board of Statutory Auditors.

ANTONIO ZECCA

Born in Lecce in 1975, Mr. Antonio Zecca graduated in Economics and Legislation for Business at Bocconi University. Dr Zecca is a Certified Public Accountant and a Statutory Auditor. After a dozen years of experience in Italy and abroad as an executive in the Transaction Service of a 'big four' company, he joined Studio Spada Partners, of which he has been an equity partner since 2013. Mr. Zecca's areas of specialisation are corporate finance and corporate restructuring. He is also a director, liquidator and auditor of commercial, industrial and financial companies.

GIOVANNI NACCARATO

From 1998 to 2015 Mr. Naccarato worked with the Laghi law practice in Rome, providing consultancy in public and private sector company and business unit valuations. He also undertook consultancy work on balance sheets, consolidated financial statements and debt restructuring processes. Since 2016 Mr Naccarato has worked on a freelance basis.
He has been appointed as an expert assessor on sale/contribution transactions involving the business units of companies listed on regulated markets. He has acted and continues to act as a consultant, certifier and assistant in insolvency proceedings for leading Italian Groups. On the date of 1 January 2018 he holds the following positions: General Director of Ospedale Israelitico in Rome, Director of Gybe Srl, member of the Board of directors of Properties Italia S.p.A and Effective Auditor of Yoox Group S.p.A.

ALESSANDRA STABILINI

Ms. Stabilini is a graduate in law from Milan University (1995). She holds a Master of Laws (LL.M) from the University of Chicago (2000). She undertook doctoral research in Business Law at Bocconi University (2003) and has been a researcher in commercial law at the University of Milan (since 2004, subsequently confirmed in the role in 2007). Between 2011 and 2016 she was professor of International Corporate Governance at Milan University. Since 2016 she has been Associate Professor of Corporate Interest, Corporate Social Responsibility and Financial Reporting at the University of Milan, and in 2001 she qualified as a lawyer. She worked as counsel to the NCTM law firm between 2011 and 2015, and has been an equity partner in the firm since 2015. She has held and continues to hold various positions as statutory auditor and independent director in listed and unlisted companies. She has held and continues to hold mandates granted by the Bank of Italy in crisis proceedings involving financial intermediaries. She is Vice President of NED Community, an association of non-executive and independent directors.

ALESSANDRO SPERANZA

Mr. Speranza graduated from the "La Sapienza" University of Rome in 2000, and has been a Certified Public Accountant since 2005. Since 2006 he has been listed on the register of Statutory Auditors. He began his career in the auditing company Pricewaterhouse Coopers S.p.a. in 2001. Mr. Speranza is an expert in questions of taxation of complex corporate transactions, including those of an international nature, with reverse mergers between companies from different European and non-European countries.
He also specialises in management control, treasury, strategic planning, tax planning, design and implementation of extraordinary finance transactions and company valuations, the implementation of joint ventures, change management and the development of systems and functional procedures for corporate

reorganisation, mergers & acquisitions, budgeting and reporting, credit evaluation, risk management and corporate crises.

VALERIA GALARDI

Ms. Galardi graduated in Economics and Commerce from the "La Sapienza" University of Rome in 2001. She has been listed in the Register of Certified Accountants since 2006 and in the Register of Statutory Auditors since 2007. She has acted as an auditor at companies in various sectors, as well as in public welfare, charitable and non-profit organisations. She has served as statutory or alternate auditor in various companies.

CRISTIANO PROSERPIO

A graduate in Economics and Commerce from the Catholic Sacred Heart University of Milan, and since 2003 listed in the Professional Register of Chartered Accountants of Milan and in the Register of Auditors. Since January 2007 he has been a partner of Spada Partners law firm (formerly Studio Spadacini Associazione Professionale). He specialises in corporate and financial consultancy with a focus on mergers & acquisitions, financial restructurings, business plans, company valuations and appraisals. He has held and continues to hold office as standing auditor or chairman of the board of statutory auditors in numerous listed and unlisted companies in the industrial and financial sectors.

DIVERSITY POLICIES

The diversity policies adopted by the Company deal with the gender composition for both the members of the Board of Directors and the Statutory Auditors. In fact, according to the By-laws at least a third of the members of the Administration and Control bodies should belong to the least represented gender pursuant to Art. 147-*ter* paragraph 1-*ter* of the TUF and according to the current legislation on gender balance. To this end, specific procedures are carried out for the draft of the slates for the appointment of the members belonging to the Boards, as well as specific criteria for the appointment of these members, in compliance with the observance of the representation of the least represented gender within the Board of Directors and the Board of Statutory Auditors. The Company did not adopt additional diversity policies because the current composition of the Board of Directors and the Board of Statutory Auditors seems to be properly diversified with regard to the age, the professional career, independence and representation of minorities, as represented in this report and in the curricula of the members.

4.5.3. MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND ATTENDANCE RATES AT THE BOARD OF DIRECTORS' MEETINGS

18 meetings were held during the Financial Year.

In 2017, the meetings of the Board of Statutory Auditors of Ansaldo STS lasted on average for about three hours.

11 meetings have been planned for 2018. During 2017 the Board of Statutory Auditors met on 4 January, 18 January, 9 February, 24 February, 28 February, 23 March, 27 March, 29 March, 18 April, 27 April, 27 June, 5 July, 28 July, 12 October, 22 October, 13 November, 14 December and 15 December.

Since early 2018 to the date of this Report, the Board of Statutory Auditors have met on 25 January and 14 February 2018.

The table below reports the data concerning the attendance rates of each Auditor at the meetings of Auditors, as well as at the meetings of the Board of Directors held in 2017:

Any absences are duly justified.

Board of Statutory Auditors Currently in Office

Members	Board of Statutory Auditors		Board of Directors	
	Attendance / Nr. of meetings	Attendance %	Attendance / Nr. of meetings	Attendance %
Antonio Zecca (Chairman)	8/8	100%	8/8	100%
Giovanni Naccarato	8/8	100%	8/8	100%
Alessandra Stabilini	8/8	100%	6/8	75%

Board of Statutory Auditors in office between 1 January and 11 May 2017

Members	Board of Statutory Auditors		Board of Directors	
	Attendance / Nr. of meetings	Attendance %	Attendance / Nr. of meetings	Attendance %
Giacinto Sarubbi (Chairman)	10/10	100%	5/5	100%
Renato Righetti	10/10	100%	5/5	100%
Maria Enrica Spinardi	9/10	90%	4/5	80%

4.5.4 ROLE AND DUTIES

Pursuant to Legislative Decree no. 39 of 27 January 2010 (“*implementation of Board Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Board Directives 78/660/EEC and 83/349/EEC and repealing Board Directive 84/253/EEC”),* the Board of Statutory Auditors shall supervise, *inter alia,* the statutory audit of annual accounts and consolidated accounts and the independence of the audit firm, particularly with respect to the performance of services other than audit to the entity that is subject to the statutory audit of accounts as well.

In particular, in carrying out its activity, the Board: (i) supervised the independence of the auditing firm, verifying both compliance with the relevant legal provisions, as well as the nature and entity of the services, other than audits, provided to the same Company and its subsidiaries by the auditing firm and the entities belonging to its network; (ii) coordinated with the Internal Audit department and with the Control and Risk Committee for the performance of its activity through specific meetings; (iii) at the meetings held on 24 February 2017 and 14 December 2017, the Board adopted the reports on the quarterly audits carried out by the auditing firm pursuant to Article 19 of Legislative Decree No. 39/2010, aimed at ascertaining that the corporate accounts were regularly kept and the management events were duly entered in the accounting records.

Following the appointment of the Board of Directors on the basis of the statements made by the Directors and having taken into account the evaluations of the Board, the Board of Statutory Auditors certified, at the meeting held on 10 June 2016, that the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its own members were correctly applied. Such certificate was issued, moreover, on 9 February 2017 in connection with the criteria and procedures adopted by the Board of Directors for assessing the independence of Mr. Michele Alberto Fabiano Crisostomo, appointed by the Ordinary Shareholders’ Meeting held on 19 January 2017.

4.6 PROCESSING OF CONFIDENTIAL INFORMATION

4.6.1 PRIVILEGED AND CONFIDENTIAL INFORMATION PROCEDURE AND ESTABLISHMENT OF THE RELEVANT LIST

Following the entry into force, on 3 July 2016, of Regulation (EU) No. 596/2014 (“MAR”) on market abuse, the Company, pursuant to Article 18 of the MAR and in accordance with the technical rules on implementation,

i) drew up a suitable List of persons having access to privileged information ("List") and ii) updated the procedures on privileged and confidential information.
Subsequently, following the publication of the Guidelines issued by Consob in October 2017 on the "Management of Consob on the "Management of privileged information" (No. 1/2017) it was necessary to amend the "Procedure for the management and disclosure of privileged and important information to establish and update the "Insider List" kept by the company.

In particular, on 15 December 2017, the Board of Directors of the company approved the adoption of the new procedure, which implemented the main amendments to the Guidelines, particularly with respect to so-called "relevant" information, i.e. information that consists of an initial stage of what could potentially become price sensitive, and therefore privileged, information.

Moreover, it should be noted that, as indicated by Consob, the corporate offices within which significant and privileged information may arise have been identified in order to hold the said offices responsible for the proper management of the said information.

Finally, not that as of 3 July 2016, in compliance with applicable legislation, the company has adopted an IT tool as required for the correct keeping of the "Insiders" register, and therefore the List is in line with the applicable legislation.

The person in charge of keeping the List is the acting Manager responsible for Corporate Affairs of Ansaldo STS who, in case of absence or impediment, is replaced by an employee belonging to the Corporate Affairs office of the Company's General Counsel & Compliance function, identified by the Manager himself.

The current procedure is available on the Company's website http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/procedura_mar_gennaio_2018_eng.pdf.

4.6.2 Internal Dealing Code

As part of the procedures for the management and transmission of information relating to the Company, on 11 July 2016, the Board of Directors adopted the update to the Code of Conduct for Internal Dealing Matters *("***Internal Dealing Code***")*, rendered advisable to adapt it to the new provisions introduced by the MAR legislation, the relevant implementing provisions and, in particular, to the new more stringent terms laid down on the disclosure of transactions performed by the relevant party and the relevant public disclosure, and with regard to the extension of the closing period. It is recalled that the Internal Dealing Code aims to regulate the information flow relevant to transactions identified by Consob concerning the shares issued by the Company or other connected financial instruments (known as relevant transactions) and conducted, also by proxy, by the "relevant persons" of the Company or by "persons closely associated" to the latter, as defined by Article 3, points 25 and 26 of the MAR Regulation.

The Internal Dealing Code also contains so-called "Blocking periods" during which it is expressly forbidden for relevant persons to carry out relevant transactions.

Such "Blocking Periods" have been identified as:

- the 30-day period preceding approval by the Board of Directors of the draft Financial Statements, the half-yearly report and the quarterly reports, up to the moment that the press release concerning the resolutions adopted by the Board is disclosed to the market;
- any other periods in which the Board, or in case of urgency its Chairman and/or the Chief Executive Officer, separately and/or jointly decide to prohibit or restrict the Relevant Transactions.

Finally, note that on 28 July 2017, following the amendment to the applicable law on April 2017 the Board of Directors approved an update to the internal dealing code, in order to implement the provisions of the TUF and its relevant implementing provisions as contained in Articles 152-*quinquies* et seq. of the Issuers' Regulations.

Note that the main changes to the Code essentially concern:

- reporting obligations applicable to shareholders of at least 10% of the registered capital of the issuer, and in all cases the controlling shareholder;
- the identification of significant persons and their close relatives;
- the identification of operations that must be the subject of such reporting, with an increase of the threshold for exemption from reporting obligations from €5,000 to €20,000.

The Internal Dealing Code is available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/internal_dealing_eng.pdf.

4.7 GENERAL MEETING

Pursuant to Article 15.3 of the By-laws, the Shareholders' Meeting is held and passes resolutions with the majority laid down by law, save as provided for by Articles 16.3 and 27.2 on the election of company officers. The Company has not issued shares with multiple votes (as indicated in section 2.1 of this Report) and nor are increases in the voting right provided for.

The Shareholders' Meeting passes resolutions on all matters within its competence laid down by law. Moreover, pursuant to Article 15.2, the Shareholders' Meeting has the power to authorize the performance by the Board of Directors of Transactions of Greater Significance with related parties under the terms and conditions laid down in the Procedure on related-party transactions adopted by the Company.

Pursuant to Article 2365, section 2, of the Civil Code, the Company's By-laws has assigned to the Board of Directors competence to pass resolutions on the following matters:

a) adaptation of the By-laws to the legislative provisions;

b) merger or demerger of the Company pursuant to Articles 2505, 2505-bis and 2506-ter, final section, of the Civil Code;

c) reduction in the share capital in the event of the withdrawal of one or more shareholders.

In calling, planning and managing general meetings, particular attention is given to encouraging maximum attendance by the Shareholders, as well as to ensure that they receive as much information as possible in those circumstances, in compliance with the restrictions and disclosure procedures concerning price sensitive information.

General Meetings are called by a meeting notice published on the Company's website (www.ansaldo-sts.com) as well as by means of a summarised version in at least one national daily newspaper.

The notice of call must be published at least 30 days before the date of such meeting, except for meetings called to (i) appoint members of the corporate bodies, for which a period of 40 days is required; (ii) resolve on defensive measures in case of an initial public offer, in which case the period is reduced to 15 days; and (iii) resolve on the reduction of the share capital and the appointment of the liquidator, in which case the term is of 21 days.

The ordinary General Meeting shall be called at least once a year to approve the financial statements, within 120 days of the end of the financial year, or within 180 days if the Company must prepare consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require. Ordinary and extraordinary meetings are normally held in a single call. However, if the Board of Directors deems it appropriate and specifically indicates so in the meeting notice, it may decide to hold separate meetings.

The Meeting may be attended by those, in favour of whom the company has received notification from a qualified intermediary attesting the ownership of the shares based on the accounting records at the close of trading of the seventh market trading day prior to the date of first notice of the Meeting. Any debit and credit entries recorded after that date shall give no voting entitlements. An assignee who has purchased shares after such date but before the beginning of the Meeting shall be considered absent and therefore entitled, if the relevant conditions are met, both to file an action for annulment of the meeting resolution and to exercise the right of withdrawal.

Those entitled to participate and vote in the Meeting may appoint a representative by proxy conferred in writing or by electronic means pursuant to Article 21, subsection 2 of Legislative Decree no. 82 of 7 March 2005.

The proxy may be transmitted to the Company by electronic media, using the specific section in the Company website or by certified electronic mail, according to the procedures indicated, case by case, in the meeting notice. The Company keeps a proxy form for representation at each Meeting at the disposal of the persons entitled.

In order to make it easier to collect proxies from Shareholders who are employees of the Company or its subsidiaries and members of Shareholders' associations who comply with the requirements under the applicable laws, the By-laws states that premises may be made available to such associations, according to the terms and formalities arranged with their legal representatives on a case-by-case basis, to be used for providing information about the proxies and collecting them.

Moreover, pursuant to Article 135-*undecies* TUF, for each General Meeting, the Company appoints a party, the so-called "appointed representative", that people entitled to vote may entrust with a proxy, at no cost to them, including voting instructions for all items on the agenda. In this regard, in fact, in order to further encourage attendance at Meetings, Ansaldo STS decided not to exclude in the By-laws, under the same Article 135-*undecies* TUF, the appointment of the representative.

Pursuant to the new Article 127-*ter* TUF, the shareholders are entitled to ask questions on the items of the agenda even before the Meeting. Questions received before the Meeting shall be answered during the same at the latest. The notice of call includes the deadline by which the Company must receive the questions asked before the meeting. This deadline may not be earlier than three days before the date of the single or first meeting convened, or no earlier than five days if the Meeting notice states that the Company must answer any questions it receives before the General Meeting. In that case, answers shall be given at least two days before the meeting, also published in a specific section of the Company's website. If the relevant information relating to a question is already available in the "FAQ" section of the Company's website or if the answer has been published on its website, the answer is considered to be given. The answers provided on paper at the disposal of all those entitled to vote at the start of the actual Meeting are considered as being given during the Meeting.

As to the regulations governing Meeting proceedings, at the Meeting of 12 December 2005 the Shareholders approved a Meeting Regulation, subsequently amended at the Ordinary General meeting on 5 April 2011 in order to align it with the new provisions of the law and the By-laws regarding the right of shareholders introduced by Legislative Decree No. 27/2010. Such Regulation defines the procedures allowing the orderly and functional proceedings of meetings, ensuring that each shareholder is able to speak on items on the agenda, and at the same time specifying certain aspects (maximum duration of the speeches; voting procedure and conduction of voting operations, etc.) aimed at making sure the meeting business is conducted correctly. In particular, it is specified that anyone who wishes to speak shall request permission from the Chairman or – if indicated by the Chairman– from the Secretary, by submitting a written request indicating which item the request refers to, after the items on the agenda have been read out. All shareholders receive a copy of the Regulations for General meetings at each meeting, and they are also available on the Company's website at http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/asts_regulations_shareholders_meetings_eng_0.pdf.

The Board reports to the General meeting on the activity carried out and planned at least on occasion of the approval of the annual financial statements, and at any rate, whenever it so deems appropriate. In order to allow the shareholders to knowingly take the decisions for which the meeting is competent, the Board publishes detailed reports on each item on the agenda (for those items that are under its responsibility). Such reports are also available on the Company website at http://www.ansaldo-sts.com/en/governance/shareholders-meeting/documents-meeting.

No. 6 out of 9 directors attended the Shareholders' Meetings held on 19 January 2017 and 11 May 2017.

Except as described in paragraph 2.3 above, there were no significant changes during 2017 in the market capitalisation of the shares or in the composition of its shareholding.

4.8 INVESTOR RELATIONS

In order to establish an ongoing and professional relationship with most of the Shareholders and the institutional investors, as recommended by the Code, a specific “Investor Relations” corporate department has been set up.

The department reports directly to the Chief Financial Officer and, since 1 June 2013, is headed by Mr. Roberto Corsanego.

Investor Relations has ongoing relations with the financial community in order to understand its needs for information and to support top management in their communication strategy.

The primary goal is to keep up ongoing communications with the Italian and international financial community, providing prompt and transparent sensitive market information and guaranteeing a correct rating of the Company.

Several surveys addressed to interlocutors have confirmed the overall positive impression of the work of the Investor Relations team, recognised as the primary point of reference between the Company and the financial community. The outstanding knowledge of the market, of the business model and the Company's strengths and weaknesses, shown by the Manager of Investor Relations during meetings, was also appreciated.

The office is recognized for its creativity, availability and quality of the information material produced.

Financial analysts are considered to be the main stakeholders, since they are essential for understanding the Company's environment, its business and the strategic line adopted by the Management.

Hedging of shares remained substantially unchanged compared to the previous year, being provided by 10 investment banks; in particular, only 5 of those became actively involved following the conclusion of the takeover bid by Hitachi for the capital of Ansaldo STS and the entry into the shareholding structure of the American fund Elliott, while the other 5, although not officially waiving hedging, maintained a more distant approach, awaiting future developments.

Some business banks provide periodic sector-related research and analysis on competitors, which the Investor Relations Department collects, studies and disseminates internally, along with the official communications from the market.

On a quarterly basis before the release of the financial results, the IR office requests brokers, who hedge the Company stock, for the last update of their forecasts for the Company's main economic/financial indicators, calculating the average values thereof.

This means for the Company that it has an accurate update on the "sell side" analysts' perception, which Management is discusses and reflects on.

Since 2014, the Investor Relations Department, while maintaining unchanged it staff and the intrinsic quality of its activities, has with a view to supporting the Management, taken over the task of monitoring and analysing the market and the competitive scenario.

In addition to the usual daily focus on market "rumours" and the weekly distribution of the information thus collected, the office has the task of conducting an in-depth analysis and giving regularly updates on competitors' progress, the markets and the main fields of study.

The Company has acquired specific instruments in compliance with statutory provisions for the dissemination, storage and filing of regulated information; the website, which contains a section dedicated to all "Investor Relations" matters, remains the main tool for disseminating financial information to stakeholders.

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4.9 CONSIDERATIONS ON THE LETTER DATED 13 DECEMBER 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations contained in the letter dated 13 December 2017 of the Chairman of the Corporate Governance Committee, received when the 2017 self-evaluation process was concluded, will be shared during 2018 and, in particular, will be analysed on the occasion of the 2018 self-evaluation process.

For the Board of Directors

The Chairman

(Alistair Dormer)

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURES

STRUCTURE OF THE COMPANY'S SHARE CAPITAL				
	No. Of shares	% with respect to the share cap.	Listed (indicate the markets)/not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote in ordinary and extraordinary meetings, right to dividend and to refund of capital in case of liquidation
Multiple-voting shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Others	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly-issued shares)				
	Listed (indicate the markets)/not listed	No. of circulating instruments	Class of shares at the service of conversion/exercise	No. of shares at the service of conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT INVESTMENTS IN THE CAPITAL			
Declarant	**Direct Shareholder**	**% Share of Ordinary Capital**	**% Share of Voting Capital**
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	50.772%	50.772%
UBS GROUP AG	UBS AG UBS ASSET MANAGEMENT TRUST COMPANY	5.034%(1)	5.034%(1)
SINGER PAUL E. (in his capacity of *General Partner* of The Liverpool Limited Partnership e Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL L.P.	25.665%(2)	25.665%

Please note that, on the basis of the holdings submitted for the General Meeting held on 11 May 2017, Litespeed Management LLC / Litespeed Master Fund LTD holds no. 7,532,322 ordinary shares, equal to 3.77% of the share capital.

(1) USB Group AG has communicated to the company, pursuant to art. 120 of TUF and to art. 119 of Issuers Regulation, a total long position corresponding at 5,043% of the Company's share capital.

(2) Shareholding made known to the Company on 8 November 2017, pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 117 of the Issuers Regulation. It must be noted that on 8 November 2017, Mr. Paul E. Singer, who is directly and indirectly general partner of the limited partnership Elliott International LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers Regulation, of holding 31.794% of the Company's share capital.

TABLE 2: BOARD OF DIRECTORS AND INTERNAL COMMITTEES STRUCTURE IN 2017

Board of Directors													Control and Risk Committee		Nomin & Remun. Committee		Executive Committee, if any		Other Committee, if any	
Office	Members	Year Of Birth	Date of First Appointment *	In office since	In office until	List (M/m) **	Exec.	Non-exec.	Indep. According to Code	Indep. According to TUF	Number of the office ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)
Chairman	Alistair Dormer	1963	2 November 2015	2 November 2015	General Meeting approving 2018 Financial Statement	M	X([1])	-	-	-	1	11/13	-	-	-	-	P	8/10	-	-
Vice Chairman	Alberto de Benedictis	1952	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	X	X	-	13/13	P	9/9	M	9/9	-	-	-	-
CEO • ◊	Andrew Barr	1973	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	X	-	-	-	-	13/13	-	-	-	-	M	10/10	-	-
Director	Rosa Cipriotti	1974	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	m	-	X	X	X	3	12/13	-	-	-	-	-	-	-	-
Director	Michele Alberto Fabiano Crisostomo (2)	1972	19 January 2017	19 January 2017	General Meeting approving 2018 Financial Statement	m	-	X	X	X	-	13/13	-	-	-	-	-	-	-	-
Director	Mario Garraffo	1937	25	13 May	General	M	-	X	X	X	2	9/13	M	8/9	M	7/9	-	-	-	-

			November 2015 (3)	2016	Meeting approving 2018 Financial Statement															
Director	**FABIO LABRUNA**	1968	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	m	-	X	X	X	1	12/13	-	-	-	-	-	-	-	-
Director	**KATHERINE MINGAY**	1965	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	-	-	-	13/13	-	-	-	-	M	10/10	-	-
Director	**KATHARINE ROSALIND PAINTER**	1960	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	X	X	-	13/13	M	9/9	P	9/9	-	-	-	-

<table>
<tr><th colspan="20">DIRECTORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR IN QUESTION</th></tr>
<tr><th>Office</th><th>Members</th><th>Year of Birth</th><th>Date of First Appointment *</th><th>In office from</th><th>In office until</th><th>List (M/m) **</th><th>Exec.</th><th>Non-exec.</th><th>Indep. according to Code</th><th>Indep according to TUF</th><th>(*)</th><th>(**)</th><th>(*)</th><th>(**)</th><th>(*)</th><th>(**)</th><th>(*)</th><th>(**)</th><th>(*)</th></tr>
<tr><td>Director</td><td>GIUSEPPE BIVONA</td><td>1964</td><td>13 May 2016</td><td>13 May 2016</td><td>19 January 2017</td><td>m</td><td>-</td><td>X</td><td>X</td><td>X</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="4">No. of meetings held during the year in question:</td><td colspan="4">Board of Directors: 13</td><td colspan="3">Risk Control Committee: 9</td><td>Nomination and Remuneration Committee : 9</td><td colspan="3">Executive Committee: 10</td><td colspan="5">Other Committee: N.A.</td></tr>
<tr><td colspan="20">Quorum required for the presentation of lists by minority shareholders for the election of one or more members (pursuant to Article 147-ter of the TUF): The quorum established by Consob for the presentation of the lists to the General Meeting held on 13 May 2016 was 1%. This quorum was confirmed by Consob for 2018.</td></tr>
</table>

(1) Mr. Alistair Dormer, as Chairman of the Board of Directors is considered - even if he did not receive any specific delegation from the Board and, therefore, does not perform any executive role within the Company – an executive director by virtue of the positions held in the Hitachi Group.
(2) The Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against the engineer Mr Bivona who, on that account, was dismissed from office and his replacement, the lawyer Michele Alberto Fabiano Crisostomo, was appointed.
(3) Co-opted by the Company's Board of Directors at the Board Meeting held on 25 November 2015, in order to replace Mr. Ryoichi Hirayanagi. Co-opted by the Board of Directors.

NOTES

The symbols listed below must be entered in the "Office" column:

• This symbol indicates the Director in charge of the internal control and risk management system.

◊ This symbol indicates the principal officer of the issuer's management (Chief Executive Officer or CEO).

* The date of first appointment of each director shall mean the date on which the said director was appointed for the first time (ever) in the Issuer's Board of Directors.

** This column indicates M/m depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).

*** This column indicates the number of offices held by the relevant person as Director or Auditor in other companies listed in domestic and foreign regulated markets, or in financial, banking or insurance companies or in large companies. In the report on corporate governance, the positions are indicated in full. As regards Directors who resigned during the year in question, the indicated assignments must be construed as referring to the date of termination.

(*) This column indicates the attendance rate of Directors in the meetings, respectively of the Board of Directors and the Committees (no. of meetings attended/held during the actual period of office of the relevant director).

(**) This column shows the status of the Director within the Committee: "P": President; "M": member

<u>TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS</u>

Board of Statutory Auditors									
Office	**Members**	**Year of Birth**	**Date of First Appointment***	**In office since**	**In office until**	**List ****	**Indep. Code**	**Attendance of Board of Statutory Auditors' Meetings *****	**N. other appointments ******
Chairman	**ANTONIO ZECCA**	1975	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	m	X	8/8	-
Standing Auditor	**GIOVANNI NACCARATO**	1972	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	8/8	1
Standing Auditor	**ALESSANDRA STABILINI**	1970	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	8/8	5
Alternate Auditor	**ALESSANDRO SPERANZA**	1976	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	N.A	-
Alternate Auditor	**VALERIA GALARDI**	1977	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	N.A	-

Alternate Auditor	**CRISTIANO PROSERPIO**	1975	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	m	X	N.A	-

TABLE 4: AUDITORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR IN QUESTION

Board of Statutory Auditors									
Office	**Members**	**Year of Birth**	**Date of First Appointment***	**In office since**	**In office until**	**List** **	**Indep. Code**	**Attendance of Board of Statutory Auditors' Meetings** ***	**N. other appointments** ****
Chairman	**GIACINTO SARUBBI**	1963	1 April 2008	15 April 2014	General Meeting approving 2016 Financial Statement	m	X	10/10	9
Standing Auditor	**RENATO RIGHETTI**	1946	5 April 2011	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	10/10	-
Standing Auditor	**MARIA ENRICA SPINARDI**	1960	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	9/10	-
Alternate Auditor	**GIORGIO MOSCI**	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	-

Alternate Auditor	**DANIELA ROSINA**	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	-
Alternate Auditor	**FABRIZIO RICCARDO DI GIUSTO**	1966	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	m	X	N.A	-
Number of meetings held during the financial year in question*: 18*									
Quorum required for the presentation of lists by minority shareholders for the election of one or more members (pursuant to Article 148 of the TUF): The quorum established by Consob for the presentation of the lists to the General Meeting held on 11 May 2017 was 1%. This quorum was confirmed by Consob for 2018.									

NOTE

* The date of first appointment of each Statutory Auditor will mean the date on which the said auditor was appointed for the first time (ever) in the Issuer's Board of Statutory Auditors.

** This column shows the slate from which each auditor was elected: "M": Majority List; "m": minority list.

*** This column indicates the attendance rate of Statutory Auditors in the Board of Statutory Auditors' meetings (no. of meetings attended/held during the actual period of office of the relevant auditor).

**** This column indicates the number of offices held by the relevant person as Director or Statutory Auditor pursuant to Article 148-bis TUF and relevant implementing provisions contained in the Consob Issuer's Regulations. The complete list of appointments is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.

Attachment “E”

Ansaldo STS A Hitachi Group Company

REPORT OF THE BOARD

OF DIRECTORS ON

REMUNERATION

(PREPARED PURSUANT TO ARTICLES 123-*TER* OF THE CONSOLIDATION ACT ON FINANCE [TUF]

AND 84-*QUARTER* OF THE ISSUERS REGULATION)

Approved by the Board of Directors of Ansaldo STS S.p.A.

on 14 March 2018

GLOSSARY

Ansaldo STS	Ansaldo STS S.p.A.
Corporate Governance Code, or Code	The Corporate Governance Code for listed companies, updated as last in July 2015 by the Corporate Governance Committee and established by Borsa Italiana S.p.A., ABI (the Italian Banking Association), Ania, Assonime, Confindustria and Assogestioni.
Nomination and Remuneration Committee, or Committee	The Nomination and Remuneration Committee established by Ansaldo STS pursuant to the Code.
Board	The Board of Directors of Ansaldo STS
Executives with Strategic Responsibilities	The managers indicated by Article 65, paragraph 1-*quater*, of the Issuers Regulation, as identified by the Board of Directors.
Group	Ansaldo STS and its subsidiaries pursuant to Articles 93 of the Consolidation Act on Finance (TUF)
Market Regulations Instructions	The Instructions accompanying the Market Regulations organized and managed by Borsa Italiana S.p.A.
Remuneration Policy, or Policy	The Remuneration Policy for financial year 2018, approved by the Board of Directors and described in Section 1 of this Report.
Committee Rules	The Rules of the Nomination and Remuneration Committee.
Issuers Regulation	The Regulation issued by Consob by resolution no. 11971 of 14 May 1999 concerning issuers, as subsequently amended and supplemented.
Report	This remuneration report, prepared pursuant to articles 123-*ter* of the Consolidation Act on Finance (TUF) and 84-*quater* of the Issuers Regulation, approved by Ansaldo STS' Board of Directors on 14 March 2018.
Company	Ansaldo STS S.p.A.
TUF	The Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented.

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SECTION I: REMUNERATION POLICY FOR THE FINANCIAL YEAR 2018

A) Bodies or people involved in preparing and approving the Remuneration Policy; with roles, bodies and people in charge of correctly implementing such policy

The Board of Directors approves the Remuneration Policy on an annual basis, on a proposal of the Nomination and Remuneration Committee (*see below, letter B*).

The Remuneration Policy for the financial year 2018, as described in this section of the Report, is submitted for a non-binding resolution of the General Meeting, called pursuant to Article 2364 paragraph 2 of the Italian Civil Code.

The Bodies in charge of the correct implementation of the Policy are the Nomination and Remuneration Committee in the exercise of its duties as described below, as well as the Chief Executive Officer and the Board of Directors.

B) Action of the Nomination and Remuneration Committee, composition, tasks and operating procedures of this Committee

The Nomination and Remuneration Committee, which submitted the Remuneration Policy proposal to the Board of Directors, is composed of a number of Directors set by the Board of Directors upon its appointment, all of whom are non-executive and independent as required by Article 16 of Consob Regulation No. 20249 of 2017, by the Corporate Governance Code and by the Committee Rules. At least one member of the Nomination and Remuneration Committee has adequate knowledge and experience in financial or remuneration policy, to be assessed by the Board of Directors at the time of the appointment.

The members of the Nomination and Remuneration Committee appointed by the Board of Directors on 16 May 2016 were the independent directors Ms Katharine Painter (Chairman), Mr Alberto de Benedictis and Mr Mario Garraffo.

The Nomination and Remuneration Committee is assigned the following tasks, in connection with the Remuneration Policy:

- submit proposals to the Board of Directors on the remuneration policy for directors and Executives with Strategic Responsibilities, if any;
- make periodical evaluations of the adequacy, overall consistency and actual implementation of the remuneration policy mentioned in the preceding item, making use of the information provided by the Chief Executive Officer as concerns Executives with Strategic Responsibilities, and submit proposals on this matter to the Board of Directors, where appropriate;
- submit proposals or give opinions to the Board of Directors on the remuneration of executive

directors and of any other directors holding particular offices as well as on the performance targets linked to the variable part of such remuneration, monitoring the implementation of the decisions taken by the same Board and verifying the actual achievement of the performance targets;

- evaluate the proposals of the Chief Executive Officer relevant to the general remuneration and incentive policy, as well as to the management development systems and plans, for the key resources of the Group and the directors vested with powers of the Group companies;
- assist the Company top management in defining the best policy for handling the managerial resources of the Group;
- propose share-based remuneration plans in favour of Directors and Managers of the Company and of the other Group companies and the relevant implementing regulations, carrying out the tasks reserved to it for the management of the plans adopted by the Company case by case;
- report to the Company's shareholders on the way in which it carries out its duties.

In the performance of its duties, the Committee shall ensure suitable functional and operational links with the relevant corporate structures.

The Committee reports to the Board of Directors at least every six months.

C) Name of the independent experts, if any, involved in preparing the Remuneration Policy

No independent experts have been involved in preparing the Remuneration Policy.

D) Aims of the Remuneration Policy, underlying principles and changes in such policy, if any, from the financial year 2017

The Company's Remuneration Policy aims to attract, retain and motivate managers with high professional skills, who are able to successfully manage the Company.

In particular, the remuneration of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, aims to:

- align the interests of the said people with the priority objective of creating shareholder value in a medium-long term perspective;
- create a strong connection between remuneration and performance, both individual and of the Group, by involving and incentivising said people, insofar as their action is deemed to be essential to the achievement of the Company and Group targets;
- enhance the loyalty of the key resources, thus encouraging their permanence within the Company and the Group;
- convey the Company intent to share the expected increase in the Company's value with

the top professionals of the Group.

For non-executive Directors, the Remuneration Policy takes into account the commitment required from each of them and their participation, if any, in one or more committees, and it is not linked to the economic performance of the Company (*see* paragraph *N)* below).

Compared to the Remuneration Policy for the financial year 2017, which was approved by the Board of Directors on 24 March 2017 and submitted to the resolution of the Shareholders on 11 May 2017 – called to give its non-binding advice on the first part of the Report wherein details on such Policy were provided, the Remuneration Policy for the financial year 2017 has remained substantially unchanged.

E) Description of the policies on fixed and variable components of the remuneration, with particular regard to the indication of the relevant weight in the total remuneration, differentiating between short and medium-long term variable components

With regard to the fixed component of the remuneration, the Corporate Governance Code recommends that such remuneration should be sufficient to compensate the services of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities in the event that no variable component is paid.

With regard to the variable component, the Corporate Governance Code recommends that the remuneration of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities should comply with the following criteria:

- the fixed and the variable component should be suitably balanced;
- maximum limits should be indicated for the variable components;
- the performance targets should be predefined, measurable and connected with the creation of shareholders value in a medium-long term perspective;
- a significant part of the variable component of the remuneration should be suitably postponed by an appropriate period, after accrual.

With specific regard to share-based remuneration plans, the Corporate Governance Code recommends:

- that shares, options and any other rights assigned to the directors, the General Manager and Executives with Strategic Responsibilities to buy shares or be remunerated on the basis of the share price trends, should have an average vesting period of at least three years;
- that the vesting as per the preceding item should be subject to predefined, measurable performance targets;
- that the directors should keep part of the shares allocated or acquired through the exercise of such rights until the end of their term of office.

In line with the above, the Remuneration Policy states that the remuneration should consist of[1]:

- a fixed component consisting:
  a. for the Chief Executive Officer and General Manager:
     i. of the fee approved by the ordinary General Meeting upon appointment for the office of member of the Board of Directors; and
     ii. of the fee approved by the Board of Directors on a proposal of the Nomination and Remuneration Committee, after hearing the opinion of the Board of Statutory Auditors, received as Chief Executive Officer; and
     iii. of the fee approved by the Board of Directors on a proposal of the Nomination and Remuneration Committee, for the office of General Manager;
  b. for non-executive Directors, of the fee approved by the ordinary General Meeting upon appointment for the office of member of the Board of Directors; and
  c. for Executives with Strategic Responsibilities, of the annual fixed gross remuneration under the individual contract signed by the Executives with Strategic Responsibilities, in compliance with the provisions of the applicable collective bargaining regulations;
- a variable component, both for the Chief Executive Officer and General Manager and for the Executives with Strategic Responsibilities consisting:
  a) of a short-term variable incentive instrument, subject to the achievement of performance targets predefined on an annual basis (known as *Management by Objectives* or "**MBO**"), both of corporate nature (such as the *Earning Before Interests and Taxes* – EBIT and the *Free Operating Cash Flow* – FOCF)**,** and of individual nature, depending on the office held (such as the value of the orders acquired, the achievement of certain values of the sector-specific EBIT and the achievement of certain structural costs, or specific quantity-quality targets).

     The MBO should be designed to provide that the maximum proportion of the incentive, deriving from the achievement of the targets indicated from time to time, shall not, in any event, exceed 100% of the fixed component of the Chief Executive Officer and General Manager, as well as the Executives with Strategic Responsibilities. In order to further incentivize the achievement and the improvement of the performance targets, the MBO shall also provide over-performance mechanisms. In addition, the MBO may provide that the budget is a parameter to establish the proportion of incentive to be paid, as well as (i), in the event of achievement of a certain percentage of the budget, a proportion of

[1] It must be pointed out that, in the event that the General Manager' role is assigned to a person other than the Chief Executive Officer, the Remuneration Policy described in this section of the Report concerning Executives with Strategic Responsibilities is also applicable to the General Manager.

the incentive is paid, (ii) if the predefined budget is achieved, the entire proportion of the incentive is paid, and (iii) if the targets predefined in the budget increase, a greater amount of the one initially set up is paid, in order to incentivize the over-performance, which in any case will not exceed 100% of the fixed component;

b) of a medium-long term cash incentive (known as *Long Term Incentive Plan* or "**LTIP**"), structured on the basis of three-year *rolling* cycles, subject to the achievement of the following targets:

- *Net Result* as the access threshold;
- two annual performance targets, to be identified among the main economic-financial indicators, such as the achievement of certain values in terms of Orders, ROE, ROA, ROS and FOCF.

The maximum proportion of the fully operational incentive to the service of the LTIP shall not exceed the fixed component of the plan beneficiaries' remuneration.

In order to encourage and remunerate in compliance with the results over a medium-long period, the Remuneration Policy also states that LTIP plans shall arrange, for the targets to which they apply, mechanisms both for the recovery in subsequent years of any underperformance registered in previous years, and for carrying over to subsequent years any over-performance registered in each plan year.

In order to align the interests of the plan beneficiaries with the creation of shareholder value in a medium-long term perspective, LTIP plans also provide for the accrual of the incentive portions to occur as follows:

- 25% of the incentive for the first year of the cycle;
- 25% of the incentive for the second year of the cycle; and
- the remaining 50% at the end of the three years.

Also, in order to postpone the allocation of a significant part of the variable remuneration by a suitable period, the Remuneration Policy provides for the payment of the incentive portions accrued with respect to each year and to each target to be postponed by one year from the time of approval of the financial statements certifying the achievement of the targets;

c) of a medium-long term variable incentive based on shares (known as "*Stock Grant Plan* or "**SGP**"), of multiple years' duration.

The allocation of the shares shall be subject to certain conditions precedent, namely the achievement of the following annual performance indicators:

- *Free Operating Cash Flow* (FOCF);

- STS Share vs. FTSE IT *All Share*;
- Economic Value Added (EVA).

The incidence of each target for the allocation of incentives is defined by the Board of Directors, on a proposal of the Nomination and Remuneration Committee.

In order to encourage and remunerate the maintenance of medium-long term period results, the Nomination and Remuneration Policy requires the SGP to be structured in such manner as to ensure that:

(i) at least 50% of the shares that may be allocated under the plan accrues on achievement of the targets of the last year;

(ii) as regards each of the targets, there are : (i) mechanisms for the recovery of any underperformance registered in previous years, as well as (ii) mechanisms for carrying over, to subsequent years, any over-performance registered in previous years;

(iii) with regard to the achievement of each target, a tolerance threshold may be indicated on occasion of the annual final balance, for the failed achievement of 100% of the relevant target, but not to exceed 2.5%, thus allowing the accrual to the beneficiary of a corresponding proportion of the shares owed under the plan.

As for the vesting period, the Stock Grant Plan shall provide – in line with the recommendations of the Corporate Governance Code – for a three-year rolling vesting period, starting, for the first corporate year, from the date of approval of the SGP by the General Meeting of Shareholders and, for the subsequent years, from the corresponding date of each year.

The Remuneration Policy also provides for a lock-up clause to be established at the end of the vesting period mentioned above for the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, on a significant portion of the shares allocated, to be identified under the responsibility of the Board of Directors, on a proposal of the Nomination and Remuneration Committee, for a period of two years in relation to the 20% accrued stock.

In addition to the above, the Board of Directors, on a proposal of the Nomination and Remuneration Committee, may resolve to recognise a bonus of variable amount – up to a maximum of 20% of the fixed component of the Chief Executive Officer and General Manager and 25% of the fixed component of the Executives with Strategic Responsibilities – based on the achievement of predetermined targets and/or further targets that are not identified in advance but actually achieved. Generally, it is noted that the performance of the Chief Executive Officer and General Manager, as well as the Executives with Strategic Responsibilities, is assessed not only on the basis of the annual results, but also in consideration of the medium/long-term results.

F) Non-monetary benefits policy

The Remuneration Policy contains no provisions regarding non-monetary benefits. The Chief Executive Officer and General Manager and the Executives with Strategic Responsibilities are granted the use of the corporate car for both business and private use and eventually, if the need therefore arises, the use of a dwelling, even for limited periods, according to the customary practice adopted in the company by the other managers.

G) With regard to the variable components, description of the performance targets on the basis of which they are granted, differentiating between short and medium-long term variable components, and information on the link between the variation of the results and the variation of the remuneration

See letter E).

H) Criteria used for the assessment of the performance targets on which the allocation of shares, options and other financial instruments or variable remuneration components is based

Each of the performance target values identified by the Remuneration Policy for paying the variable component of the remuneration are selected by giving preference to operating and financial objectives and target values in line with the creation of shareholder value over the medium-long period. For this purpose, mechanisms are also provided for the recovery of any underperformance registered in previous years, as well as for carrying over to subsequent years any over-performance registered in previous years.

Generally speaking, the target values and objectives are based on the specific business of the Company and are indicators of the ability of that company – which mainly operates in the management of multi-year job orders – to be self-financing and to handle the risk associated with its business over the medium-long period. The objectives connected with the performance of the Company's shares compared to the FTSE IT *All Share* index trend have been chosen as they represent, in the Company's opinion, objective criteria to measure the creation of value of the Company's shares over the medium-long term.

I) Information aimed at highlighting the consistency of the Remuneration Policy with the pursuit of the company's long-term interests and with the risk management policy

The Remuneration Policy states that the performance targets outlined above, the target values and the procedures for paying the variable component shall be consistent with the risk management policy adopted by the Company, because they must take into account the risks taken by Ansaldo STS, as well as the necessary capital and liquidity requirements of the Company to deal with the activities undertaken.

As explained in letter *H),* the said parameters are consistent with the pursuit of the long-term interest of the Company.

J) Accrual entitlement terms (so-called vesting period), any deferred payment schemes, with indication of the postponement periods and of the criteria used to define such periods and the ex post correction mechanisms

As regards the vesting period and the postponement periods, see letter *E).*

The *vesting period* and the postponement periods are defined in view of the specific activity carried out by the Company - which mainly operates in the management of multi-year job orders - and with a view to aligning the management's interest with the pursuit of shareholders value creation over the medium-long period.

The Remuneration Policy provides that - with regard to the Chief Executive Officer's and the General Manager's variable remuneration components (as well as those of the Executives with Strategic Responsibilities) - the Company is allowed, by contract, to demand the repayment (or withhold the deferred payment), in whole or in part, of the variable remuneration components that have been paid on the basis of data which has - within a period of three years from disbursement - been proven by the competent departments to be manifestly erroneous (so-called claw-back clauses).

The claw-back clauses must subject the effective application thereof to the condition that the Company's Board of Directors gives a binding opinion in relation thereto.

As indicated in letter *E*), the policy provides, moreover, for mechanisms for recovering any underperformance registered in previous years, as well as for carrying over to subsequent years any over-performance registered in previous years.

K) Information on possible clauses for the maintenance of financial instruments in the portfolio after their acquisition, with indication of the maintenance periods and of the criteria used to define such periods

As indicated under letter *E),* the Remuneration Policy states that, with regard to the Chief Executive Officer and the General Manager and the Executives with Strategic Responsibilities, the SGPs must provide for a lock-up clause on a significant portion of the shares allocated, to be identified by the Board of Directors, on a proposal of the Nomination and Remuneration Committee, for a period of two years. The duration of such lock-up period, which, as said above, starts after the end of the three-year vesting period, meets the need to align the interests of the top management of the Company with those of the shareholders over the medium-long period.

L) Policy for compensation in the event of cessation from office or termination of the employment contract

The Remuneration Policy does not provide for agreements to be stipulated between the Company, the Directors, the General Manager and the Executives with Strategic Responsibilities, granting indemnities in the event of resignation or dismissal/termination without just cause or cessation of the employment in consequence of a takeover bid.

Except for voluntary resignation from office and/or from the employment without just cause, or termination and/or dismissal for just cause, the Board of Directors - after consulting with the Nomination and Remuneration Committee and the Board of Statutory Auditors – may execute with the Chief Executive Officer and/or General Manager agreements aimed at regulating ongoing relationships, that grant the Chief Executive Officer and/or General Manager an indemnity for termination or non-renewal of office; this indemnity may not exceed 24 months' total remuneration for the offices and/or relationships that are ongoing when the termination occurs.

The compensation applicable to cessation from office or termination of the employment shall be regulated by specific agreements with the ceased individuals, as well as by specific provisions, if any, of the regulations of the LTIP and SGP plans and/or of the national collective bargaining agreement for company managers.

M) Information on insurance, social-security or pension benefits, other than mandatory ones

The Remuneration Policy does not provide for insurance, social-security and pension benefits for the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, other than those required under the national collective bargaining agreement for the category, applicable to the Group managers.

N) Remuneration policy on: (i) independent directors, (ii) participation in committees and (iii) the performance of certain tasks

As recommended by the Corporate Governance Code, the remuneration of non-executive Directors is not linked to the economic performance the Company and/or the Group.

The remuneration of non-executive Directors, as mentioned above under letter *D)* of the Report, consists only of a fixed component, as resolved by the ordinary General Meeting.

Considering the definition of executive directors under Article 2.C.1 of the Corporate Governance Code, the Chief Executive Officer is executive.

Likewise, the Chairman of the Board of Directors is also considered executive - even if he has received no particular delegation by the Board of Directors and therefore holds no executive role within the Company - by virtue of the posts held in the Hitachi Group.

In view of the above, all Independent Directors of the Company are non-executive. The remuneration policy followed by the Company for these Directors is therefore the same as for all non-executive Directors.

As regards the remuneration of Directors who take part in internal committees of the Board of Directors (the Control and Risk Committee, which also functions as Related-Party Transactions Committee, and the Nomination and Remuneration Committee), the Policy states that they shall receive, in return for participation in each committee, an additional fee defined by the Board of Directors, upon a prior proposal from the Nomination and Remuneration Committee.

The Chairman and Vice Chairman of the Board of Directors receive a fixed fee defined by the ordinary General Meeting.

O) Information on the use, for reference if necessary, of the Remuneration Policy of other companies

The Remuneration Policy has been drawn up by the Company without reference to the policy of any other companies.

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SECTION II – FEES RECEIVED IN 2017 BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS, AS WELL AS BY THE GENERAL MANAGER AND THE EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

With reference to the 2017 financial year, this section of the Report illustrates: (i) name by name, the fees owed to the persons who, during the course of such financial year, have held the office of Director, Statutory Auditor and/or General Manager, even for a fraction of such financial year, as well as (ii) the aggregate fees owed to Executives with Strategic Responsibilities.

* * * * *

PART ONE – ITEMS COMPRISING THE REMUNERATION

In this part of Section II, an adequate representation is provided for each item comprising the remuneration for people who have held the office of Member of the Board of Directors, Member of the Board of Statutory Auditors, General Manager, or Manager with Strategic Responsibilities for the financial year 2017.

These items are reflected in the tables contained in the Second Part of this Section.

1.1 Board of Directors

On the date of the Report, the Company's Board of Directors comprised Mr Alistair Dormer (Chairman), Mr Andrew Barr (Chief Executive Officer and General Manager), Mr Alberto de Benedictis (Deputy Chairman), Mr Michele Alberto Fabiano Crisostomo (Independent Director), Ms Rosa Cipriotti (Independent Director), Mr Mario Garraffo (Independent Director), Mr Fabio Labruna (Independent Director), Ms Katherine Mingay (Non-Executive Director) and Ms Katharine Painter (Independent Director).

1.1.1 Chief Executive Officer and General Manager

In 2017, the office of Chief Executive Officer and General Manager of the Board of Directors was held by Mr Andrew Barr, appointed as Managing Director and General Manager by the Board of Directors held on 24 May 2016 who was also appointed Director of the Company by the General Meeting of 13 May 2016.

The following is a description of each item making up Mr Andrew Barr's remuneration during the financial year 2017.

- Fixed component, consisting of:
  - A fee of EUR 50,000.00 for the office of member of the Board of Directors resolved by the General Meeting held on 13 May 2016;
  - a fee of EUR 30,000.00, for the office of Chief Executive Officer, pursuant to Article 2389, third paragraph, of the Italian Civil Code - approved by the Board of Directors on 24 May 2016, as proposed by the Nomination and Remuneration Committee after having heard the opinion of the Board of Statutory Auditors - for the period commencing on 24 May 2016;
  - a fee for the office of General Manager amounting to EUR 320,000.00 - approved by the Board of Directors on 24 May 2016, as proposed by the Nomination and Remuneration Committee - for the period commencing on 24 May 2016;
  - a fee of EUR 150,000.00 which will be paid at the end of the employment relationship and which is specific consideration for the non-competition covenant described below in paragraph 1.4.
- Non-monetary benefits: corporate car, insurance and social-security coverage under the national collective bargaining agreement applied to the category, as well as use of accommodation, for a value of EUR 30,212.00.
- Variable component: during financial year 2017 Mr Barr benefitted from the following plans:
  - One year MBO plan for 2017 subject to achievement by end of the financial year 2017 of the following performance targets: EBIT, FOCF, EVA as well as specific quantitative and

qualitative targets. Achievement of such targets was verified after approval of the draft Financial Statements and the Consolidated Financial Statements for the financial year 2017. The incentive matured equal to EUR 41,920.00 will be paid during the financial year 2018.

- The LTIP plan 2015-2017: requires that the following performance targets be achieved for each financial year: (i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic- financial indicators (Net Invested Capital and ROS); with respect to the portion of incentive referring to the financial year 2017 the achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017, approved by the Board of Directors.; It is to be noted that the incentive with respect to financial year 2017 will not be paid since Net Result access threshold was not reached.
- The LTIP plan for 2016-2018, requires that the following performance targets be achieved in each year: (i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic - financial indicators (Orders and Net Working Capital); for the portion of the incentive referring to the financial year 2017, the achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017, approved by the Board of Directors.
  It is to be noted that the incentive with respect to financial year 2017 will not be paid since Net Result access threshold was not reached.
- LTIP plan 2017-2019: subject to the following performance targets being achieved during each year: i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic - financial indicators (Invoices and Net Invested Capital); for the portion of the incentive referring to the financial year 2017, the achievement of the targets was verified on the basis of the draft Separate Financial Statements and Consolidated Financial Statements for the financial year 2017, approved by the Board of Directors.
  It is to be noted that the incentive with respect to financial year 2017 will not be paid since Net Result access threshold was not reached.
- Plan for the free allocation of shares 2017-2019 (SGP 2017-2019) requires that the performance targets indicated in the "*Informative document pursuant to article 84-bis sub article 1, of the Regulations adopted by Consob with Resolution no. 11971 of 14 May 1999 as subsequently modified and supplemented, in relation to Ansaldo STS. S.p.A*" stock grants available at web address http://www.ansaldo-sts.com;
  With reference to the financial year 2017, the Board of Directors meeting held on 15 June 2017 set at 10,795 the maximum number of shares that may be allocated to Mr Barr under

that plan. The achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017 approved by the Board of Directors. It is to be noted that none of the three targets were reached and therefore the shares with reference to financial year 2017 have not vested. The SGP for 2017-2019, generally, also provides for a two-year lock-up period with respect to 20% of the shares assigned after the three – year vesting period.

- Bonus resolved by the Board of Directors held on 14 March 2018, on the proposal of the Nomination and Remuneration Committee, based on the results achieved. The resolved bonus, amounting to EUR 40,000.00, will be paid during the 2018 financial year. Please note that the recognition of this bonus, pursuant to the Procedure for Related Parties Transactions adopted by the Company, is classified as Transactions for "Smaller Amounts" and, therefore, the Procedure provisions do not apply.

1.1.2. Chairman of the Board of Directors

The remuneration of the Chairman is not linked to the economic results of the Company and, therefore, it consists only of a fixed pay defined by the ordinary Meeting upon their appointment.

During the financial year 2017, the office of Chairman of the Board of Directors was held by the Director Alistair Dormer, appointed as Chairman of the Board of Directors by the General Meeting held on 2 November 2015 and subsequently confirmed in this post during the General Meeting of 13 May 2016.

For the year 2017 Mr Alistair Dormer, received a fee for the position of Chairman of the Board of Directors amounting to EUR 75,000.00, as approved by the General Meeting on 2 November 2015 and, subsequently, by the General Meeting on 13 May 2016.

No compensation is to be paid in the event of cessation from office.

1.1.3 Vice Chairman of the Board of Directors

In 2017, the office of Vice Chairman of Ansaldo STS was held by Mr Alberto de Benedictis, appointed as Vice Chairman by the Board of Directors held on 28 October 2016.

For the financial year 2017, the Vice Chairman Alberto de Benedictis received an annual fee of Euro 50,000.00 as member of the Board of Directors as resolved by the General Meeting held on 13 May 2016.

No compensation is to be paid in the event of cessation from office.

1.1.4 Other members of the Board of Directors

During the financial year 2017, the following Directors were members of the Board of Directors, apart from the Directors Alistair Dormer, Andrew Barr and Alberto de Benedictis, as well as directors Rosa Cipriotti, Mario Garraffo, Fabio Labruna, Katherine Mingay and Katherine Painter.

Also, from 1 January 2017 until 19 January 2017 Giuseppe Bivona held the post of Director and from the date following his termination, the office was held by Michele Alberto Fabiano Crisostomo for the remaining part of financial year 2017.

The remuneration of these members of the Board of Directors, all non-executive, is not linked to the economic results of the Company and, therefore, it consists only of a fixed pay.

On the basis of the resolution taken during General Meeting of Shareholders held on 13 May 2016, for the financial year 2017, non executive Directors were each paid a fixed fee set at Euro 50,000.00, except as hereinafter specified:

- To Giuseppe Bivona, a fee on a pro rata temporis (1 January – 19 January 2017) basis for the position of member of the Board of Directors was paid amounting to Euro 2,603.00;
- To Michele Alberto Fabiano Crisostomo a fee on a pro rata temporis (31 January – 31 December 2017) basis for the position of member of the Board of Directors was paid amounting to Euro 47,397.00.

1.1.5 Members of Internal Committees of the Board of Directors

The members of the Control and Risk Committee and the Nomination and Remuneration Committee receive an additional fee defined, in a fixed amount, by the Board of Directors. Please note that the Board of Directors meeting held on 28 October 2016 resolved to set up and Executive Committee made up of the Chairman Alistair Dormer, the Chief Executive Officer Andrew Barr and the Director Katherine Jane Mingay. Please note also that no remuneration is payable for membership in the above referred to Committee.

During the financial year 2017, the Control and Risk Committee was composed of the members of the Board of Directors Alberto de Benedictis (Chairman), Mario Garraffo and Katharine Painter. The annual fee paid to the above members of the Control and Risk Committee was determined by the Board of Directors Meeting held on 16 May 2016 in EUR 30,000.00 for the Chairman and Euro 25,000.00 for the other members of the Committee.

During the financial year 2017, the Nomination and Remuneration Committee was composed of the members of the Board of Directors Katherine Painter (Chairman), Alberto de Benedictis and Mario Garraffo. The annual remuneration of the above referred to Nomination and Remuneration Committee was determined by the Board of Directors of 16 May 2016 in Euro 20,000.00 for the Chairman and 15,000.00 for the other members of the Committee.

1.2 Board of Statutory Auditors

During the financial year 2017, the Board of Statutory Auditors was made up as follows:

- From 1 January 2017 to 11 May 2017: Giacinto Sarubbi (Chairman), Renato Righetti and

Maria Enrica Spinardi;

- From 11 May 2017 to 31 December 2017: Antonio Zecca (Chairman), Giovanni Naccarato and Alessandra Stabilini, appointed by the General Meeting of Shareholders on 11 May 2017.

The following pro rata temporis remuneration was paid during financial year 2017:

- To the Chairman Giacinto Sarubbi, Euro 26,958.00 plus a lump-sum of Euro 5,342.00 for attending the Board committee meetings;
- To Statutory Auditors Renato Righetti and Maria Enrica Spinardi Euro 17,972.00 plus a lump-sum of Euro 3,562.00, for attending the Board committee meetings,
- To Chairman Antonio Zecca, Euro 48,042.00 plus a lump-sum of Euro 9,658.00 for attending the Board committee meetings, and
- To Statutory Auditors Giovanni Naccarato and Alessandra Stabilini Euro 32,028.00 plus a lump-sum of Euro 6,438.00 for attending the Board committee meetings.

1.3 Executives with Strategic Responsibilities

On 20 February 2014, the Board of Directors, after consultation with the Nomination and Remuneration Committee, identified the following as Executives with Strategic Responsibilities, replacing the previous ones, with effect from 1 January 2014: the *Chief Operating Officer* of the Company (Christian Andi), the *Business Mass Transit & Railways* unit manager (Giuseppe Gaudiello) and the *Business Freight* unit manager (Michele Fracchiolla).

Moreover, it is to be noted that on 28 April 2017 the Board of Directors, as from 1 January 2017 identified, as additional Executives with Strategic Responsibilities, the Company Chief Financial Officer (Renato Gallo) and the Company General Counsel (Filippo Corsi).

Please note that the fees indicated for the Executives with Strategic Responsibilities are the aggregate, inasmuch as, during the financial year 2017, none of the Executives with Strategic Responsibilities received annual total fees of more than the highest annual total fee received by members of the Board of Directors and of the Board of Statutory Auditors.

Below there is a description of each of the items that comprised the remuneration of the Executives with Strategic Responsibilities during the financial year 2017.

- Fixed component comprising the annual fixed gross remuneration, under the individual agreement signed by the Executives with Strategic Responsibilities, in compliance with the provisions of the applicable collective bargaining regulations, for a total amount of EUR 1,083,064.00.
- Non-monetary benefits: corporate car, insurance and social-security coverage under the national collective bargaining agreement applied to the category, amounting to a total of

EUR 132,551.00.

- Variable component: a significant part of the remuneration of Executives with Strategic Responsibilities is linked to reaching specific company performance targets. More specifically, during the financial year 2017, Executives with Strategic Responsibilities, who were in office, received the remuneration set out below:
  - One year MBO plan for 2017 subject to achievement by end 2017 of the following performance targets: EBIT, FOCF, EVA as well as specific quantitative and qualitative targets. Achievement of such targets was verified in occasion of the approval of the draft Financial Statements and the Consolidated Financial Statements for the financial year 2017. The incentive matured equal to EUR 245,152.00 will be paid during the financial year 2018.
  - The LTIP plan 2015-2017: requires that the following performance targets be achieved for each financial year: (i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic- financial indicators (Net Invested Capital and ROS); with respect to the portion of incentive referring to the financial year 2017 the achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017, approved by the Board of Directors. It is to be noted that the incentive with respect to financial year 2017 will not be paid since the Net Result threshold has not been reached.
  - The LTIP plan for 2016-2018, requires that the following performance targets be achieved in each financial year: (i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic- financial indicators (Orders and Net Working Capital). For the portion of the incentive referring to the financial year 2017, the achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017 approved by the Board of Directors. It is to be noted that the incentive with respect to financial year 2017 will not be paid since the Net Result threshold has not been reached.
  - LTIP plan 2017-2019: subject to the following performance targets being achieved during each year: (i) Net Result as access threshold; (ii) two annual performance targets chosen from the main economic - financial indicators (Invoices and Net Invested Capital); for the portion of the incentive referring to the financial year 2017, the achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017, approved by the Board of Directors. It is to be noted that the incentive with respect to financial year 2017 will not be paid since Net Result access threshold was not reached.

- Plan for the free allocation of Shares 2017-2109 (SGP 2017-2019) requires that the performance targets indicated in the "*Informative document pursuant to article 84 bis- sub-article 1, of the Regulations adopted by Consob with Resolution no. 11971 of 14 May 1999 as subsequently modified and supplemented, in relation to Ansaldo STS. S.p.A stock grants*" available at web address http://www.ansaldo-sts.com.

  With reference to this plan, with respect to financial year 2017, it was set at 39,888 the maximum number of shares that may be allocated to Executives with Strategic Responsibilities under that plan. The achievement of the targets was verified on the basis of the draft Financial Statements and Consolidated Financial Statements for the financial year 2017 approved by the Board of Directors. It is to be noted that none of the three targets were reached therefore shares accruing during financial year 2017 have not vested. The SGP for 2017-2019, generally, also provides for a two-year lock-up period with respect to 20% of the shares assigned at the end of the three years vesting period.

- Bonus resolved by the Board of Directors held on 14 March 2018, on the proposal of the Nomination and Remuneration Committee, based on the results achieved. The resolved bonus, amounting to EUR 160,000.00, will be paid during the 2018 financial year. Please note that the recognition of this bonus, pursuant to the Procedure for Related Parties Transactions adopted by the Company, is classified as Transactions for "Smaller Amounts" and, therefore, the Procedure provisions do not apply.

Compensation in the event of early termination of the employment with the Executives with Strategic Responsibilities are described in the paragraphs that follow. With the exception of those provisions, no other agreements are in place between the Company and the Executives with Strategic Responsibilities.

1.4 Agreements providing for an indemnity in the event of early termination of the employment contract and effects of termination of employment on rights granted under incentive plans

Subject to what has been indicated below, there are no specific agreements in force providing for an indemnity in the event of early termination of the employment contract.

As specifically regards the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, the SGP 2017-2019 plan provides that:

- in the event of dismissal for just cause under Article 2119 of the Italian Civil Code and of justified dismissal or of resignation without just cause pursuant to the same article, as in the case of termination for just cause or of resignation without just cause (from the position of director), which occurs prior to the delivery of the shares involved in the plan, the exclusion from the plan will be automatic; accordingly, the allocation of the shares to the participants in the plan (Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities) shall be deemed to be cancelled for all effects and purposes and all entitlement to receive shares that are allocated but not yet delivered at the date of termination of the office or of the employment, shall be immediately cancelled and devoid of any further effect. Unless a more favourable decision is taken by the Committee, a similar exclusion will take place in the event that the concerned party is or was on leave and/or excluded or suspended from the employment for a continuous or fractioned period greater than or equal to 3 months between the date of assignment and the date of delivery, except for maternity and paternity leave, and parental leave;

- in the event of termination by mutual agreement of a plan participant's employment contract, with the Company's prior written consent, or in the event of unjustified dismissal or dismissal without just cause under Article 2119 of the Italian Civil Code or of resignation for just cause pursuant to that article, as in the case of cessation from office not due to termination for just cause or of resignation for just cause (from the position of director), which occurs prior to the date of expiry of the Plan validity - and, unless a more favourable decision is taken by the Committee (which, for assignments to people other than the directors with delegated powers, resolves on the Chief Executive Officer's and General Manager's proposals) - the targets, whose achievement is the precondition for the attribution of the shares allocated will be redefined, also taking into account the actual permanence (*pro rata temporis*) of the plan participant in the Company or, within the scope of the plan beneficiaries, in relation to the period of validity of the same plan, provided that the conditions and targets required for the actual allocation of the shares have been met. The same provisions also apply in the event of cessation from office or termination of the employment due to death, permanent disability or if the person concerned meets the old age pension requirements. It is understood that, in the event of death, the rights assigned shall be transferred to the heirs.

In both cases, however, the Regulation permits the Company to adopt a different and more favourable determination.

Similar provisions are also contained in the Regulations of the LTIP plans described above.

It must be noted that the Company has also entered into a non-competition agreement with Mr Andrew Barr having the following essential characteristics: term of 12 months, geographical application: Europe and North America, reference sector those operating in the same sector as Ansaldo STS. Remuneration for this agreement is equal to Euro 150,000.00 (ref preceding paragraph 1.1.1).

Notwithstanding the foregoing, there are no agreements providing for the allocation or maintenance of non-monetary benefits in favour of those who have ceased their office, or the stipulation of consultancy contracts for a period following the termination of the relationship.

* * * * *

Please note that all remuneration plans adopted by the Company under Articles 114-*bis* of the TUF are available in the "*Governance*" – "*Governance Overview*" section of the Company's website (www.ansaldo-sts.com).

Attached to this report are the tables containing the implementation status of the 2014-2016 and 2017-2019 SGPs.

* * * * *

PART TWO - TABLES

The following tables detail the fees of the members of the Board of Directors and of the Board of Statutory Auditors, the General Manager and of the Executives with Strategic Responsibilities, paid or to be paid by the Company or by its subsidiaries and affiliates for the financial year 2017.

Genoa, 6 April 2018

For the Board of Directors

The Chairman

(Alistair Dormer)

Table 1: Fees paid to the members of the Board of Directors, to the members of the Board of Statutory Auditors, to the General Manager and to the Executives with Strategic Responsibilities during the financial year 2017*

Name and surname	Office	Term of office	Date of expiry of office		Fixed fees	Fees for participation in Committees	Non equity variable fees		Non-monetary benefits	Other fees	Total	Fair Value of fees	Indemnity for end of office / termination of employment contract
							Bonuses and other incentives	Participation in the profits					
Figures in EUR													
Alistair Dormer	BoD Chairman	01.01.2017 – 31.12.2017	Meeting for approval of fin. Statements for 2018	*Fees in Ansaldo STS*	75,000.00	-	-	-	-	-	75,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	75,000.00	-	-	-	-	-	75,000.00	-	-
Andrew Barr	Chief Executive Officer and General Manager	01.01.2017 – 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	420,463.00 (2)	-	81,920.00 (3)	-	30,212.00	-	532,595.00	132,746.00 (1)	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	420,463.00 (2)	-	81,920.00 (3)	-	30,212.00	-	532,595.00	132,746.00 (1)	-
Alberto de Benedictis	Vice Chairman BoD*, member of the Nomination and Remuneration Committee and Chairman of the Control and Risk Committee (4)	01.01.2017 – 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	50,000.00	45,000.00 (5)	-	-	-	-	95,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00	45,000.00 (5)	-	-	-	-	95,000.00	-	-

* Please note that, with the exception of the notes set out below concerning the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, fees of the members of the Board of Directors and of the members of the Board of Statutory Auditors indicated in this table and relative to the financial year 2017, will be paid in 2018.

Name and surname	Office	Term of office	Date of expiry of office		Fixed fees	Fees for participation in Committees	Non equity variable fees		Non-monetary benefits	Other fees	Total	Fair Value of fees	Indemnity for end of office / termination of employment contract
							Bonuses and other incentives	Participation in the profits					
Figures in EUR													
Rosa Cipriotti	Director	01.01.2017– 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	50,000.00	-	-	-	-	-	50,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00	-	-	-	-	-	50,000.00	-	-
Michele Alberto Fabiano Crisostomo	Director	19.01.2017 – 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	47,397.00	-	-	-	-	-	47,397.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	47,397.00	-	-	-	-	-	47,397.00	-	-
Mario Garraffo	Director and member of the Nomination and Remuneration Committee and member of the Control and Risk Committee (6)	01.01.2017 – 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	50,000.00	40,000.00 (7)	-	-	-	-	90,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00	40,000.00 (7)	-	-	-	-	90,000.00	-	-
Fabio Labruna	Director	01.01.2017 – 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	50,000.00	-	-	-	-	-	50,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00	-	-	-	-	-	50,000.00	-	-
Katherine Mingay	Director	01.01.2017 - 31.12.2017	Meeting for approval of fin. statements for 2018	*Fees in Ansaldo STS*	50,000.00	)	-	-	-	-	50,000.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00		-	-	-	-	50,000.00	-	-
Katharine	Director and member of	01.01.2017 -	Meeting for approval of	*Fees in Ansaldo STS*	50,000.00	45,000.00 (9)	-	-	-	-	95,000.00	-	-

Name and surname	Office	Term of office	Date of expiry of office		Fixed fees	Fees for participation in Committees	Non equity variable fees		Non-monetary benefits	Other fees	Total	Fair Value of fees	Indemnity for end of office / termination of employment contract
							Bonuses and other incentives	Participation in the profits					
Figures in EUR													
Painter	the Control and Risk Committee and Chairman of the Nomination and Remuneration Committee (8)	31.12.2017	fin. statements for 2018										
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	50,000.00	45,000.00 (9)	-	-	-	-	95,000.00	-	-
Giuseppe Bivona	Director	01.01.2017 - 19.01.2017	19.01.2017	*Fees in Ansaldo STS*	2,603.00	-	-	-	-	-	2,603.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	2,603.00	-	-	-	-	-	2,603.00	-	-
Giacinto Sarubbi	Chairman of the Board of Statutory Auditors	01.01.2017 - 11.05.2017	11.05.2017	*Fees in Ansaldo STS*	26,958.00	5,342.00	-	-	-	-	32,300.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	26,958.00	5,342.00	-	-	-	-	32,300.00	-	-
Renato Righetti	Regular Statutory Auditor	01.01.2017 - 11.05.2017	11.05.2017	*Fees in Ansaldo STS*	17,972.00	3,562.00	-	-	-	-	21,534.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	17,972.00	3,562.00	-	-	-	-	21,534.00	-	-
Maria Enrica Spinardi	Regular Statutory Auditor	01.01.2017 - 11.05.2017	11.05.2017	*Fees in Ansaldo STS*	17,972.00	3,562.00	-	-	-	-	21,534.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	17,972.00	3,562.00	-	-	-	-	21,534.00	-	-
Antonio Zecca	Chairman of the Board of Statutory Auditors	11.05.2017 - 31.12.2017	Meeting for approval of fin. statements for 2019	*Fees in Ansaldo STS*	48,042.00	9,658.00	-	-	-		57,700.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-

Name and surname	Office	Term of office	Date of expiry of office		Fixed fees	Fees for participation in Committees	Non equity variable fees		Non-monetary benefits	Other fees	Total	Fair Value of fees	Indemnity for end of office / termination of employment contract
							Bonuses and other incentives	Participation in the profits					
Figures in EUR													
				Total	48,042.00	9,658.00	-	-	-	-	57,700.00	-	-
Giovanni Naccarato	Regular Statutory Auditor	11.05.2017 - 31.12.2017	Meeting for approval of fin. statements for 2019	*Fees in Ansaldo STS*	32,028.00	6,438.00	-	-	-	-	38,466.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	32,028.00	6,438.00	-	-	-	-	38,466.00	-	-
Alessandra Stabilini	Regular Statutory Auditor	11.05.2017 - 31.12.2017	Meeting for approval of fin. statements for 2019	*Fees in Ansaldo STS*	32,028.00	6,438.00	-	-	-	-	38,466.00	-	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	32,028.00	6,438.00	-	-	-	-	38,466.00	-	-
Executives with Strategic Responsibilities (10)	-	-	-	*Fees in Ansaldo STS*	1,136,319.00 (11)	-	405,152.00 (12)	-	132,551.00	-	1,674,022.00	490.503.00 (1)	-
				Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-
				Total	1,136,319.00 (11)	-	405,152.00 (12)	-	132,551.00	-	1,674,022.00	490,503.00 (1)	-

(1) *Fair value* based on the maximum number of shares that may be allocated under the 2017-2019 Stock Grant Plan, with reference to the financial year 2017.

(2) Amounts paid during the financial year 2017:

- EUR 50,000.00 as fixed fee for the office of Member of the Board of Directors;
- EUR 30,000.00 as fixed fee assigned to Mr Barr for the office of Chief Executive Officer pursuant to Article 2389, third paragraph of the Italian Civil Code;
- EUR 320,000.00 as fee for the office of General Manager;
- EUR 2,840.00 as employment remuneration, with particular regard to holidays and other emoluments;
- EUR 17,623.00 as lump-sum reimbursement for expenses.

(3) Of which: (i) EUR 41,920.00 as incentive accrued for the financial year 2017 on the basis of the established performance targets with reference to the MBO 2017 plan;and (ii) EUR 40,000.00 as bonus recognized on the basis of the results achieved. These amounts will be paid in 2018;

(4) Alberto de Benedictis was appointed by the Board of Directors as member of the Nomination and Remuneration Committee and Chairman of the Control and Risk Committee from 16 May 2016 and Vice Chairman of the Board of Directors on 28 October 2016.

(5) Of which: *(i)* EUR 30,000.00 as remuneration for the office of Chairman of the Control and Risk Committee; and *(ii)* EUR 15,000.00 as remuneration for the office of Member of the Nomination and Remuneration Committee.

[6] Mario Garraffo on 16 May 2016 was appointed by the Board of Directors as member of the Nomination and Remuneration Committee and of the Control and Risk Committee.

[7] Of which: *(i)* EUR 25,000.00 as remuneration for the position of member of the Control and Risk Committee; and *(ii)* EUR 15,000.00 as remuneration for the position of member of the Nomination and Remuneration Committee.

[8] On 16 May 2016 Katharine Painter was appointed Chairman of the Nomination and Remuneration Committee and member of the Control and Risk Committee by the Board of Directors.

[9] Of which: *(i)* EUR 20,000.00 as remuneration for the office of Chairman of the Nomination and Remuneration Committee and *(ii)* EUR 25,000.00 as remuneration for the office of member of the Control and Risk Committee.

(10) This item refers to the Company's Chief Operating Officer (Christian Andi), the Head of the Business Unit Railways & Mass Transit (Giuseppe Gaudiello) and the Head of the Business Unit Freight (Michele Fracchiolla) identified as the Executives with Strategic Responsibilities commencing from 1 January 2014; in addition, this item refers to the Company's Chief Financial Officer (Renato Gallo) and the General Counsel (Filippo Corsi), identified as the Executives with Strategic Responsibilities commencing from 1 January 2017.

[11] Of which:

- EUR 1,083,064.00 as fixed remuneration, consisting in the fixed gross annual remuneration provided for under the individual contract signed by the Executives with Strategic Responsibilities, in accordance with the provisions of the applicable contractual rules;

- EUR 10,291.00 as employment remuneration, with particular reference to holidays and other emoluments;

- EUR 42,964.00 by way of a fixed indemnity.

(12) Of which: (i) EUR 245,152.00 as incentive accrued for the financial year 2017 on the basis of the established performance targets with reference to the MBO 2017 plan; and (ii) EUR 160,000.00 as bonus recognized on the basis of the results achieved. These amounts will be paid in 2018.

Table 2: Incentive plans based on financial instruments, other than *stock options,* in favour of the Chief Executive Officer, of the General Manager and of the Executives with Strategic Responsibilities

				Financial instruments allocated in previous financial years, not *vested* during the financial year		Financial instruments allocated during the financial year					Financial instruments *vested* during the financial year and not allocated	Financial instruments *vested* during the financial year that may be allocated		Financial instruments accrued during the financial year
First name and surname	Office		Plan	No. and type of financial instruments	*Vesting* period	No. and type of financial instruments	*Fair value a* at the of allocation date (EUR)	*Vesting* period	Date of allocation	Market price at the allocation date (EUR)	No. and type of financial instruments	No. and type of financial instruments	Value at accrual date	*Fair Value* (EUR)
Andrew Barr	Chief Executive Officer and General Manager	*Fees in Ansaldo STS*	Free Share Allocation Plan 2017-2019 (Meeting of 11.05.2017)	16,265 (1)	Three years	10,795 (2)	12.297	Three years	11 May 2017	-	-	-	-	132,746.00 (3)
		Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-
		Total	-	16,265	Three years	10,795	12.297	Three years	-	-	_	_	_	132,746.00
Executives with Strategic Responsibilities		*Fees in Ansaldo STS*	Free Share Allocation Plan 2017-2019 (Meeting of 11.05.2017)	120,377 (4)	Three years	39,888 (5)	12.297	Three years	11 May 2017	-	-	40,126(6)	481,632.00 (7)	490,503.00 (8)
		Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-
		Total	-	120,377	Three years	39,888	12.297	Three years	-	-	_	40,126	481,632.00	490,503.00

-[1] Maximum number of shares to be granted under the Stock Grant Plan 2014-2016 for the financial year 2016. The shares vested with reference to the financial year 2016 amounted to 15,370 and, in respect of the three-year vesting period, they will be granted during the financial year 2019.

[2] Maximum number of shares to be granted under the Stock Grant Plan 2017-2019 for the financial year 2017.With reference to the financial year 2017 no shares have been accrued.

[3] Fair value determined based on the maximum number of shares attributed as part of the 2017-2019 Stock Grant Plan, with reference to the financial year 2017.

[4] Maximum number of shares to be granted under the Stock Grant Plan 2014-2016 for the financial years 2015 and 2016 in favour of the Managers with Strategic Responsibilities, identified commencing from 1 January 2014 (Andi, Fracchiolla and Gaudiello). The shares vested with reference to the financial year 2015 amounted to 40,126 and, in respect of the three-year vesting period, they will be granted during the financial year 2018. The shares effectively vested with reference to the financial year 2016 amounted to 75,838 and, in respect of the three-year vesting period, they will be granted during the financial year 2019.

[5] Maximum number of shares to be granted under the Stock Grant Plan 2017-2019 for the financial year 2017. With reference to the financial year 2017 no shares have been accrued.

[6] The shares accrued with reference to the financial year 2014 in favour of the Executives with Strategic Responsibilities, identified commencing from 1 January 2014 (Andi, Fracchiolla and Gaudiello), of which 8,025 are subject to two-year lock up. Those shares, in respect of the three year vesting period, have been accrued during the financial year 2017.

[7] Taxable value of shares granted on the accrual date, which is the so-called "normal value" and which is the average daily closing value of the Ansaldo STS stocks in the 30 days prior to the expected delivery.

[8] Fair value determined by the maximum number of shares to be granted under the 2017-2019 Stock Grant Plan with reference to the financial year 2017.

Table 3: Monetary incentive plans in favour of the Chief Executive Officer, of the General Manager and of the Executives with Strategic Responsibilities

				Annual bonus (EUR)			Previous annual bonuses (EUR)			Other bonuses (EUR)
First name and surname	**Office**		**Plan**	**Payable/paid**	**Postponed**	**Postponement period**	**No longer payable**	**Payable/paid**	**Further postponed**	
Andrew Barr	Chief Executive Officer and General Manager	*Fees in Ansaldo STS*	MBO 2017 (BoD 15 June 2017)	41,920.00	–	–	–	–	–	–
			LTIP 2015-2017 (BoD 27 July 2016)	0	0	1 year	–	–	–	–
			LTIP 2016-2018 (BoD 27 July 2016)	0	0	1 year	-	-	-	-
			LTIP 2017 - 2019 (BoD 15 June 2017)	0	0	1 year	-	-	-	-
			-	-	-	-	-	-	-	40,000.00
		Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-
		Total		41,920.00	0	-	-	-	-	40,000.00
Executives with Strategic Responsibilities		*Fees in Ansaldo STS*	MBO 2017(1) (BoD 15 June 2017)	245,152.00	-	-	-	-	-	-
			LTIP 2015-2017 (BoD 27 July 2016)	0	0	1 year	-	-	-	-
			LTIP 2016 - 2018 (BoD 27 July 2016)	0	0	1 year	-	-	-	-

			LTIP 2017 - 2019 (15 June 2017)	0	0	1 year	–	–	–	-
			-	-	-	-	-	-	-	160.000,00 (2)
		Fees in subsidiaries and affiliates	-	-	-	-	-	-	-	-
		Total	-	245,152.00	0	-	-	-	-	160.000,00 (2)

(1) This item refers to the Company's Chief Operating Officer (Christian Andi), the Head of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and the Head of the Business Unit Freight (Michele Fracchiolla) who have, since 1 January 2014, been identified as the Executives with Strategic Responsibilities. In addition, this item refers to the Company Chief Financial Officer (Renato Gallo) and the General Counsel (Filippo Corsi), who have, since 1 January 2017, been identified as the Executives with Strategic Responsibilities.

(2) This item refers to the Company's Chief Operating Officer (Christian Andi), the Head of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and the Head of the Business Unit Freight (Michele Fracchiolla) who have, since 1 January 2014, been identified as the Executives with Strategic Responsibilities. In addition, this item refers to the Company Chief Financial Officer (Renato Gallo) and the General Counsel (Filippo Corsi), who have, since 1 January 2017, been identified as the Executives with Strategic Responsibilities.

SECTION III: INFORMATION ON THE SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS, AS WELL AS OF THE GENERAL MANAGER AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The following table indicates, name by name, the shareholdings held by the members of the Board of Directors, the Board of Statutory Auditors, the General Manager and the aggregate of those held by the Executives with Strategic Responsibilities in Ansaldo STS and its subsidiaries.

Surname and first name	Office	Period in which the office was held	Invested company	No. of shares owned at the end of the financial year 2016	No. of shares bought	No. of shares sold	No. of shares owned at the end of the financial year 2017
Executives with Strategic Responsibilities [1]	-	01.01.2017 - 31.12.2017	Ansaldo STS	3,553	27,191 [2]	17,259	13,485 [3]

[1] Such item refers to the Company's *Chief Operating Officer* (Christian Andi), the head of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and the head of the *Business Unit Freight* (Michele Fracchiolla), who have been identified as Executives with Strategic Responsibilities since 01 January 2014; in addition, this item also refers to the Company's Chief Financial Officer (Renato Gallo) and the General Counsel (Filippo Corsi), who have been identified as Executives with Strategic Responsibilities since 01 January 2017.

[2] These shares, of which 8,025 were subject to two-year lock-up, were delivered during the course of the financial year 2017. This lock-up is imposed just on the ones who were Executives with Strategic Responsibilities during 2014, year in which the shares were delivered in 2017.

[3] Ownership of Shares.

The following table shows the status of the SGP 2014-2016 plan's implementation

REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS

Table No. 1 of scheme 7 of Annex 3A to Regulation No. 11971/1999

First name and surname or category	Office	Stock Grant Plan 2014 -2016 - PANEL 1 – ALLOCATION FOR THE FINANCIAL YEAR 2014						
		Financial instruments other than stock options *(STOCK GRANT)*						
		Section 1 Instruments relating to plans that are still ongoing, approved on the basis of previous General Meeting resolutions						
		Date of resolution	Description of instrument	Number of instruments assigned by the competent body (Nomination and Remuneration Committee)	Date of allocation by the competent body (Nomination and Remuneration Committee)	Purchase price of the instruments, if any	Market price at the allocation date	Vesting period
Executives with Strategic Responsibilities [1]	----	15/04/2014	Shares of Ansaldo STS S.p.A.	40,126 [2]	3 March 2015 [2]	__	12.003	Three years [5]
Managers (28 beneficiaries) [3]	----	15/04/2014	Shares of Ansaldo STS S.p.A.	149,487 [4]	3 March 2015 [4]	__	12.003	Three years [5]

[1] This item refers to the Company's Chief Operating Officer (Christian Andi), the Head of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and the Head of the *Business Unit Freight* (Michele Fracchiolla), identified as Executives with Strategic Responsibilities commencing from 1 January 2014.

[2] Based on the resolution passed by the General Meeting on 15 April 2014 which approved the Stock Grant Plan 2014-2016, a maximum number of shares attributable for the financial year 2014 amounting to 40,126 were allocated in aggregate to Executives with Strategic Responsibilities commencing from 1 January 2014. 40,126 actually vested shares were, for the financial year 2014, allocated by the Nomination and the Remuneration Committee on 3 March 2015. The shares will be delivered during the course of 2017, in compliance with the plan's three-year vesting period.

[3] The Board of Directors Meeting held on 30 October 2014, identified, upon the Nomination and Remuneration Committee so proposing, 37 Ansaldo STS and/or ASTS Group Managers as being beneficiaries of the 2014-2016 Stock Grant Plan. Following the exit of 9 of the initially identified recipients from the Group, the number of beneficiaries of the Stock Grant Plan 2014-2016, for 2014, amounted to 28.

[4] Based on the resolution passed by the General Meeting on 15 April 2014 which approved the Stock Grant Plan 2014-2016, a maximum number of shares attributable for the financial year 2014 amounting to 149,487 were allocated in aggregate to Ansaldo STS and/or ASTS Group Managers in office. 149,487 actually vested shares were, for the financial year 2014, allocated by the Nomination and the Remuneration Committee on 3 March 2015. The shares have been delivered during the course of 2017, in compliance with the three-year vesting period of the plan.

[5] The 2014-2016 Stock Grant Plan approved by the General Meeting on 15 April 2014 provides that the three-year vesting period regarding the shares assigned with reference to the financial year 2014 runs from the date of approval of the plan by the General Meeting.

First name and surname or category	Office	Stock Grant Plan 2014 -2016 - PANEL 1 – ALLOCATION FOR THE FINANCIAL YEAR 2015 Financial instruments other than stock options *(STOCK GRANT)* **Section 1** Instruments relating to plans that are still ongoing, approved on the basis of previous General Meeting resolutions						
		Date of resolution	Description of instrument	Number of instruments assigned by the competent body (Nomination and Remuneration Committee)	Date of allocation by the competent body (Nomination and Remuneration Committee)	Purchase price of the instruments, if any	Market price at the allocation date	Vesting period
Executives with Strategic Responsibilities [(1)]	----	15/04/2014	Shares of Ansaldo STS S.p.A.	40,126 [(2)]	15 February 2016 [(2)]	__	N.A. [(5)]	Three years [(6)]
Managers (28 beneficiaries) [(3)]	----	15/04/2014	Shares of Ansaldo STS S.p.A.	152,282 [(4)]	15 February 2016 [(4)]	__	N.A. [(5)]	Three years [(6)]

[(1)] This item refers to the Chief Operating Officer of the Company (Christian Andi), the Head of the *Business Unit Railway & Mass Transit* (Giuseppe Gaudiello) and the Head of the *Business Unit Freight* (Michele Fracchiolla), qualified as Executives with Strategic Responsibilities commencing from 1 January 2014.

[(2)] Based on the resolution passed by the General Meeting on 15 April 2014 which approved the 2014-2016 Stock grant Plan, a maximum number of shares attributable for the financial year 2015 amounting to 40,126 were allocated in aggregate to Executives with Strategic Responsibilities commencing from 1 January 2014. 40,126 actually vested shares were, for the financial year 2015, allocated by the Nomination and the Remuneration Committee on 15 February 2016. The shares will be delivered during the course of 2018, in compliance with the three-year vesting period of the plan.

[(3)] The Board of Directors Meeting held on 30 October 2014, upon the Nomination and Remuneration Committee so proposing, identified 37 Ansaldo STS and/or ASTS Group Managers as beneficiaries of the 2014-2016 Stock Grant Plan. Following the exit of 11 of the initially identified recipients from the Group and the identification of 2 further beneficiaries, the number of beneficiaries of the 2014-2016 Stock Grant Plan for the financial year 2015 amounted to 28.

[(4)] Based on the resolution passed by the General Meeting on 15 April 2014 which approved the 2014-2016 Stock Grant Plan, a maximum number of shares attributable for the financial year 2015 amounting to 152,282 were allocated in aggregate to Ansaldo STS and/or ASTS Group Managers. 152,282 were actually vested shares for the financial year 2015, that were allocated by the Nomination and the Remuneration Committee on 15 February 2016. The shares will be delivered during the course of 2018, in compliance with the three-year vesting period of the plan.

[(5)] This figure will be available on the delivery date of the shares. On 15 April 2014, when the General Meeting approved the 2014-2016 Stock Grant Plan, the market price was EUR 6.939.

[(6)] The 2014-2016 Stock Grant Plan approved by the General Meeting on 15 April 2014 provides that the three-year vesting period regarding the shares assigned with reference to the financial year 2015 runs from 15 April 2015.

First name and surname or category	Office	Stock Grant Plan 2014 -2016 - PANEL 1 – ALLOCATION FOR THE FINANCIAL YEAR 2016						
		Financial Instruments other than stock options *(STOCK GRANT)*						
		Section 1 Financial instruments relating to plans that are still ongoing approved on the basis of the previous General Meeting resolutions						
		Date of resolution	Description of instrument	Number of instruments assigned by the competent body (Nomination and Remuneration Committee)	Date of allocation by the competent body (Nomination and Remuneration Committee)	Purchase price of the instruments if any	Market price at allocation date	Vesting period
Andrew Barr	Chief Executive Officer of Ansaldo STS S.p.A.	15/04/2014	Shares of Ansaldo STS S.p.A.	15,370 (1)	23 February 2017 (1)	—	N.A. (6)	Three years (7)
Executives with Strategic Responsibilities (2)	----	15/04/2014	Shares of Ansaldo STS S.p.A.	75,837 (3)	23 February 2017 (3)	—	N.A. (6)	Three years (7)
Managers (28 beneficiaries) (4)	----	15/04/2014	Shares of Ansaldo STS S.p.A.	287,811 (5)	23 February 2017 (5)	—	N.A. (6)	Three years (7)

(1) Based on the resolution taken at the Ordinary General Meeting held on 15 April 2014 approving the 2014-2016 *Stock Grant Plan*, the Chief Executive Officer and the General Manager were allocated the maximum number of shares accruing as from the date of appointment 24 May 2016, amounting to 16,265. Allocation of 15.370 shares actually accruing during financial year 2016 was made by the Nomination and Remuneration Committee on 23 February 2017. Shares will be delivered during 2019, pursuant to the three year vesting period foreseen in the plan.

(2) This item makes reference to the Company's *Chief Operating Officer* (Christian Andi), to the manager of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and to the manager of the *Business Unit Freigh*t (Michele Fracchiolla), qualified as Executives with Strategic Responsibilities as from 1 January 2014.

(3) Based on the resolution taken at the Ordinary General Meeting held on 15 April 2014 approving the 2014-2016 *Stock Grant Plan,* Executives with Strategic Responsibilities appointed as from 1 January 2014 were allocated the maximum number of shares accruing during financial year 2016 amounting to 80,251. Allocation of 75.837 shares actually accruing during financial year 2016 was made by the Nomination and Remuneration Committee on 23 February 2017. Shares will be delivered during 2019, pursuant to the three year vesting period foreseen in the plan.

(4) Upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors' meeting held on 30 October 2014, identified 37 Managers of Ansaldo STS and/or ASTS Group Companies beneficiaries of the 2014-2016 Stock Grant Plan. Following exit from the group of 11 beneficiaries initially selected and a further 2 beneficiaries the number of beneficiaries of the 2014-2016 *Stock Grant Plan,* the allocation for financial year 2016, is equal to 28.

[5] Based on the resolution taken at the Ordinary General Meeting held on 15 April 2014 approving the 2014-2016 *Stock Grant Plan* the Managers of Ansaldo STS and/or companies within the Ansaldo STS Group were allocated the maximum number of shares accruing during financial year 2015 amounting to 304,562. Allocation of 287,811 shares actually accruing during financial year 2016 was made by the Nomination and Remuneration Committee on 23 February 2017. Shares will be delivered during 2019, pursuant to the three year vesting period foreseen in the plan.

[6] This information will be available upon delivery of the shares. At the date of the General Meeting on 15 April 2014 which approved the *Stock Grant Plan* 2014-2016, the market price was Euro 6.939.

[7] The 2014-2016 *Stock Grant Plan* approved by the ordinary General Meeting of 15 April 2014 provided that the three year vesting period for the shares allocated for 2016 begins from 15 April 2016.

The following table shows the status of the SGP 2017-2019 plan's implementation

REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS

Table No. 1 of scheme 7 of Annex 3A to Regulation No. 11971/1999

First name and surname or category	Office	Stock Grant Plan 2017 -2019 - PANEL 1 – ALLOCATION FOR THE FINANCIAL YEAR 2017						
		Financial instruments other than stock options *(STOCK GRANT)*						
		Section 1 Instruments relating to plans that are still ongoing, approved on the basis of previous General Meeting resolutions						
		Date of resolution	Description of instrument	Number of instruments assigned by the competent body (Nomination and Remuneration Committee)	Date of allocation by the competent body (Nomination and Remuneration Committee)	Purchase price of the instruments, if any	Market price at the allocation date	Vesting period
Andrew Barr	Chief Executive Officer of Ansaldo STS S.p.A. and General Manager	11/05/2017	Shares of Ansaldo STS S.p.A.	0 (1)	14 June 2017 (1)	—	N.D. (6)	Three years (7)
Executives with Strategic Responsibilities (2)	----	11/05/2017	Shares of Ansaldo STS S.p.A.	0 (3)	14 June 2017 (3)	—	N.D. (6)	Three years (7)
Managers (35 beneficiaries) (4)	----	11/05/2017	Shares of Ansaldo STS S.p.A.	0 (5)	14 June 2017 (5)	—	N.D. (6)	Three years (7)

(1) Based on the resolution passed by the General Meeting on 11 May 2017 which approved the Stock Grant Plan 2017-2019, a maximum number of shares attributable for the financial year 2017 amounting to 10,795 were allocated to the Chief Executive Officer and General Manager. With reference to the financial year 2017 no shares have been accrued. In compliance with the Plan, those shares would have been accrued during the course of 2020.

(2) This item refers to the Company's Chief Operating Officer (Christian Andi), the Head of the *Business Unit Railways & Mass Transit* (Giuseppe Gaudiello) and the Head of the *Business Unit Freight* (Michele Fracchiolla), identified as Executives with Strategic Responsibilities commencing from 1 January 2014; in addition, this item refers to the Company's Chief Financial Officer (Renato Gallo) and the General Counsel (Filippo Corsi), identified as Managers with Strategic Responsibilities commencing from 1 January 2017.

(3) Based on the resolution passed by the General Meeting on 11 May 2017 which approved the Stock Grant Plan 2017-2019, a maximum number of shares attributable for the financial year 2017 amounting to 39,888 were allocated in aggregate to Executives with Strategic Responsibilities in office commencing from 1 January 2017. With reference to the financial year 2017 no shares have been accrued. In compliance with the Plan, those shares would have been accrued during the course of 2020.

(4) The Board of Directors Meeting held on 15 June 2017 identified, upon the Nomination and Remuneration Committee so proposing, 35 Ansaldo STS and/or ASTS Group Managers as being beneficiaries of the 2017-2019 Stock Grant Plan.

(5) Based on the resolution passed by the General Meeting on 11 May 2017 which approved the Stock Grant Plan 2017-2019, a maximum number of shares attributable for the financial year 2017 amounting to 125,050 were allocated in aggregate to Ansaldo STS and/or ASTS Group Managers in office. With reference to the financial year 2017 no shares have been accrued. In compliance with the Plan, those shares would have been accrued during the course of 2020.

6) This figure would have been available on the delivery date of the shares. On 11 May 2017, when the General Meeting approved the 2017-2019 Stock Grant Plan, the market price was EUR 12.480.

(7) The 2017-2019 Stock Grant Plan approved by the General Meeting on 11 May 2017 provides that the three-year vesting period regarding the shares assigned with reference to the financial year 2017 would have run from the date of approval of the plan by the General Meeting.

Attachment "F"

ANSALDO STS S.p.A.

REGISTERED OFFICE: VIA PAOLO MANTOVANI 3-5, GENOA

SHARE CAPITAL €100,000,000.00 FULLY SUBSCRIBED AND PAID UP

REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER 01371160662

SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary Shareholders' Meeting

10 May 2018

Explanatory Report of the Board of Directors

compiled pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 on the

first item on the agenda of the Ordinary session:

"1. Financial Statements as of 31 December 2017.
1.1 Financial Statements as of 31 December 2017; Reports of the Board of Directors, the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.
1.2. Allocation of profit for the financial year. Related and consequent resolutions."

* * * * *

"1.1 Financial Statements as of 31 December 2017; Reports of the Board of Directors, the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions."

Dear Shareholders,

We submit the Financial Statements of 2017 for your approval, filed and published pursuant to the laws in force, inter alia, also available on the internet site of the Company www.ansaldo-sts.com, to which reference is made, that closed with a net profit of EUR 71,988,273.75.

You are reminded that the Shareholders' meeting has also been called on to pass resolution on the profit indicated in the aforementioned Financial Statements, as provided in Article 2433 of the Italian Civil Code.

In this regard, the Board of Directors of the Company has formulated a proposed resolution on the allocation of the profit for the financial year and the distribution of the dividend, as indicated in the relevant explanatory report, shown below, produced pursuant to Article 125-*ter* of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance or CLF), as amended, which is made available to the public according to the terms and conditions of the applicable legislation.

The proposal provides for: (i) the distribution to Shareholders of a dividend of EUR 0.15, before statutory withholding taxes, per share, with a nominal value of EUR 0.50, in issue on the date hereof and with dividend rights; (ii) the carrying forward of the residual amount.

No provision is made for allocation to the legal reserve, in view of the fact that the reserve stands at EUR 20,000,000.00, or 20% of the share capital, which is the maximum amount provided for in Article 2430 of the Italian Civil Code.

In particular, the proposal provides for the distribution to Shareholders of EUR 30,000,000.00 of the profit for 2017 through a dividend of EUR 0.15 before statutory withholding taxes for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, and to carry forward the remainder of EUR 41,988,273.75.

The total amount of the dividend which is proposed to distribute corresponds to 30% of the registered capital, to approximately 42% of the net profit of Ansaldo STS S.p.A. in 2017 and approximately 46% of the Group's consolidated net profit in 2017, which amounts to EUR 64,975,423.46.

For further information on the ex-dividend date, the dividend payment date and the relevant record date pursuant to Article 83-*quater* of the CLF, see the aforementioned explanatory report produced by the Board of Directors pursuant to Art. 125-*ter* of the CLF.

* * * * *

Dear Shareholders,

if you are in agreement with the proposal indicated above, please approve the following resolution:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A.

- *having regard to the Report of the Board of Directors;*
- *having regard to the Report of the Board of Statutory Auditors;*
- *having reviewed the Financial Statements as of 31 December 2017;*
- *acknowledging the Report of the Indipendent Auditor Ernst & Young S.p.A.,*

resolves

- *to approve the Report of the Board of Directors and the Financial Statements as of 31 December 2017;*

- *to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."*

* * * * *

"1.2. Allocation of profit for the financial year. Related and consequent resolutions."

Dear Shareholders,

The Board of Directors of Ansaldo STS S.p.A. hereby convenes you to an Ordinary Shareholders' Meeting on 10 May 2018, in a single convocation, at 11:00 A.M. at Corso F.M. Perrone 118 (Villa Cattaneo dell'Olmo) Genoa, at the headquarters of the FONDAZIONE ANSALDO, to discuss and pass resolution on, *inter alia*, the proposal to distribute the net profit as indicated in the financial statements of Ansaldo STS S.p.A. as of 31 December 2017.

The Financial Statements for 2017 closed with a net profit of EUR 71,988,273.75.

The Shareholders' meeting is also called on to pass resolution on the profit indicated in the aforementioned Financial Statements, as provided in Article 2433 of the Italian Civil Code.

The proposal submitted for your approval provides for: (i) the distribution to Shareholders of a dividend of EUR 0.15, gross of statutory withholding taxes, per each share with a nominal value of EUR 0.50, in issue on the date hereof and with dividend rights; (ii) the carrying forward of the residual amount.

This proposal does not make any provision for allocation to the legal reserve, in view of the fact that the reserve stands at EUR 20,000,000.00, or 20% of the share capital, which is the maximum amount provided for in Article 2430 of the Italian Civil Code.

We therefore formulate the following proposal to allocate the entire profit of the financial year amounting to EUR 71,988,273.75:

- the sum of EUR 30,000,000.00 to be distributed to Shareholders through a dividend of EUR 0.15, before statutory withholding taxes, for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, with detachment of coupon No. 15 on 21 May 2018 and payment from 23 May 2018. Pursuant to Article 83-*terdecies* of Legislative Decree No. 58 of 24 February 1998, entitlement to the dividend payment is determined with reference to the intermediary's accounts as provided in Article 83-*quater*, paragraph 3, of the Legislative Decree No. 58/98, at the end of the accounting day of 22 May 2018 (the record date);

- the residual amount, of EUR 41,988,273.75 to be carried forward.

The total amount of the dividend which is proposed to distribute corresponds to 30% of the share capital, to approximately 42% of the net profit of Ansaldo STS S.p.A. in 2017 and approximately 46% of the Group's consolidated net profit in 2017, which amounts to EUR 64,975,423.46.

* * * * *

In view of the foregoing, we submit the following resolution for your approval:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A., after examining and discussing the proposal of the Board of Directors, as set out in the explanatory report on this agenda item for this Shareholders' Meeting

resolves

- *to approve the following proposal formulated by the Board of Directors to distribute the entire profit for the year amounting to EUR* 71,988,273.75*:*
  - *the sum of EUR 30,000,000.00 to be distributed to Shareholders through a dividend of EUR 0.15, before statutory withholding taxes, for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, with detachment of coupon No. 15 dated 21 May 2018 and payment from 23 May 2018. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of 24 February 1998, entitlement to the dividend payment is determined with reference to the intermediary's accounts as provided in Article 83-quater, paragraph 3, of the Legislative Decree No. 58/98, at the end of the accounting day of 22 May 2018 (the record date);*
  - *the residual amount, of EUR* 41,988,273.75, *to be carried forward.*
- *to grant a mandate to the Board of Directors and, on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."*

Genoa, 29 March 2018

For the Board of Directors
The Chairman
(Alistair Dormer)

ANSALDO STS S.P.A.
REGISTERED OFFICE IN GENOA, VIA PAOLO MANTOVANI 3 – 5
SHARE CAPITAL €100,000,000.00 FULLY SUBSCRIBED AND PAID UP
REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER 01371160662
SUBJECT TO THE DIRECTION AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary General Shareholders' Meeting

10 May 2018

Explanatory report of the Board of Directors produced pursuant

to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 on

the

Second item on the agenda of the Ordinary session:

"2. First Section of the Report on remuneration. Related and consequent resolutions."

* * * * *

Dear Shareholders,

This Remuneration Report shows, in compliance with the laws and regulatory provisions in force, the basic principles and guidelines to be pursued by Ansaldo STS S.p.A. with its Remuneration policy, approved by the Board of Directors on 14 March 2018, upon proposal by the Nomination and Remuneration Committee and, subject to the opinion of the Chief Executive Officer, as regards the remuneration of Managers with Strategic Responsibilities.

In particular, in accordance with Art. 123-*ter* of Italian Legislative Decree 58/1998, in the first section of the Report, which is indicated in full below, the main contents of the Remuneration policy are pointed out (the powers conferred on the matter to the company bodies, the fixed and variable components of the remuneration, the methods for assigning the variable components and the bonus), as well as the information concerning the actual adoption and implementation of the policy itself.

With the Remuneration Report, the Company intends to submit to your attention a clear illustration of the overall top management remuneration system of Ansaldo STS, so that you can consciously express your advisory vote on the first section of the Report, as provided by Art. 123-*ter*, paragraph 6, of Italian Legislative Decree 58/1998.

* * * * *

SECTION I: REMUNERATION POLICY FOR THE FINANCIAL YEAR 2018

A) Bodies or people involved in preparing and approving the Remuneration Policy; with roles, bodies and people in charge of correctly implementing such policy

The Board of Directors approves the Remuneration Policy on an annual basis, on a proposal of the Nomination and Remuneration Committee (*see below, letter B*).

The Remuneration Policy for the financial year 2018, as described in this section of the Report, is submitted for a non-binding resolution of the General Meeting, called pursuant to Article 2364 paragraph 2 of the Italian Civil Code.

The Bodies in charge of the correct implementation of the Policy are the Nomination and Remuneration Committee in the exercise of its duties as described below, as well as the Chief Executive Officer and the Board of Directors.

B) Action of the Nomination and Remuneration Committee, composition, tasks and operating procedures of this Committee

The Nomination and Remuneration Committee, which submitted the Remuneration Policy proposal to the Board of Directors, is composed of a number of Directors set by the Board of Directors upon its appointment, all of whom are non-executive and independent as required by Article 16 of Consob Regulation No. 20249 of 2017, by the Corporate Governance Code and by the Committee Rules. At least one member of the Nomination and Remuneration Committee has adequate knowledge and experience in financial or remuneration policy, to be assessed by the Board of Directors at the time of the appointment.

The members of the Nomination and Remuneration Committee appointed by the Board of Directors on 16 May 2016 were the independent directors Ms Katharine Painter (Chairman), Mr Alberto de Benedictis and Mr Mario Garraffo.

The Nomination and Remuneration Committee is assigned the following tasks, in connection with the Remuneration Policy:

- submit proposals to the Board of Directors on the remuneration policy for directors and Executives with Strategic Responsibilities, if any;
- make periodical evaluations of the adequacy, overall consistency and actual implementation of the remuneration policy mentioned in the preceding item, making use of the information provided by the Chief Executive Officer as concerns Executives with Strategic Responsibilities, and submit proposals on this matter to the Board of Directors, where appropriate;
- submit proposals or give opinions to the Board of Directors on the remuneration of executive

directors and of any other directors holding particular offices as well as on the performance targets linked to the variable part of such remuneration, monitoring the implementation of the decisions taken by the same Board and verifying the actual achievement of the performance targets;

- evaluate the proposals of the Chief Executive Officer relevant to the general remuneration and incentive policy, as well as to the management development systems and plans, for the key resources of the Group and the directors vested with powers of the Group companies;
- assist the Company top management in defining the best policy for handling the managerial resources of the Group;
- propose share-based remuneration plans in favour of Directors and Managers of the Company and of the other Group companies and the relevant implementing regulations, carrying out the tasks reserved to it for the management of the plans adopted by the Company case by case;
- report to the Company's shareholders on the way in which it carries out its duties.

In the performance of its duties, the Committee shall ensure suitable functional and operational links with the relevant corporate structures.

The Committee reports to the Board of Directors at least every six months.

C) **Name of the independent experts, if any, involved in preparing the Remuneration Policy**

No independent experts have been involved in preparing the Remuneration Policy.

D) **Aims of the Remuneration Policy, underlying principles and changes in such policy, if any, from the financial year 2017**

The Company's Remuneration Policy aims to attract, retain and motivate managers with high professional skills, who are able to successfully manage the Company.

In particular, the remuneration of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, aims to:

- align the interests of the said people with the priority objective of creating shareholder value in a medium-long term perspective;
- create a strong connection between remuneration and performance, both individual and of the Group, by involving and incentivising said people, insofar as their action is deemed to be essential to the achievement of the Company and Group targets;
- enhance the loyalty of the key resources, thus encouraging their permanence within the Company and the Group;
- convey the Company intent to share the expected increase in the Company's value with the top professionals of the Group.

For non-executive Directors, the Remuneration Policy takes into account the commitment required from each of them and their participation, if any, in one or more committees, and it is not linked to the economic performance of the Company (*see* paragraph *N)* below).

Compared to the Remuneration Policy for the financial year 2017, which was approved by the Board of Directors on 24 March 2017 and submitted to the resolution of the Shareholders on 11 May 2017 – called to give its non-binding advice on the first part of the Report wherein details on such Policy were provided, the Remuneration Policy for the financial year 2017 has remained substantially unchanged.

E) **Description of the policies on fixed and variable components of the remuneration, with particular regard to the indication of the relevant weight in the total remuneration, differentiating between short and medium-long term variable components**

With regard to the fixed component of the remuneration, the Corporate Governance Code recommends that such remuneration should be sufficient to compensate the services of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities in the event that no variable component is paid.

With regard to the variable component, the Corporate Governance Code recommends that the remuneration of the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities should comply with the following criteria:

- the fixed and the variable component should be suitably balanced;
- maximum limits should be indicated for the variable components;
- the performance targets should be predefined, measurable and connected with the creation of shareholders value in a medium-long term perspective;
- a significant part of the variable component of the remuneration should be suitably postponed by an appropriate period, after accrual.

With specific regard to share-based remuneration plans, the Corporate Governance Code recommends:

- that shares, options and any other rights assigned to the directors, the General Manager and Executives with Strategic Responsibilities to buy shares or be remunerated on the basis of the share price trends, should have an average vesting period of at least three years;
- that the vesting as per the preceding item should be subject to predefined, measurable performance targets;
- that the directors should keep part of the shares allocated or acquired through the exercise of such rights until the end of their term of office.

In line with the above, the Remuneration Policy states that the remuneration should consist of[1]:

- a fixed component consisting:
    a. for the Chief Executive Officer and General Manager:

[1] It must be pointed out that, in the event that the General Manager' role is assigned to a person other than the Chief Executive Officer, the Remuneration Policy described in this section of the Report concerning Executives with Strategic Responsibilities is also applicable to the General Manager.

i. of the fee approved by the ordinary General Meeting upon appointment for the office of member of the Board of Directors; and

ii. of the fee approved by the Board of Directors on a proposal of the Nomination and Remuneration Committee, after hearing the opinion of the Board of Statutory Auditors, received as Chief Executive Officer; and

iii. of the fee approved by the Board of Directors on a proposal of the Nomination and Remuneration Committee, for the office of General Manager;

b. for non-executive Directors, of the fee approved by the ordinary General Meeting upon appointment for the office of member of the Board of Directors; and

c. for Executives with Strategic Responsibilities, of the annual fixed gross remuneration under the individual contract signed by the Executives with Strategic Responsibilities, in compliance with the provisions of the applicable collective bargaining regulations;

- a variable component, both for the Chief Executive Officer and General Manager and for the Executives with Strategic Responsibilities consisting:

a) of a short-term variable incentive instrument, subject to the achievement of performance targets predefined on an annual basis (known as *Management by Objectives* or "**MBO**"), both of corporate nature (such as the *Earning Before Interests and Taxes* – EBIT and the *Free Operating Cash Flow* – FOCF)**,** and of individual nature, depending on the office held (such as the value of the orders acquired, the achievement of certain values of the sector-specific EBIT and the achievement of certain structural costs, or specific quantity-quality targets).

The MBO should be designed to provide that the maximum proportion of the incentive, deriving from the achievement of the targets indicated from time to time, shall not, in any event, exceed 100% of the fixed component of the Chief Executive Officer and General Manager, as well as the Executives with Strategic Responsibilities. In order to further incentivize the achievement and the improvement of the performance targets, the MBO shall also provide over-performance mechanisms. In addition, the MBO may provide that the budget is a parameter to establish the proportion of incentive to be paid, as well as (i), in the event of achievement of a certain percentage of the budget, a proportion of the incentive is paid, (ii) if the predefined budget is achieved, the entire proportion of the incentive is paid, and (iii) if the targets predefined in the budget increase, a greater amount of the one initially set up is paid, in order to incentivize the over-performance, which in any case will not exceed 100% of the fixed component;

b) of a medium-long term cash incentive (known as *Long Term Incentive Plan* or "**LTIP**"), structured on the basis of three-year *rolling* cycles, subject to the achievement of the following targets:

- *Net Result* as the access threshold;
- two annual performance targets, to be identified among the main economic-financial indicators, such as the achievement of certain values in terms of Orders, ROE, ROA, ROS and FOCF.

The maximum proportion of the fully operational incentive to the service of the LTIP shall not exceed the fixed component of the plan beneficiaries' remuneration.

In order to encourage and remunerate in compliance with the results over a medium-long period, the Remuneration Policy also states that LTIP plans shall arrange, for the targets to which they apply, mechanisms both for the recovery in subsequent years of any underperformance registered in previous years, and for carrying over to subsequent years any over-performance registered in each plan year.

In order to align the interests of the plan beneficiaries with the creation of shareholder value in a medium-long term perspective, LTIP plans also provide for the accrual of the incentive portions to occur as follows:

- 25% of the incentive for the first year of the cycle;
- 25% of the incentive for the second year of the cycle; and
- the remaining 50% at the end of the three years.

Also, in order to postpone the allocation of a significant part of the variable remuneration by a suitable period, the Remuneration Policy provides for the payment of the incentive portions accrued with respect to each year and to each target to be postponed by one year from the time of approval of the financial statements certifying the achievement of the targets;

c) of a medium-long term variable incentive based on shares (known as "*Stock Grant Plan* or "**SGP**"), of multiple years' duration.

The allocation of the shares shall be subject to certain conditions precedent, namely the achievement of the following annual performance indicators:

- *Free Operating Cash Flow* (FOCF);
- STS Share vs. FTSE IT *All Share*;
- Economic Value Added (EVA).

The incidence of each target for the allocation of incentives is defined by the Board of Directors, on a proposal of the Nomination and Remuneration Committee.

In order to encourage and remunerate the maintenance of medium-long term period results, the Nomination and Remuneration Policy requires the SGP to be structured in such manner as to ensure that:

(i) at least 50% of the shares that may be allocated under the plan accrues on achievement of the targets of the last year;

(ii) as regards each of the targets, there are : (i) mechanisms for the recovery of any underperformance registered in previous years, as well as (ii) mechanisms for carrying over, to subsequent years, any over-performance registered in previous years;

(iii) with regard to the achievement of each target, a tolerance threshold may be indicated on occasion of the annual final balance, for the failed achievement of 100% of the relevant target, but not to exceed 2.5%, thus allowing the accrual to the beneficiary of a corresponding proportion of the shares owed under the plan.

As for the vesting period, the Stock Grant Plan shall provide – in line with the recommendations of the Corporate Governance Code – for a three-year rolling vesting period, starting, for the first corporate year, from the date of approval of the SGP by the General Meeting of Shareholders and, for the subsequent years, from the corresponding date of each year.

The Remuneration Policy also provides for a lock-up clause to be established at the end of the vesting period mentioned above for the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, on a significant portion of the shares allocated, to be identified under the responsibility of the Board of Directors, on a proposal of the Nomination and Remuneration Committee, for a period of two years in relation to the 20% accrued stock.

In addition to the above, the Board of Directors, on a proposal of the Nomination and Remuneration Committee, may resolve to recognise a bonus of variable amount – up to a maximum of 20% of the fixed component of the Chief Executive Officer and General Manager and 25% of the fixed component of the Executives with Strategic Responsibilities – based on the achievement of predetermined targets and/or further targets that are not identified in advance but actually achieved. Generally, it is noted that the performance of the Chief Executive Officer and General Manager, as well as the Executives with Strategic Responsibilities, is assessed not only on the basis of the annual results, but also in consideration of the medium/long-term results.

F) **Non-monetary benefits policy**

The Remuneration Policy contains no provisions regarding non-monetary benefits. The Chief Executive Officer and General Manager and the Executives with Strategic Responsibilities are granted the use of the corporate car for both business and private use and eventually, if the need therefore arises, the use of a dwelling, even for limited periods, according to the customary practice adopted in the company by the other managers.

G) **With regard to the variable components, description of the performance targets on the basis of which they are granted, differentiating between short and medium-long term variable components, and information on the link between the variation of the results and the variation of the remuneration**

See letter E).

H) **Criteria used for the assessment of the performance targets on which the allocation of shares, options and other financial instruments or variable remuneration components is based**

Each of the performance target values identified by the Remuneration Policy for paying the variable component of the remuneration are selected by giving preference to operating and financial objectives and target values in line with the creation of shareholder value over the medium-long period. For this purpose, mechanisms are also provided for the recovery of any underperformance registered in previous years, as well as for carrying over to subsequent years any over-performance registered in previous years.

Generally speaking, the target values and objectives are based on the specific business of the Company and are indicators of the ability of that company – which mainly operates in the management of multi-year job orders – to be self-financing and to handle the risk associated with its business over the medium-long period. The objectives connected with the performance of the Company's shares compared to the FTSE IT *All Share* index trend have been chosen as they represent, in the Company's opinion, objective criteria to measure the creation of value of the Company's shares over the medium-long term.

I) **Information aimed at highlighting the consistency of the Remuneration Policy with the pursuit of the company's long-term interests and with the risk management policy**

The Remuneration Policy states that the performance targets outlined above, the target values and the procedures for paying the variable component shall be consistent with the risk management policy adopted by the Company, because they must take into account the risks taken by Ansaldo STS, as well as the necessary capital and liquidity requirements of the Company to deal with the activities undertaken.

As explained in letter *H),* the said parameters are consistent with the pursuit of the long-term interest of the Company.

J) **Accrual entitlement terms (so-called vesting period), any deferred payment schemes, with indication of the postponement periods and of the criteria used to define such periods and the ex post correction mechanisms**

As regards the vesting period and the postponement periods, see letter *E).*

The *vesting period* and the postponement periods are defined in view of the specific activity carried out by the Company - which mainly operates in the management of multi-year job orders - and with a view to aligning the management's interest with the pursuit of shareholders value creation over the medium-long period.

The Remuneration Policy provides that - with regard to the Chief Executive Officer's and the General Manager's variable remuneration components (as well as those of the Executives with Strategic

Responsibilities) - the Company is allowed, by contract, to demand the repayment (or withhold the deferred payment), in whole or in part, of the variable remuneration components that have been paid on the basis of data which has - within a period of three years from disbursement - been proven by the competent departments to be manifestly erroneous (so-called claw-back clauses).

The claw-back clauses must subject the effective application thereof to the condition that the Company's Board of Directors gives a binding opinion in relation thereto.

As indicated in letter *E*), the policy provides, moreover, for mechanisms for recovering any underperformance registered in previous years, as well as for carrying over to subsequent years any over-performance registered in previous years.

K) **Information on possible clauses for the maintenance of financial instruments in the portfolio after their acquisition, with indication of the maintenance periods and of the criteria used to define such periods**

As indicated under letter *E),* the Remuneration Policy states that, with regard to the Chief Executive Officer and the General Manager and the Executives with Strategic Responsibilities, the SGPs must provide for a lock-up clause on a significant portion of the shares allocated, to be identified by the Board of Directors, on a proposal of the Nomination and Remuneration Committee, for a period of two years. The duration of such lock-up period, which, as said above, starts after the end of the three-year vesting period, meets the need to align the interests of the top management of the Company with those of the shareholders over the medium-long period.

L) **Policy for compensation in the event of cessation from office or termination of the employment contract**

The Remuneration Policy does not provide for agreements to be stipulated between the Company, the Directors, the General Manager and the Executives with Strategic Responsibilities, granting indemnities in the event of resignation or dismissal/termination without just cause or cessation of the employment in consequence of a takeover bid.

Except for voluntary resignation from office and/or from the employment without just cause, or termination and/or dismissal for just cause, the Board of Directors - after consulting with the Nomination and Remuneration Committee and the Board of Statutory Auditors – may execute with the Chief Executive Officer and/or General Manager agreements aimed at regulating ongoing relationships, that grant the Chief Executive Officer and/or General Manager an indemnity for termination or non-renewal of office; this indemnity may not exceed 24 months' total remuneration for the offices and/or relationships that are ongoing when the termination occurs.

The compensation applicable to cessation from office or termination of the employment shall be regulated by specific agreements with the ceased individuals, as well as by specific provisions, if any, of the regulations of the LTIP and SGP plans and/or of the national collective bargaining agreement for company managers.

M) **Information on insurance, social-security or pension benefits, other than mandatory ones**

The Remuneration Policy does not provide for insurance, social-security and pension benefits for the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities, other than those required under the national collective bargaining agreement for the category, applicable to the Group managers.

N) **Remuneration policy on: (i) independent directors, (ii) participation in committees and (iii) the performance of certain tasks**

As recommended by the Corporate Governance Code, the remuneration of non-executive Directors is not linked to the economic performance the Company and/or the Group.

The remuneration of non-executive Directors, as mentioned above under letter *D)* of the Report, consists only of a fixed component, as resolved by the ordinary General Meeting.

Considering the definition of executive directors under Article 2.C.1 of the Corporate Governance Code, the Chief Executive Officer is executive.

Likewise, the Chairman of the Board of Directors is also considered executive - even if he has received no particular delegation by the Board of Directors and therefore holds no executive role within the Company - by virtue of the posts held in the Hitachi Group.

In view of the above, all Independent Directors of the Company are non-executive. The remuneration policy followed by the Company for these Directors is therefore the same as for all non-executive Directors.

As regards the remuneration of Directors who take part in internal committees of the Board of Directors (the Control and Risk Committee, which also functions as Related-Party Transactions Committee, and the Nomination and Remuneration Committee), the Policy states that they shall receive, in return for participation in each committee, an additional fee defined by the Board of Directors, upon a prior proposal from the Nomination and Remuneration Committee.

The Chairman and Vice Chairman of the Board of Directors receive a fixed fee defined by the ordinary General Meeting.

O) **Information on the use, for reference if necessary, of the Remuneration Policy of other companies**

The Remuneration Policy has been drawn up by the Company without reference to the policy of any other companies.

* * * * *

In light of the above, we submit for your approval the following resolution:

" *Ansaldo STS S.p.A. Ordinary Shareholders' Meeting*,

- *after having examined and discussed the section of the report on remuneration foreseen by Article 123-ter, paragraph 3, of Legislative Decree No. 58/1998, which was approved by the Board of Directors upon the Nomination and Remuneration Committee so proposing, which contains the description of the Company's policy on remuneration for members of Boards of Directors, the General Manager and Managers with Strategic Responsibilities, and the procedures used for adopting and implementing this policy and which was made available to the public in the manner and time required by law;*
- *considered that the aforementioned section of the remuneration report and the policy described therein are compliant with the provisions of the applicable legislation on the remuneration of members of the Board, the General Manager and Managers with Strategic Responsibilities,*

resolves

- *to adopt the first section of the report on remuneration provided for under Article 123-ter, paragraph 3, of Legislative Decree. No. 58/1998, which was approved by the Board of Directors on 14 March 2018 and which illustrates the Company's policy on the remuneration of members of Boards of Directors, the General Manager and Managers with Strategic Responsibilities, as well as the procedures used for adopting and implementing this policy*".

Genoa, 6 April 2018

For the Board of Directors

The Chairman

(Alistair Dormer)

ANSALDO STS S.p.A.
REGISTERED OFFICE IN VIA PAOLO MANTOVANI 3-5
SHARE CAPITAL EUR 100,000,000.00 FULLY SUBSCRIBED AND PAID IN
REGISTRATION NUMBER IN THE COMPANIES REGISTRY OF GENOA AND FISCAL CODE 01371160662
SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary General Shareholders' Meeting

10 May 2018

Report of the Board of Directors

drafted pursuant to Article 73 of the regulation implemented by Consob with resolution No. 11971/1999, on the

Third item on the agenda of the Ordinary session:

"3. *Authorisation to purchase and dispose of own shares. Related and consequent resolutions."*

* * * * *

Dear Shareholders,
the Ordinary General Meeting has been convened to discuss and resolve on the purchase and disposal of own shares, pursuant to the terms and conditions as specified below; this is the reason why we request a resolution for a new authorisation to purchase and dispose of own shares under the terms set out as follows.

Reasons for the proposed authorisation

The request for authorisation to purchase and dispose of own shares is based on the advisability of vesting the Board of Directors with the power to purchase and dispose of the purchased shares, in compliance with the applicable laws and in particular the Regulation (EU) No. 596/2014, for the share-based incentive plans approved by the Company.

Maximum number of shares involved in the authorisation proposal

At the date of this report, the Company's share capital is represented by No. 200,000,000 (two hundred million) ordinary shares, each of which with a nominal value of EUR 0.50 (zero point fifty), for a total value of EUR 100,000,000.00 (one hundred million), fully subscribed and paid in.

We therefore propose that the General Meeting authorises the purchase of own shares in one or more transactions, up to the maximum of No. 251,000 ordinary shares, corresponding to 0.125% of the share capital.

The purchase operations will take place within the limits of the profits available for distribution and the available reserves, resulting from the most recent approved Financial Statements.

The authorisation includes the power to dispose of the shares in a portfolio at a later date, also before having reached the maximum quantity of shares that can be purchased.

Further useful information for the assessment of compliance with Article 2357, Paragraph 3, of the Italian Civil Code

At the date of this report, the Company holds No. 128,124 own shares equal to 0.06% of the total shares, purchased at servicing the 2015 tranche of the Plan named "Stock Grant Plan 2014-2016".

These shares will be delivered during April 2018, as provided by the Plan Regulation and, therefore, according to these deliveries, the Company will not hold own shares.

With regards to the subsidiaries, at the date of this report they don't hold shares in the Company. Specific instructions will be issued to subsidiaries to ensure that they promptly report any purchases of shares carried out pursuant to Article 2359-*bis* of the Italian Civil Code.

Term for which the authorisation is requested

The authorisation to purchase own shares is requested for a period of 18 (eighteen) months from the date of approval by the General Meeting.

The authorisation for the disposal is requested for an unlimited period of time.

Minimum and maximum price

Purchases must be made on price conditions conforming to the provisions of Article 3, Paragraph 2 of Delegated Regulation (EU) No. 2016/1052 of the European Commission of 8 March 2016. In particular, this article states that the issuer must not purchase shares at a price which is higher than the highest price of the last independent trade and the highest current independent bid on the Electronic Share Market (MTA) organised and managed by *Borsa Italiana S.p.A.*.

Shares for share-based incentive plans will be assigned free of charge to the beneficiaries of such plans in accordance with the terms and procedures set out in the plan regulations.

For further information on such plans, please see the information documents prepared in accordance with Article 84-*bis* of the Issuers Regulations, available on the Company website www.ansaldo-sts.com.

Procedures through which the purchases and disposal of own shares are carried out

The purchase transactions will be carried out in accordance with the provisions of Article 132 of Legislative Decree No. 58/1998, of Article 144-*bis* of the Issuers Regulations and of any other Italian or European applicable legislation, as well as of the accepted market practices recognised by Consob.

In particular, own shares shall be purchased in accordance with the operating procedures under Article 144-*bis*, paragraph 1, point b) of the Issuers Regulation. Own shares may be purchased according to other procedures if these are permitted by Article 132, Paragraph 3 of Legislative Decree No. 58/1998, or any other provisions from time to time applicable at the time of the transaction.

Disposals of shares may be carried out, in one or more transactions, even before reaching the number of own shares that may be purchased. Such disposal may be made in the ways deemed most appropriate in the interest of the Company, and in any event in accordance with the applicable legislation and accepted market practices. Therefore, shares relating to share-based incentive plans will be assigned in accordance with the procedures and on the terms specified by the regulations on the plans.

Information on the purchase of shares for the purpose of reducing the share capital

Please note that the purchase of own shares, under this request for authorisation will not be used to reduce the share capital.

* * * * *

On the basis of the above, we submit the following resolution for your approval:

"*The ordinary General Meeting of Ansaldo STS S.p.A.,*

- *having examined the proposal of the Board of Directors;*
- *having considered the provisions of Arts. 2357 and 2357-ter of the Civil Code, 132 of Legislative Decree No. 58/1998 and 144-bis of the Issuers Regulation, as well as any other applicable laws,*

resolves

1. *to authorise the purchase, in one or more transactions, for a period of eighteen (18) months from the date of this resolution, of ordinary shares of Ansaldo STS S.p.A. in accordance with the procedures specified below:*
    - *the maximum number of shares to be purchased is equal to No. 251,000 ordinary shares, corresponding to 0.125% of the share capital;*
    - *the purchases must be made at price conditions conforming to the provisions of Article 3, Paragraph 2 of Delegated Regulation (EU) No. 2016/1052 of the European Commission of 8 March 2016 and in*

any event in accordance with the conditions and limits established by Consob on accepted market practices, where applicable;

- *the purchases must be made in accordance with the procedures under Article 144-*bis*, Paragraph 1, point b) of the Issuers Regulations;*

2. *to authorise the disposal of own shares, in one or more transactions, without time limits, in the manner considered most appropriate in the interest of the Company and in accordance with applicable legislation, in accordance with the procedures specified below:*
   - *shares purchased may be disposed of also before reaching the maximum quantity of purchases which this resolutions relates to;*
   - *shares relating to share incentive plans will be allocated free-of-charge to the beneficiaries of the plans in accordance with the procedures and on the terms specified by the regulations on such plans;*
3. *to grant to the Board of Directors, the Chairman and the Chief Executive Officer on its behalf, acting independently, all the broadest powers necessary to give concrete and complete implementation to the resolutions referred to in the above points and to notify the market in relation to them, in accordance with applicable legislation."*

Genoa, 4 April 2018

For the Board of Directors

The Chairman

(Alistair Dormer)

ANSALDO STS S.p.A.

REGISTERED OFFICE: VIA PAOLO MANTOVANI 3-5, GENOA

SHARE CAPITAL €100,000,000.00 FULLY SUBSCRIBED AND PAID UP

REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER 01371160662

SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary Shareholders' Meeting

10 May 2018

Explanatory Report of the Board of Directors

compiled pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, on the

fourth item on the agenda of the Ordinary session:

"4. Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S.p.A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions."

* * * * *

Dear Shareholders,

the Board of Directors has called this Ordinary Meeting to discuss and deliberate also on the supplement to the compensation to be paid to the company Ernst & Young S.p.A., in relation to its assignment as independent auditor, conferred pursuant to Article 13 of D.Lgs. 39/2010.

In accordance with the above-mentioned Article 13 of D.Lgs. 39/2010, the Shareholders' Meeting establishes the fees of the independent auditor "*on a reasoned proposal from the control body*".

With reference to the aforementioned request, we ask you to resolve on the proposal to supplement the remuneration as set out below.

Please note that, with the resolution of 19 January 2017, the mandate of financial and consolidated statements of Ansaldo STS for the financial years 2016-2024 has been appointed to the Independent Auditor Ernst & Young S.p.A.

By letter dated 21 February 2018, Ernst & Young S.p.A. proposed the supplement of its own fees for the auditing activities to be carried out during 2017-2024, for the reasons set out in the proposal of the Board of Statutory Auditors, which is fully detailed below:

* * * * *

"REASONED PROPOSAL OF THE BOARD OF STATUTORY AUDITORS ON SUPPLEMENT OF TIMESCALES AND FEES PROVIDED FOR IN THE AGREEMENT WITH THE AUDITING COMPANY EY S.P.A. FOR THE FINANCIAL YEARS 2017-2024

Dear shareholders,

By resolution dated 19 January 2017, the Shareholders' Meeting of Ansaldo STS S.p.A. awarded a mandate for the statutory audit of the company for the financial years 31 December 2017 to 31 December 2024 to EY S.p.A., in accordance with the proposal dated 5 January 2017.

Chapter VII of the said proposal, entitled "Criteria for adjustment of fees during the assignment" stated as follows: "The timescales and fees estimated in this proposal may be revised, in the event that circumstances arise that require an increase in the timeframe, a change in the composition of personnel, or the involvement of specialist personnel in addition to what is estimated in this letter of mandate, such as, by way of example: changes in the structure and size of the company, changes in controls established as part of the internal control system, legislative changes, changes in accounting and/or auditing standards, the undertaking by your company of complex transactions, further auditing procedures following the introduction of new auditing standards, and additional activities in relation to any subsidiary or affiliated companies examined by other auditors".

In view of the provisions of the contract, by letter dated 21 February 2018, EY S.p.A. indicated that as a result of recently introduced legislative changes and the issuance of new international accounting standards - which introduced and/or entailed new obligations on statutory auditors or the performance of further, more complex audit activities - the conditions exist for the emergence of circumstances that require an increase in the timeframe, a change in the composition of personnel and the use of specialised personnel in addition to the budgeted consideration for auditing services.

In respect of the audit activities deemed necessary, EY S.p.A. has submitted the following proposal for an increase in fees for each of the financial years as of the year closing on 31 December 2017:

	2017 Fees €	**2018-2024 Fees €**
Greater depth in content of the Additional Report compared to the Report on Key Issues	5,000.00	-
New audit report	20,000.00	10,000.00
Identification of legislation that can be linked to information to be provided in the Directors' report and consequent operational aspects and verification of reporting	20,000.00	20,000.00
Audit activities related to the first application of the new international accounting standards	50,000.00	-
Total	**95,000.00**	**30,000.00**

The fees are to be understood as additional to the estimated fees for each financial year for the 2017 - 2024 period:

	Financial Years 2017 - 2018	**Financial Years 2019 - 2021**	**Financial Years 2022 - 2024**
	Fees €		
Auditing of company financial statements and verifications in preparation for the signing of tax returns	182,000.00	249,750.00	247,350.00
Verification of the regularity in the keeping of company accounts	18,000.00	24,690.00	24,420.00
Audit of the consolidated financial statement	84,000.00	115,575.00	113,223.00
Limited audit of the abbreviated half-yearly financial statements	130,000.00	178,200.00	177,540.00

all the other clauses indicated in the proposal remaining unchanged.

The Board of Statutory Auditors, in accordance with the provisions of Article 13, paragraph 1, of Legislative Decree No. 39/2010, which states “the shareholders’ meeting, on the reasoned proposal of the control body, grants a mandate for the auditing of company accounts and establishes the fee due to the statutory auditor for the entire term of the mandate, together with any criteria for adjustment of the said fee during the mandate” has considered the aforementioned request in order to formulate a response for submission to the shareholders’ meeting.

The Board of Statutory Auditors has also met with the competent company departments, which gave their opinions on the request for the supplement and the fairness of its contents. As a result of these activities, the Board of Statutory Auditors has concluded that the request for the supplement is (i) consistent with the audit process as established in the current mandate; (ii) adequate in consideration of the additional audit activities; (iii) fair in terms of the professional undertaking and (iv) consistent with the existing terms.

Accordingly, the Board of Statutory Auditors invites the Shareholders’ Meeting to adopt the following resolution:

“The Shareholders’ Meeting of Ansaldo STS S.p.A, after examining the reasoned proposal of the Board of Statutory Auditors containing the terms of the proposal of EY S.p.A,

resolves

in accordance with the terms and requests for supplement formulated by EY S.p.A., to update the established terms and the relevant fees for the audit mandate, granted by the Shareholders’ Meeting held on 19 January 2017 for the period 2017-2024; with all the other clauses of the original audit mandate remaining unchanged.

Milan, 7 March 2018

The Board of Statutory Auditors

Mr Antonio Zecca

Mr Giovanni Naccarato

Ms Alessandra Stabilini"

* * * * *

In view of the foregoing, we submit the following resolution for your approval:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A.,

- *having regard to the offer presented by Ernst & Young S.p.A. for the supplement to the compensation of the auditing activities for the financial years 2017-2024;*
- *evaluated the reasoned proposal from the Board of Statutory Auditors drafted in accordance with Article 13 of D.Lgs. 39/2010;*
- *in view of the independent auditing mandate of Ansaldo STS financial and consolidated statements for the financial years 2016-2024 as awarded by the Ordinary Shareholders' Meeting of 19 January 2017, and taking into account the determination of the related compensation;*
- *in the light of the increase of the auditing activities mandated to Ernst & Young S.p.A.,*

resolves

1. *in accordance with the terms and requests for supplement formulated by EY S.p.A., to update the established terms and the relevant fees for the audit mandate, granted by the Shareholders' Meeting held on 19 January 2017 for the period 2016-2024; with all the other clauses of the original audit mandate remaining unchanged;*
2. *to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution."*

Genoa, 6 April 2018

For the Board of Directors

The Chairman

(Alistair Dormer)

ANSALDO STS S.p.A. REGISTERED OFFICE: VIA PAOLO MANTOVANI 3-5, GENOA
SHARE CAPITAL EUR 100,000,000.00 FULLY SUBSCRIBED AND PAID UP
REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER 01371160662
SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary Shareholders' Meeting
10 May 2018

Explanatory Report of the Board of Directors
produced pursuant to Article 72, paragraph 1-bis of Consob Resolution No 11971 of 14 May 1999 on the

Sole item on the agenda of the extraordinary part:

"***Proposal for an amendment to the By-laws concerning the date of closing of the financial year. Related and consequent resolutions.***"

* * * * *

Dear Shareholders,

You have been convened for an Extraordinary session to discuss and pass resolution on the proposal to amend the date of closure of the financial year, as indicated below.

Please note that the Board of Directors has considered it appropriate to repropose this topic in the Shareholders' Meeting Agenda, considering that the amendment of the date of closing of the financial year, as more fully explained hereinafter, would result in clear and considerable benefits for the Company, both in order to simplify certain activities and to save on and optimize costs.

Article 29 of the By-laws of Ansaldo STS provides that the company financial year closes on 31 December of each year.

However, the Japanese "Hitachi" Group, of which Ansaldo STS became a part with effect from November 2015, has adopted the date of 31 March as the closing date of its financial year. All companies belonging to Hitachi Group use 31 March as the closing date of their financial year. The Italian companies that control Ansaldo STS, "Hitachi Rail Italy Holding S.r.l." (the indirect parent company) and "Hitachi Rail Italy Investments S.r.l." (the direct parent company) also close their financial year on 31 March.

The parent company “Hitachi Ltd”, which is listed on the Tokyo stock exchange, is subject to numerous market disclosure obligations which have a consequent impact on the Group. These companies are required to implement specific procedures for reporting to the parent company which, due to market disclosure and internal management requirements, are particularly complex and onerous in administrative terms.

In this context, it is clear that with regard to the date of closure of the financial year adopted within the Hitachi Group (31 March), reporting is more complex and subject to specific auditing procedures by the group Auditor.

Thus, the presence of an important subsidiary such as Ansaldo STS, which closes its financial year on a date other than 31 March, involves certain operational difficulties in several respects. In particular:

- The fact that Ansaldo STS closes its financial year on 31 December, and that it is subject to complex reporting procedures related to the date of March 31, means that double the effort is required to produce managerial and financial data, with an obvious burden in terms of the cost of both internal staff and the external entities involved in the relevant process (in particular the auditing firm);
- Reporting procedures linked to the date of 31 March contain some operational difficulties in terms of collection and timelines of the data provided, given that the data arises from a procedure for the closure of the company financial statements which is not subject to specific procedures.

For these reasons it has been deemed advisable to amend Article 29 of the By-laws to change the closing date of the Ansaldo STS company financial year to March 31 of each year, with effect from the current financial year, which would therefore have a duration of more than one year, i.e. from 1 January 2018 until 31 March 2019.

Such a change would make it possible to eliminate these operational difficulties and optimise the reporting process.

The decision to establish a transitional financial year of 15 months during the initial application phase of the proposed amendment to the By-laws is justified by the fact that a three-month transitional business year such as 1 January 2019 to 31 March 2019 would result in an inaccurate representation of the company's performance, as it would account for only the results of the first three months of operations and therefore it would not provide a full and comprehensive picture of an entire financial year, particularly given the specific business of Ansaldo STS. Furthermore, the Company would also be obliged to incur the exceptional financial and reporting charges of a normal 12-month year for a transitional period of only three months.

Authoritative legal theory and recent case law have upheld the view that the principle, according to which financial years must have a duration of a year, must be reconciled with the right of the Company to choose the start date of its financial year and if necessary to change it, for justified reasons, during the company's lifetime. In suche case, to provide, for the first financial year and in order to find a solution for the transitional period, for a financial year which can last less or more than 12 months, with the condition, in such last case, that the financial statements concerning a period lasting more than 12 months is not significative.

Therefore there are no obstacles to the Shareholders' Meeting adopting a resolution that provides, together with a change in the date of closure of the company financial year, for a transitional financial period which is somewhat, but not significantly, longer than one year.

In view of these considerations, and given the advisability of aligning the closure of the financial year of Ansaldo STS with that of Hitachi Group companies, an amendment to the current Article 29.1 of the By-laws, providing for the closure of the financial year on 31 March of each year, is submitted for approval at the Extraordinary Shareholders' Meeting of Ansaldo STS.

It should be noted that for the purposes of consistency of the text of the By-laws, in addition to an amendment to Article 29.1, it would be appropriate to amend Article 3.1 to bring the term of the company into line with the close of the financial year.

The text of the current By-laws, compared to the proposed text, is indicated below for a clear view of the amendments in question.

CURRENT TEXT	**PROPOSED TEXT**
Financial statements and Earnings Article 29 29.1 The company financial year closes on 31 December of each year.	Financial statements and Earnings Article 29 29.1 The company financial year closes on ~~31 December~~ 31 March of each year.
Term of the company Article 3 3.1 The term of the company shall expire on 31 December 2100 and may be extended on one or more occasions by resolution of the Shareholders' Meeting.	Term of the company Article 3 3.1 The term of the company shall expire on ~~31 December~~ 31 March 2100 and may be extended on one or more occasions by resolution of the Shareholders' Meeting.

* * * * *

Note that the above proposals for amendment to the By-laws do not grant a right of withdrawal to shareholders who do not approve them, as they do not come within any of the grounds for withdrawal identified in Article 2437 of the Italian Civil Code.

* * * * *

In view of the foregoing, we hereby submit the following proposed resolution for the approval of the Shareholders' Meeting of Ansaldo STS S.p.A.:

"*The Extraordinary Shareholders*' *Meeting of Ansaldo STS S.p.A., after examining the explanatory report of the Board of Directors, and acknowledging the opinion of the Board of Statutory Auditors,*

resolves

- *to amend Article 29.1 of the By-laws as formulated in the right column of the table with parallel text in the explanatory report produced by the Board of Directors pursuant to Article 72, paragraph 1-bis of Consob Resolution No. 11971 of 14 May 1999, with the result that the financial year commencing on 1 January 2018 shall end on 31 March 2019;*
- *to amend Article 3.1 of the By-laws as formulated in the right column of the table with parallel text in the explanatory report produced by the Board of Directors pursuant to Article 72, paragraph 1-bis of Consob Resolution No. 11971 of 14 May 1999;*
- *to approve the new text of the By-laws, updated and coordinated to incorporate the amendments resolved as indicated in the preceding points;*
- *to grant a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer, including separately and if necessary through special representatives, to fulfil all requirements and formalities in any way related to or arising from this resolution, and to introduce any amendments to this resolution that may be necessary for the purposes of registration with the Company Register*".

Genoa, 29 March 2018

For the Board of Directors

The Chairman

(Alistair Dormer)

Attachment “G”

Ansaldo STS

A Hitachi Group Company

Shareholders Meeting

Genoa, May 10th 2018

Investor Relations Department

Agenda

1. Executive summary

HSL in Italy

Verona-Padua HS/HC line project, Verona-Vicenza junction, through the participation in the IRICAV DUE consortium, following CIPE resolution

ORDERS + 2%
from 1,476 to 1,501 €m

REVENUE + 3%
from 1,327 to 1,361 €m

EBIT MARGIN:
from 9.6% to 7.4%

NET RESULT: - 17%
from 78 to 65 €m

Positive NFP (cash)
from 338 to 358 €m

ETCS in Australia

Rio Tinto successful first fully autonomous heavy haul train journey with ASTS driverless technology

Metro in USA

New metro fleet of railcars and CBTC system for Baltimore Metro Subway Link (MTA)

More than ***70 projects*** activations

1,700 km of lines and ***285*** stations activated

Innovation - New Dynamic Headway Technology

ANSALDO STS signed a MoU with the Danish Metroselskabet to develop a Proof of Concept for a new Dynamic Headway leveraging Hitachi technologies for Copenhagen Metro.

Strategy - New strategic business overview

ANSALDO STS has undertaken a strategic business overview in recent months. Key factors to address have been slower market growth, changing competition and new future trends.

Year 2017 Results - Key Data

(M€)	FY 2017	FY 2016	*% change*
New Orders	**1,500.8**	1,475.8	*1.7%*
Order Backlog	**6,457.5**	6,488.4	*-0.5%*
Revenue	**1,361.0**	1,327.4	*2.5%*
EBIT	**100.8**	126.8	*-20.5%*
ROS	**7.4%**	9.6%	*-2.2 p p*
Tax Rate	**34.5%**	33.2%	*1.3 p p*
Net Result	**64.9**	77.9	*-16.7%*
Net Working Capital	**127.2**	120.5	*5.5%*
Net Financial Position	**(357.5)**	(338.0)	*5.8%*
R&D	**41.3**	36.7	*12.7%*
Total Headcount	**4,228**	3,951	*7.0%*
EVA	**34.0**	57.9	*-41.2%*

2. Strategic business overview

Strategic overview

- **A new overview.** Ansaldo STS has undertaken a strategic business overview in recent months. Key factors to address have been slower market growth, changing competition and new future trends.
- **Flat market**. Our assumption for the coming five years is an annual average addressable market of €15.4bn, representing just 0.8% growth.
- **Potential.** Against this flat background Ansaldo STS has the potential to exceed the market on the basis of its favourable geographic and business mix.
- **Projects**. We shall put projects at the centre of our business. Whilst strengthening our domestic markets there are four areas in particular of future focus.

Future focus areas

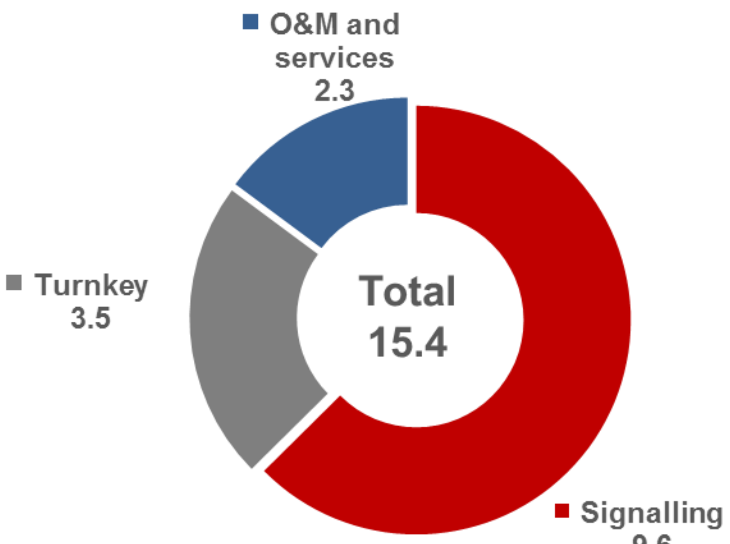
- Turnkey projects accessing PPP financing are expected to become increasingly relevant
- O&M for Turnkey is expected to grow faster than the average market
- Technology – ERTMS, CBTC will be differentiators
- Enablers – automation, digital, satellite, Hitachi technologies

Addressable market by segment

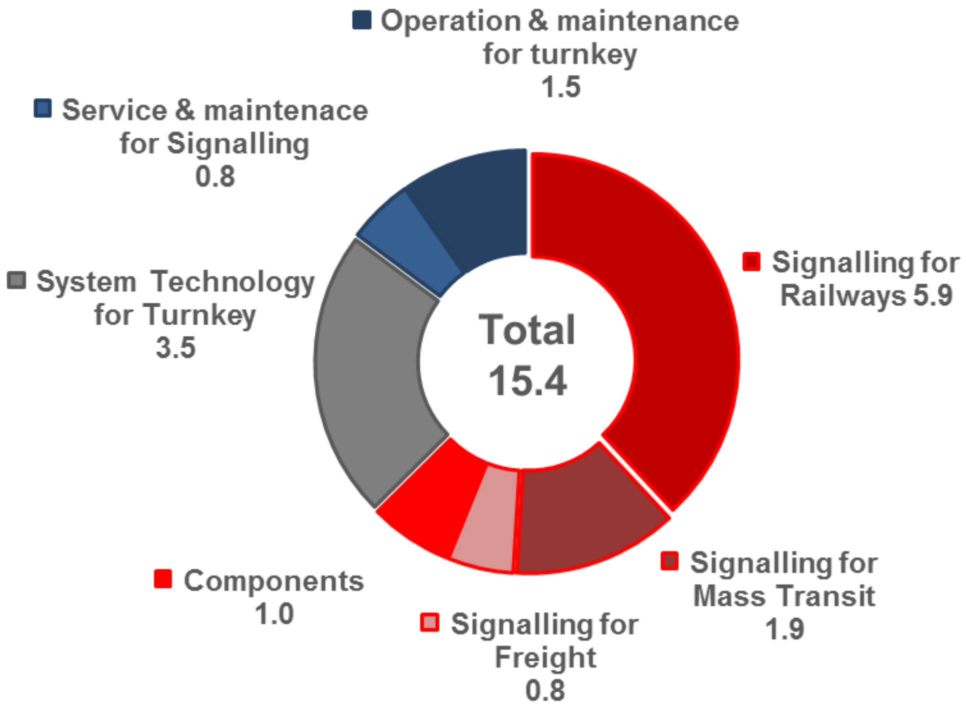
Ansaldo STS A Hitachi Group Company

- The €15.4bn addressable market is divided into three principal segments: signalling, systems for turnkey, services.
- Particular growth areas for us are operation and maintenance (O&M) for turnkey in general, and system technology for turnkey in north America in particular.

Market by segment (€bn)



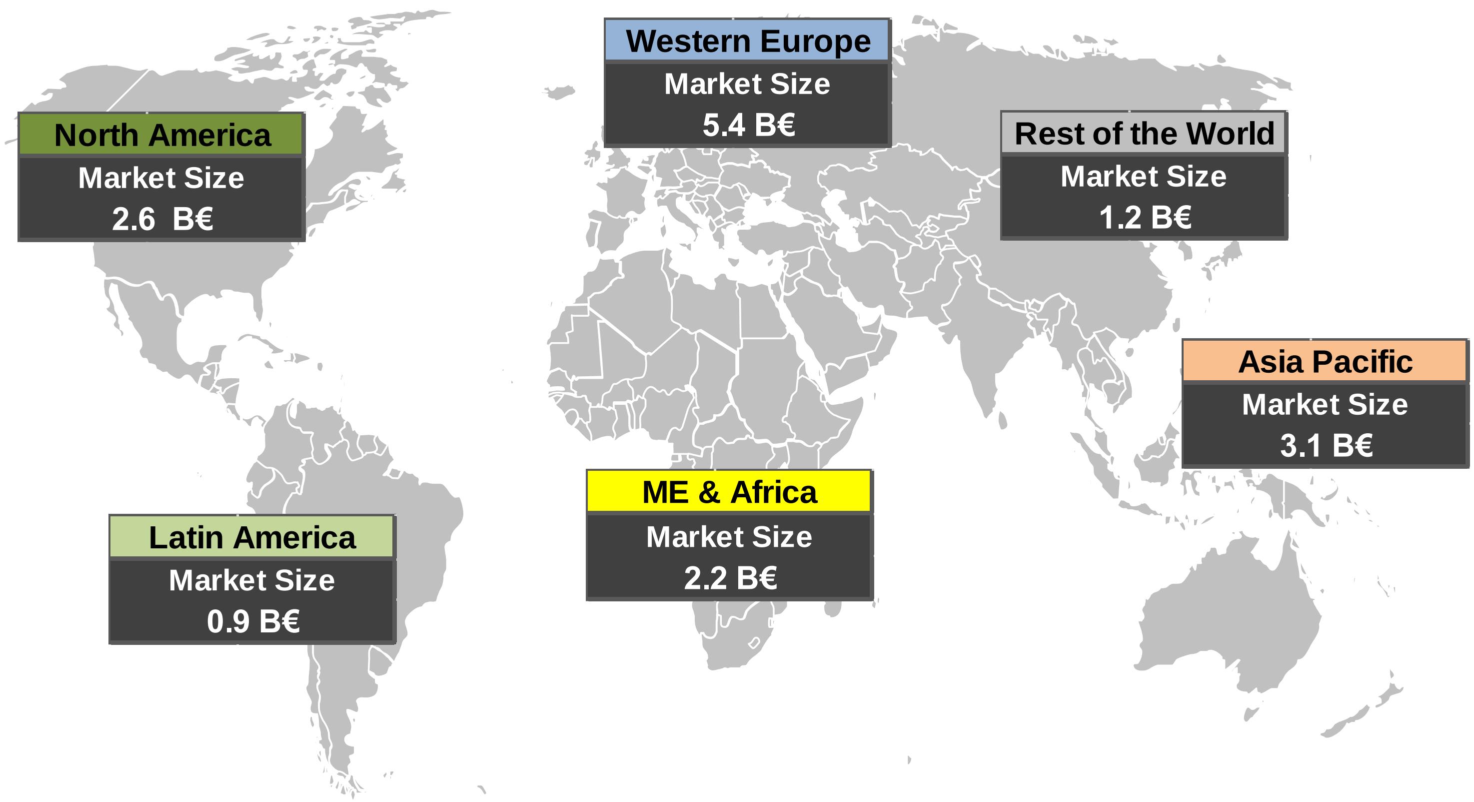
Market by lines of business (€bn)



Forecasts based on analysis of projects in 60 countries

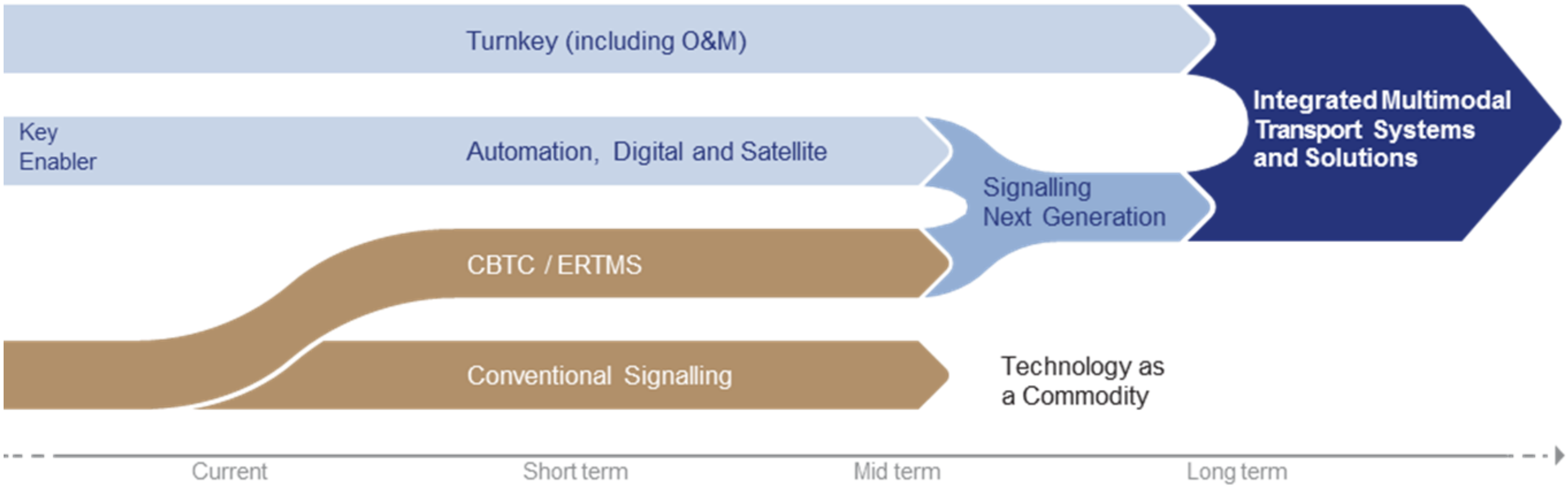
Addressable market size

- Overall market share is approximately 11%
- ASTS has the potential to exceed the market growth, allowing us to maintain and grow the current market share



ASTS addressable market size: 2018-2022 average

ASTS vision for the future



- **Signalling Next Generation**: ASTS will continue to invest in advanced **CBTC/ERTMS** standards, which are replacing conventional Signalling technologies, becoming a commodity
- **Automation, Digital and (potentially) Satellite** as new enablers for the future Business Model.
- **Integrated multimodal transport systems and solutions**: future Signalling systems will focus on the integration of current Signalling technologies with non-conventional /advanced technologies.
- ASTS will leverage its strengths in **systems integration** and **Turnkey management** to provide solutions for multimodal operators serving end-to-end mobility requirements.

Future business as provider of integrated multimodal transport systems and solutions

Key strategic initiatives

Ansaldo STS A Hitachi Group Company

Strategic Initiatives

Strategic Initiatives	Specific initiatives
I - Organic Growth	
Leverage **current positioning by geographies and line of business** to outperform the market	Exploiting **domestic growing markets** (e.g. North America). Adopting **opportunistic approach** in non-domestic focusing on turn-key projects and standard technologies Exploiting **O&M business** levering on its assets and on partnerships, while starting developing **new innovative services/ value propositions**
II - Non-Organic Growth	
Explore selective **JV and M&A** by markets and technology	Strengthening the position in big markets though **local agreements** (e.g. UK and China)
III - Organisational Events	
Investigate possible adaptation of the **operating model** in line with the Business requirements	Tuning current **organizational structure and delivery model** **Localizing key capabilities** (e.g. System Integration / CBTC in US; delivery and expertise in local areas) Strengthening **Structured Finance**
IV - Effectiveness and Efficiency	
Platforms optimization and **future technologies**	Focusing investments mainly on core technologies, **ERTMS, CBTC and Automation**
Keep on working on **efficiency programs**	Exploiting continuous improvement initiatives

3. Orders and performance by region

Ansaldo STS A Hitachi Group Company

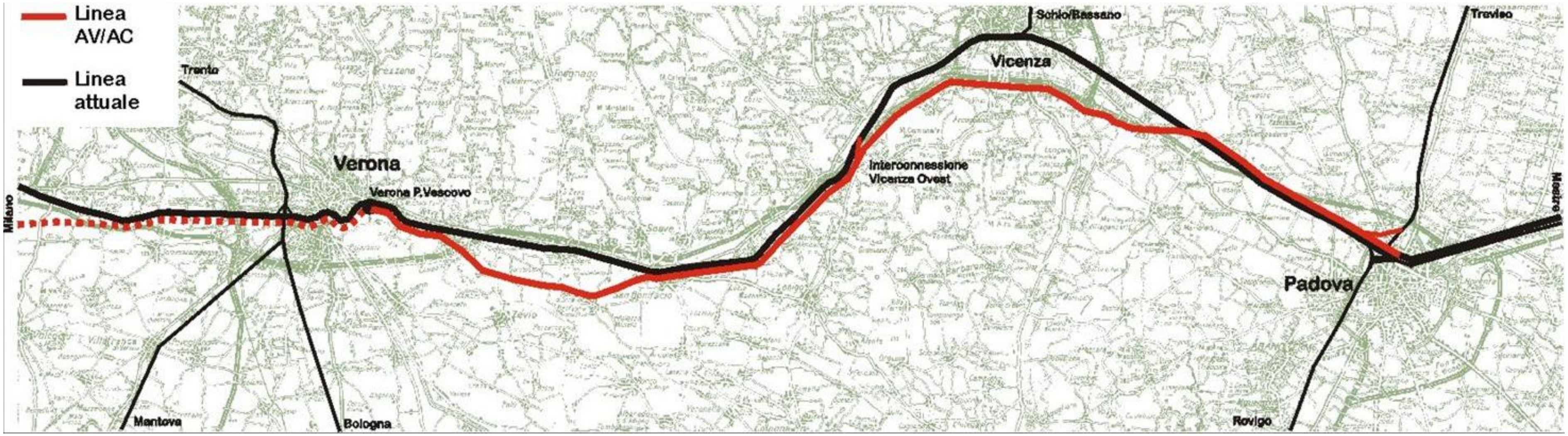
Year 2017 Results - Main orders detail

Country	Project Name	Customer	Value (M€)
Italy	HS/HC Verona-Vicenza junction	IRICAV 2	336
USA	Baltimore Metro	MTA	133
Italy	Framework Agreement with RFI	RFI	100
Various EU/Asia	Components	Various	82
Denmark	Copenhagen Cityringen variation orders (included O&M)	Metroselskabet	82
Italy	On board equipment for Caravaggio	HRI	63
Various EU/Asia	Service & Maintenance	Various	58
USA	Components	Various	56
Australia	Rio Tinto variation orders	Rio Tinto	48
Italy	ACC and ACC-M signalling equipment	RFI	40
Italy	Naples Line 6 variation orders	Naples Municipality	24
USA	Stanford-New Haven line signal	MNRR	22
USA	Los Angeles - Westside extension -	LACMTA	21
Australia	On board equipment	Rotem	20

HS/HC Verona-Padua line

Ansaldo STS, following the recent CIPE resolution concerning the approval of the definitive project for the Verona-Vicenza junction, the first functional section of the Verona-Padua High Speed/High Capacity line, is involved in the project execution through the participation in the IRICAV DUE consortium as concession's owner.

The amount of Ansaldo STS stake is about EURO 336 million.



Ansaldo STS A Hitachi Group Company

Baltimore Metro

Hitachi Ansaldo Baltimore Rail Partners, LLC, a limited liability corporation between Hitachi Rail Italy SpA and Ansaldo STS USA, Inc. (the US subsidiary of Ansaldo STS) has been awarded a $400.5 million contract from Maryland Transit Authority (MTA) to provide a new metro fleet of railcars and a Communication Based Train Control (CBTC) system for the Baltimore Metro Subway Link.

Ansaldo STS scope of work is equivalent to $148 million (€133 million).

The award of the Baltimore project marks Ansaldo STS's largest win in North America and represents a significant milestone in the company's recognition as a major North American CBTC provider. The company has already successfully delivered and is delivering CBTC projects of similar caliber both in North America and globally. Ansaldo STS will integrate a new CBTC system into the existing 15.5 miles of MTA infrastructure.

Framework agreement with RFI

Italian Rail Network (RFI) has awarded Ansaldo STS a two-year €100m technical assistance and maintenance contract for its train control solutions installed across the Italian main line and high-speed network.

The contract comprises technical services, maintenance and repair of existing Ansaldo STS systems on the RFI network.

Ansaldo STS A Hitachi Group Company

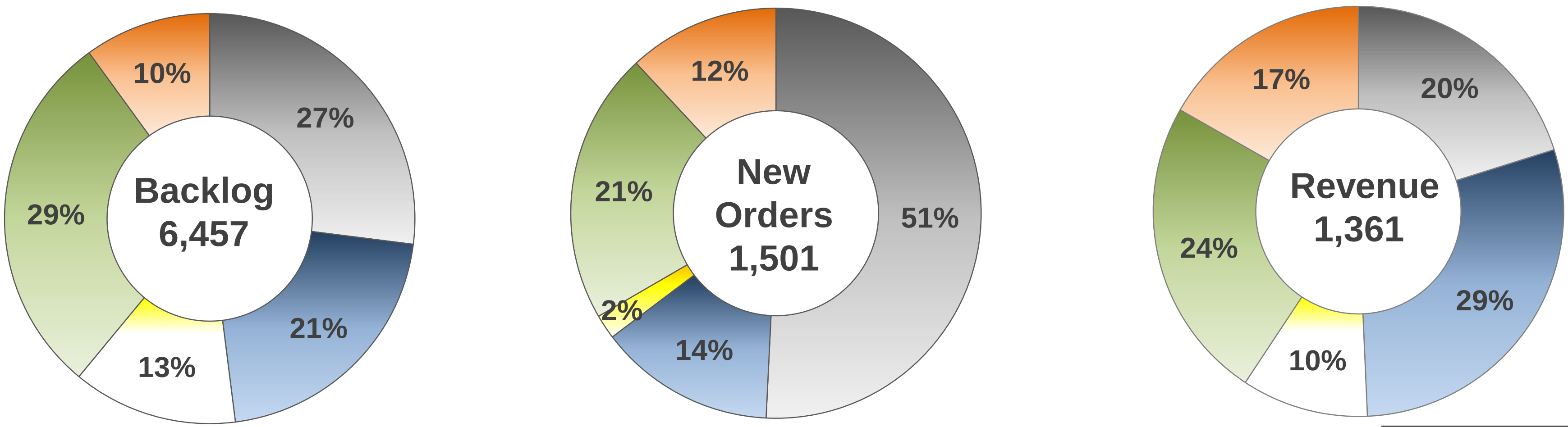
ACC and ACC-M signaling equipment

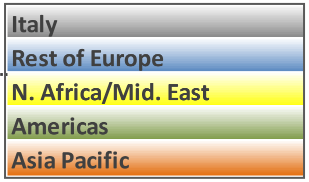
Ansaldo STS has been awarded of a contract worth EURO 40 million by RFI (Rete Ferroviaria Italiana) for the supply of ACC and ACC-M signaling equipment. Scope of the contract for Ansaldo STS is to supply all the components for the Computer-Based Interlocking System (also as a Multi-station), such as: the Central Post that carries out vital operations, users interfaces both for operators and maintenance staff, the peripheral units and object control devices (signals, switches, track circuits).

The scope of work also includes innovative system configuration and verification tools developed by Ansaldo STS, which allow a faster and faster design and activation phase.

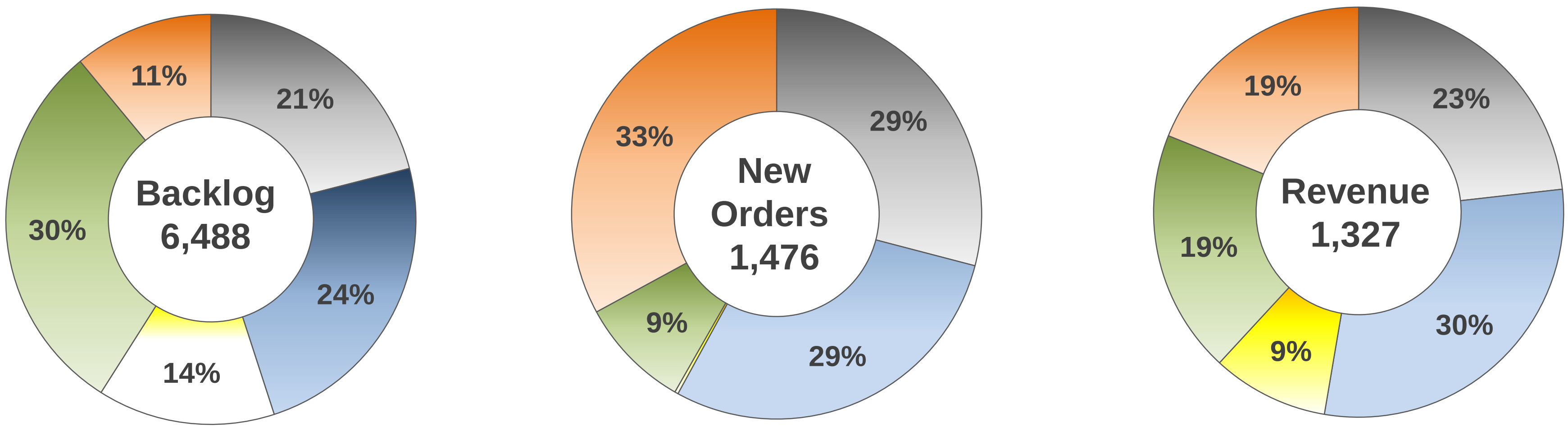
Backlog, Orders & Revenue by Geographic Area

Year - 2017



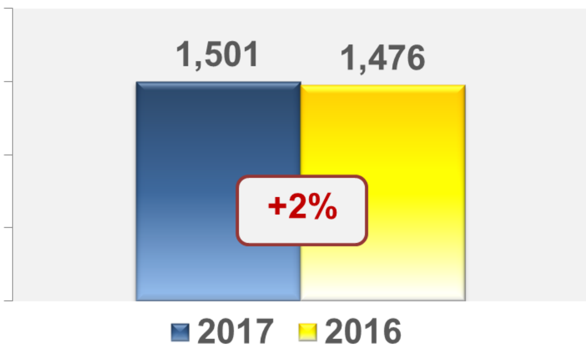


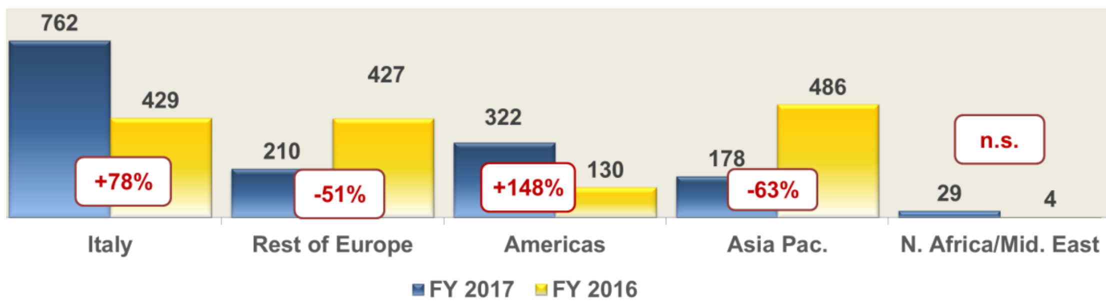
Year - 2016



Orders Year 2017

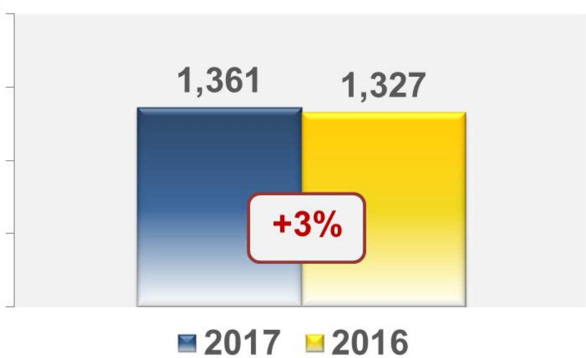
€ m

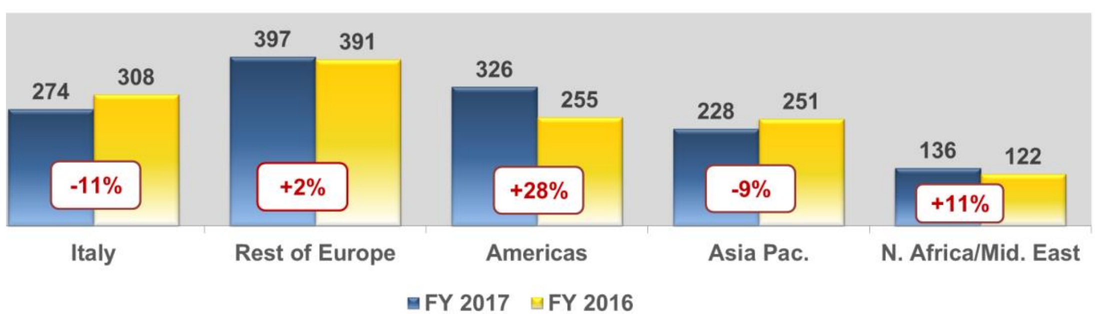




Revenue Year 2017

€ m



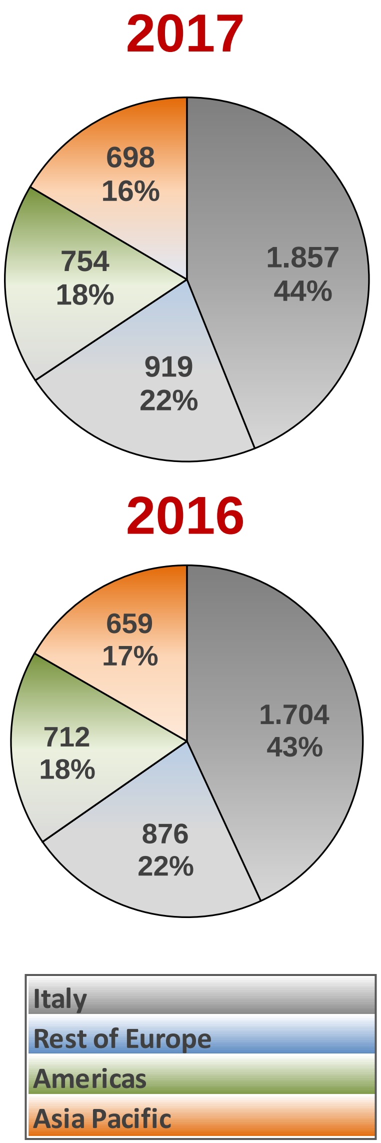


Recent performance by region

Ansaldo STS A Hitachi Group Company

Headcount

Country	Main Locations	2017	2016
ITALY	Genoa, Naples, Turin, Potenza, Branches	1,857	1,704
FRANCE	Les Ulis, Riom	658	627
SPAIN	Madrid	174	174
SWEDEN	Stockholm	69	61
OTHER EUROPE	Munich, London	18	14
USA - CANADA	Pittsburgh, Batesburg, Montreal	754	712
AUSTRALIA	Perth, Brisbane	260	266
INDIA	Bangalore, Noida, Kolkata, Mumbai	313	277
MALAYSIA	Kuala Lumpur	62	54
CHINA	Beijing	63	62
TOTAL HEADCOUNT		4,228	3,951



4. Main key events

Stockholm Red Line Metro

- On November 7, 2017, the Swedish client SL has terminated unilaterally the contract, alleging breach by Ansaldo STS.

- On December 20, 2017, an agreement was signed between Ansaldo STS and SL, regarding the return to the Company of all the bonds previously provided in favor of SL, following the repayment of all the advance payments paid by SL to the Company, for a total amount of approximately EUR 76 million (approximately EUR 14 million of VAT and EUR 4 million of interest included).

- According to the signed agreement Ansaldo STS paid back the above mentioned amounts against the release by SL of all the bonds. This payment was made under protest, without prejudice to Ansaldo STS' rights and pending the final legal resolution of the dispute.

- The Company has evaluated all the possible judicial initiatives to defend its own rights, including the right to obtain the full payment of the work performed to date as well as the compensation for the damages suffered, in particular due to the unilateral termination by SL of the contractual relationship.

- Further to this, Ansaldo STS has on April 3, 2018, filed a request for arbitration against SL.

- In the request for arbitration Ansaldo STS has appointed its arbitrator and has stated that it intends to claim that the arbitral tribunal shall establish SL's termination of the System Delivery Agreement and the Maintenance Agreement was unfounded, the rescission constitutes a breach of contract and Ansaldo STS is entitled to compensation.

Ansaldo STS A Hitachi Group Company

Hitachi Social Innovation Forum 2017 Milan - A first

For the first time in Italy on 18th October Hitachi has hosted the "Hitachi Social Innovation Forum", at the Pirelli Hangar Bicocca exhibition centre in Milan. The event has been a great opportunity to discover what Social Innovation is and how it will affect the socio-economic dynamics of Italy.

"Hitachi is striving to become an innovation partner in the IoT era, through the global rollout of Lumada, using our expertise in OT* and IT. We believe that it is possible to create and provide digital solutions that will resolve the issues faced by customers and by Italian society. By providing solutions that combine Hitachi's digital technologies, including IoT, robotics, and artificial intelligence, with products and systems in the railway, healthcare, and industrial device fields, through Collaborative Creation with customers and local partners in Italy, we will contribute to the further development and digitalization of Italian society."

Hitachi President and CEO Toshiaki Higashihara.

Ansaldo STS A Hitachi Group Company

Hitachi Social Innovation Forum 2017 Milan - Strategy

“Hitachi's entered in the Italian market in 1981 with the electronic component and home appliance businesses
By providing solutions which resolve the issues that Italy is facing, such as growing medical costs, while increasing energy efficiency and productivity and improving the efficiency of public transportation, Hitachi will strive to expand the scale of its business from the current level of 1.2 billion euro to 1.5 billion euro in FY2020. Hitachi leverages on its peculiarity of combining Operational Technology (OT) and Information Technology (IT) for the creation of value through Digital Transformation. In the future, Hitachi will use Lumada along with the business platforms, experience and expertise that it has cultivated up to now to create added value from device and system data and develop digital solutions with a focus on the railway systems, energy, water, and healthcare business fields.”

WHAT SOCIAL INNOVATION IS FOR HITACHI?

- ***THINK*** about the improvement that technical innovation is bringing to society, developing new solutions in the field of industry, infrastructure, transportation, healthcare and energy.
- ***UNDERSTAND*** how advanced technologies can affect the development of smart cities, creating new, more dynamic business models.
- ***EVALUATE*** together new technological solutions that allow you to achieve optimized management of your business, moving away from traditional processes.
- ***DISCOVER*** how, thanks to a collaborative approach and the integration of IT and Operational Technologies, Hitachi is creating virtuous systems to drive companies, institutions, and urban centres to innovation

Source: Hitachi Social Innovation Forum Presentation

Ansaldo STS A Hitachi Group Company

Hitachi Social Innovation Forum 2017 Milan - Our video

http://www.ansaldo-sts.com/en/news/hitachi-social-innovation-forum-2017-milan#video

Ansaldo STS, as part of the Hitachi Group, will have a preferred access to technological innovation contributing to the social sustainable transformation. Ansaldo STS, leveraging Hitachi's digital technologies, will enhance the quality of life of passengers and customers.

Ansaldo STS A Hitachi Group Company

Ansaldo STS technology and delivery capability key to Rio Tinto Fully autonomous freight rail trial success

Ansaldo STS, a recognized global leader in driverless technology for metro and rail solutions, has now proven its expertise in autonomous heavy freight rail, following Rio Tinto’s recent successful trial of Australia’s first fully autonomous heavy haul train journey. Trains can be up to 2.5 km long and are intended to travel a distance up to 1,200 km in the Pilbara mines region.

Through the development and application of highly specialized technology based on the ETCS level 2 signalling standard, Ansaldo STS has worked with Rio Tinto to engineer and deploy a train control solution for Rio Tinto’s remote iron ore rail operations in north-west Western Australia that will support the complete automation of the miner’s rail operations.

The solution includes the installation of a driving module on board each train and enables the fleet’s operation to be centrally managed from a control centre many kilometers away in Perth. Such a solution delivers significant benefits to the operator including increased safety and productivity.

Ansaldo STS A Hitachi Group Company

Ansaldo STS and Hitachi Rail Italy at Expo Ferroviaria 2017

EXPO Ferroviaria, the most important event of the railway sector in Italy, opened in Milan at Rho Fair from 3rd to 5th October. Ansaldo STS and Hitachi Rail Italy - since 2015 part of the Hitachi Group - were present to the exhibition with a joint booth in which they presented their technology and their innovation that places them among the main players of the sector.

EXPO Ferroviaria represents for the two companies, more and more engaged on the international market and protagonists of events overseas, an important showcase, as well as a fundamental opportunity of discussion and business in their own Country, where they are committed to important projects, some already completed and others either in progress or in development.

New Dynamic Headway Solution for Copenhagen Metro (1/2)

Ansaldo STS has signed in June 2017 a MoU with Metroselskabet to develop a Proof of Concept for a new Dynamic Headway solution leveraging Hitachi technologies for the Copenhagen Metro.

The new Dynamic Headway solution will be designed using both Ansaldo STS's train control systems and Hitachi's digitalization and IoT (Internet of Things) technology to detect congestion through sensors at stations in order to analyze demand. A dynamic solution will help resolve congestion before it impacts on passengers, thereby increasing passenger satisfaction. For the operators this means saving energy and operation costs by increasing utilization of services.

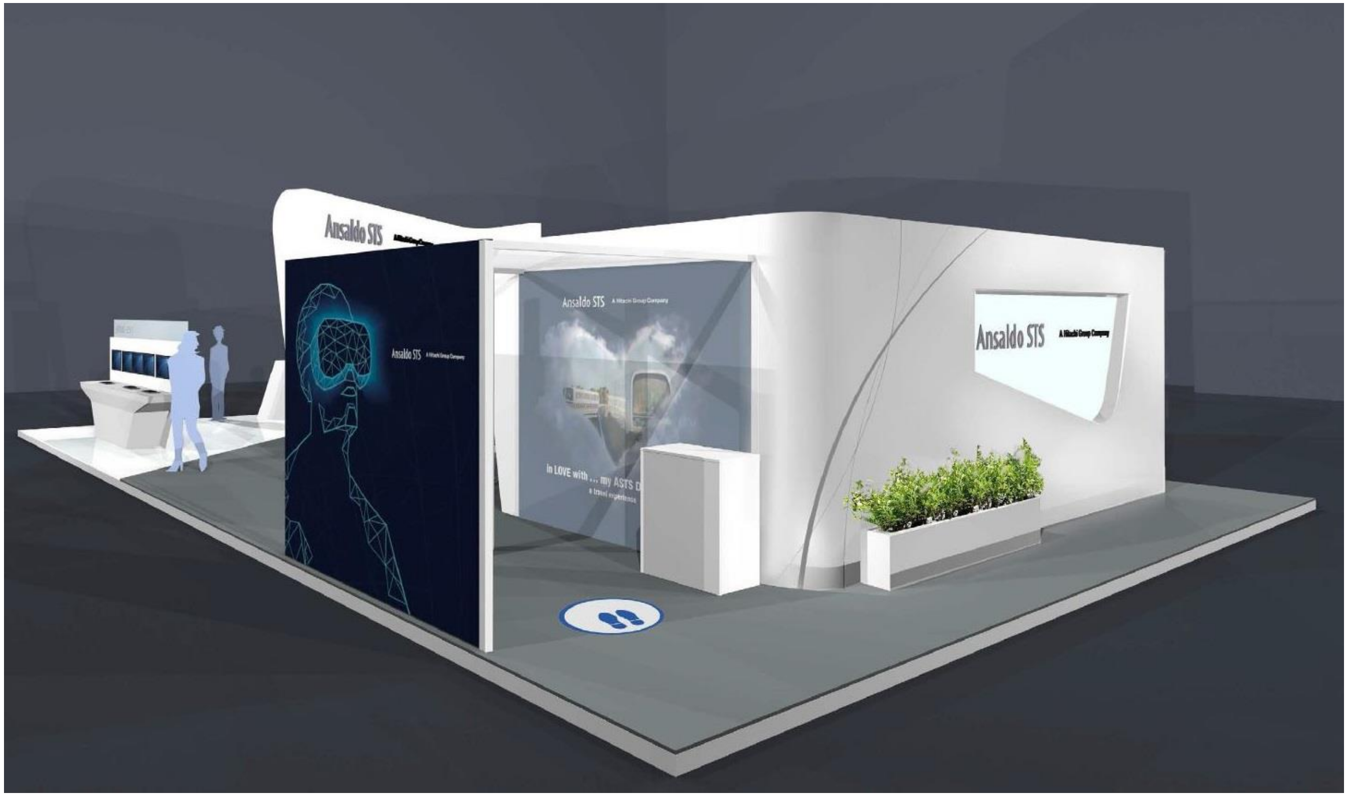
New Dynamic Headway Solution for Copenhagen Metro (2/2)

The Copenhagen Metro line consists of 21 km of double track (10 km underground and 11 km of elevated track) and passes through 22 stations connecting the various parts of the city centre, the area of Ørestad and the airport. Its 34 unattended trains travel at a maximum speed of 80 km/h, ensuring that passengers have a maximum of only two minutes to wait during peak hours, and are guaranteed a 24-hour service.

UITP 2017 in Montreal (1/2)

Technology, innovation and sustainable development were the main topics at the core of the 62th edition of the UITP Global Public Transport Summit, the most important two-years world exhibition on urban and regional transportation, which took place in Montreal, Canada, between the 15th and the 17th of May 2017.

Ansaldo STS and Hitachi Rail Italy, key players at the international fair with a joint stand (Hall 2), presented the newest technologies and products to clients, institutions, partners and suppliers. Key players of the 2017 edition were the metros, both traditional and driverless, chosen by a growing number of cities across the world: Milan, Rome, Copenhagen, Miami, Honolulu, Taipei, Riyadh and Lima.



UITP 2017 in Montreal (2/2)

Ansaldo STS invited guests, clients and partners to join a proper “travel experience”, visiting both the driverless underground solutions and, moreover, the ultimate technologies designed for subways and railway transportation (passenger and freight): the Communication Based Train Control (CBTC), a new generation of rail transit control, which enhances flexibility, reduces maintenance costs and improves interoperability; and the European Rail Traffic Management System (ERTMS), the new European interoperable railway signalling system, designed to guarantee the interoperability beyond borders (in Europe as well as in Asia, Oceania and Middle East).

5. Delivery Record

Ansaldo STS A Hitachi Group Company

HIGHLIGHTED DELIVERIES (1/2)

PROJECTS	KM	STATIONS
70+	1,700	285

METRO

LA Metro Green Line
LIRR Ronkonkoma
Phase 1 completion

Selangor Malaysia
Subang Skypark project

HIGH SPEED LINES

Tours - Bordeaux section of the Paris- Bordeaux HSL
Le Mans - Rennes HSL

Morocco HSL Tangier - Kenitra

FREIGHT LINES

Roy Hill Project
Heavy Haul - Western Australia

Rio Tinto
Full deployment in operation of ATO-attended

Definition of projects: commissioning of whole project or a scheduled phase

HIGHLIGHTED DELIVERIES (2/2)

CONVENTIONAL LINES

CTC Sapri North side: Paola - Battipaglia
Activation root south Gioia Tauro SCMT
Upgrading Turin - Padua line / Reconfiguration Module 4
ACC Multi-station Genoa junction
ERTMS/ETCS lev.2 Milan-Lambrate-Treviglio
Revamping SEDT Rome / extraordinary maintenance
Technological upgrading Turin - Padua line
ACC Ventimiglia
Revamping Naples junction

Aarhus Denmark
Urban line revenue service

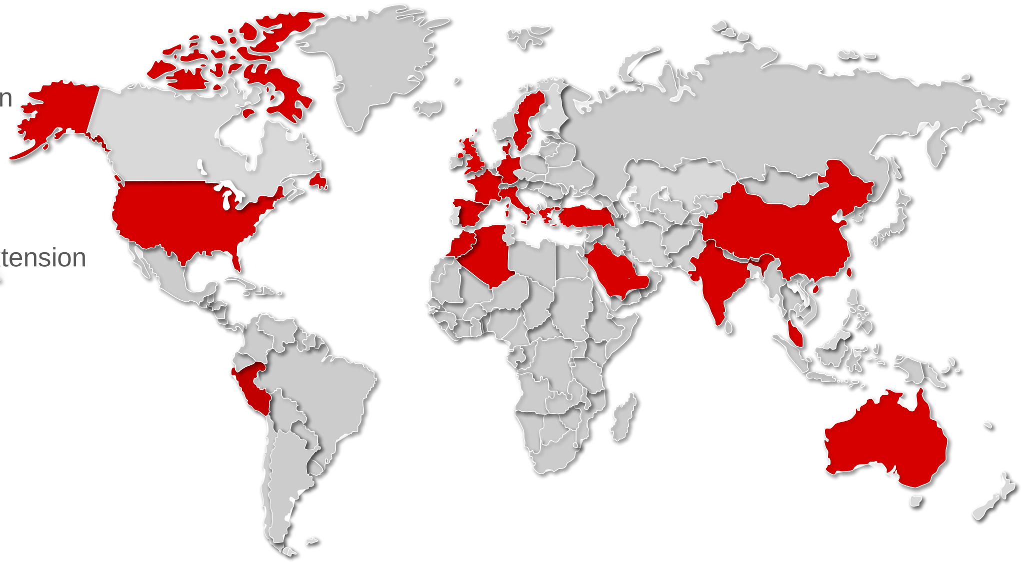
PBI 45 stations
KfW 1 station
Karagpur 1 Station

State Railway of Thailand (SRT)
CBI five stations upgrade

Definition of projects: commissioning of whole project or a scheduled phase

Ansaldo STS A Hitachi Group Company

MAIN RUNNING PROJECTS



Americas

East Coast
Washington Metro
New York Metro, New Haven
SEPTA PTC & Sharon Hill
Long Island LIRR
MBTA, Baltimore Metro
West Coast
LACMTA - LA West Side Extension
Hawaii - Honolulu
Driverless Metro
Lima - Peru
Lima Metro Lines 2 & 4

Europe

Italy – HSL Line
Milano-Genova (Terzo Valico)
Direttissima Roma-Firenze, Verona-Padova
Italy – Conventional Line
Torino – Padova Line
Italy - Metro
Roma, Napoli, Milano, Genova
France - HSL Line
Tours-Bordeaux (SEA)
Le Mans-Rennes (BPL)
Spain - HSL Line
Madrid-Lerida O&M
La Robla – Pola de Lena
UK
Ferriby-Gilberdyke line
Metro: Glasgow Subway

Denmark
Copenhagen Metro and City-Ring + O&M
Aarhus LRT
Belgium
Metro Brussels Lines 1&5
Sweden
Ester conventional line
Ester ERTMS level 2
Germany
SeRoBe
Velaro
Greece
Thessaloniki Metro
Turkey
Mersin –Toprakkale
Gebze - Köseköy
Metro: Ankara

Asia Pacific & Australia

South Korea
UI – Shinseol
Sudokwon
Rotem program
China
Metro:
Shenyang, Chengdu, Hangzhou, Xian, Zhengzhou, Dalian, Shanghai, Wenzhou, Tianjin linea 5
India
KFW
Metro Kolkata, Mumbay Monorail
Navi Mumbai Metro, Noida Metro
Malaysia
KVDT
Taipei
Metro: Circular Line
San-Ying Line MRT System
Australia
Rio Tinto – framework agreement (RAFA)
Roy Hill
Forrestfield Airport Link

North Africa & Middle East

Algeria
Oued Tlelat-Tlemcen line
Morocco
Tangiers-Kenitra HSL
Saudi Arabia
Riyadh Metro Line 3, PNU
United Arab Emirates
Abu Dhabi section 1

6. Dividend and year 2018 Guidance

Dividend Declaration

The Board of Directors of Ansaldo STS proposes to this Shareholders meeting a total dividend amount equal to **30 M€**.

The dividend per share is **0.15 €**.

Ansaldo STS A Hitachi Group Company

Year 2018 main Key Data Guidance

(M€)	2017 Actual	2018 *Guidance*
New Orders	1,500.8	1,500 - 2,000
Order Backlog	6,457.5	6,450 - 7,050
Revenue	1,361.0	1,350 - 1,450
ROS	7.4%	8.0% - 8.5%
Net Financial Position	(357.5)	(300) - (380)

- *2018 ROS is penalized by the implementation of the FRS 15 new standard. Estimated impact is approximately -50 basis points.*

7. First quarter 2018 results

Ansaldo STS A Hitachi Group Company

Q1 2018 Results – Key Data

(M€)	Q1 2018	Q1 2017	*% change*
New Orders	**225.4**	266.1	*-15.3%*
Order Backlog	**6,315.5**	6,454.0	*-2.1%*
Revenue	**318.5**	299.1	*6.5%*
EBIT	**26.2**	25.9	*1.2%*
ROS	**8.2%**	8.7%	*-0.5 p p*
Tax Rate	**25.5%**	30.9%	*-5.4 p p*
Net Result	**21.5**	20.0	*7.6%*
Net Working Capital	**132.4**	151.4	*-12.6%*
Net Financial Position	**(332.3)**	(327.0)	*1.6%*
R&D	**11.1**	7.9	*39.9%*
Total Headcount	**4,210**	4,084	*3.1%*
EVA	**10.5**	8.5	*23.1%*

- *Q1 2018 ROS is penalized by the implementation of the IFRS 15 new standard. The negative impact is approximately -50 basis points.*

8. Accounting definitions

Ansaldo STS management also assesses the performance of the group using certain indicators that are not defined by the IFRS. The components of each indicator are described below as required by CESR/05 - 178b Communication:

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

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

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

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

Accounting definitions

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

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

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

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

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

Research and development costs: total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to "general technology", i.e. aimed at gaining scientific knowledge and / or techniques applicable to various new products and / or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms.

9. Glossary of rail terminology abbreviations

Glossary

ACC – M: “Apparato Centrale Computerizzato Multistazione” is a centralized interlocking system through which it is possible to manage multiple stations along the line.

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

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

ERSAT: latest satellite generation that interfaces and integrates the railway technology ERTMS (European Rail Traffic Management System) with the navigation and satellite positioning technology Galileo. The acronym comes from ER, for ERTMS, and SAT, indicating the satellite technology.

ERTMS: The European Rail Traffic Management System, or ERTMS, was introduced by the EU in 1992 as a means of creating a uniform system of command, control and coordination of rail traffic to allow for ‘‘interoperability’’ throughout EU territory. The ERTMS standard exists at three levels

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

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

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

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

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

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

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

SCC: Automation – Supervision system used for railways system.

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

TMS: Traffic Management System

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

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

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

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

Ansaldo STS SpA

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www.ansaldo-sts.com

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Fax: +39 010 655 2055

Attachment "H"

Time: 11:05:33

ANSALDO STS S.p.A

General Shareholders' Meeting

10 May 2018

COMMUNICATION OF THE PRESIDENT

Present directly representing their own shares or by proxy are no. **63** entitled to vote

representing no. **161,202,892** ordinary shares equal to

80.60 % of no. 200,000,000 (two hundred million) ordinary shares, making up the share capital

Physically present in the room: 9

Time: 11:25:20

ANSALDO STS S.p.A

General Shareholders' Meeting

10 May 2018

COMMUNICATION OF THE PRESIDENT

Present directly representing their own shares or by proxy are no. **63** entitled to vote

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80.60 % of no. 200,000,000 (two hundred million) ordinary shares, making up the share capital

Physically present in the room: 9

Time: 14:17:40

ANSALDO STS S.p.A

General Shareholders' Meeting

10 May 2018

COMMUNICATION OF THE PRESIDENT

Present directly representing their own shares or by proxy are no. **62** entitled to vote

representing no. **161,202,891** ordinary shares equal to

80.60 % of no. 200,000,000 (two hundred million) ordinary shares, making up the share capital

Physically present in the room: 8

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result of the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**46**	Shareholders for n°	**108,588,526**	Shares	67.361 % of participant capital
AGAINST	n°	**1**	Shareholders for n°	**1,254,567**	Shares	0.778 % of participant capital
ABSTAINED	n°	**15**	Shareholders for n°	**51,359,798**	Shares	31.860 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

List of the voters in favour

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
1	ASTENGO GIACOMO		100	100
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702
71	ALASKA PERMANENT FUND CORPORATION	BALDELLI SONIA	50,367	50,367
56	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001	BALDELLI SONIA	316,735	316,735
57	ARROWGRASS MASTER FUND LTD 001	BALDELLI SONIA	665,294	665,294
70	BNYMTCIL MK DIVGRTFD	BALDELLI SONIA	26,040	26,040
42	CITADEL ADVISORS LLC	BALDELLI SONIA	4,311	4,311
60	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	BALDELLI SONIA	2,673	2,673
62	COMPASS HTV LLC	BALDELLI SONIA	906	906
63	COMPASS OFFSHORE HTV PCC LIMITED.	BALDELLI SONIA	681	681
43	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND	BALDELLI SONIA	5,099	5,099
3	EURIZON AZIONI ITALIA	BALDELLI SONIA	160,000	160,000
4	EURIZON AZIONI PMI ITALIA	BALDELLI SONIA	888,857	888,857
7	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	BALDELLI SONIA	136,496	136,496
5	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	BALDELLI SONIA	69,762	69,762
8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
6	EURIZON PIR ITALIA AZIONI	BALDELLI SONIA	13,538	13,538
47	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS	BALDELLI SONIA	2,145	2,145
13	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST	BALDELLI SONIA	132	132
66	GOVERNMENT OF NORWAY	BALDELLI SONIA	1,304,446	1,304,446
14	ISHARES GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	410,350	410,350
15	ISHARES VII PLC	BALDELLI SONIA	22,153	22,153
11	LBPAM RESPONSABLE ACTIONS ENVT	BALDELLI SONIA	215,224	215,224
12	MACKENZIE DIVERSIFIED ALTERNATIVES FUND	BALDELLI SONIA	9,163	9,163
16	MARYLAND STATE RETIREMENT & PENSION SYSTEM	BALDELLI SONIA	1,062	1,062
48	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	16,181	16,181
49	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599
36	MUF - LYXOR FTSE ITALIA MID	BALDELLI SONIA	947,007	947,007
37	MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50	NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
17	OMERS ADMINISTRATION CORPORATION FUND	BALDELLI SONIA	17,900	17,900
18	PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279
19	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

51 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
20 SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	1,093	1,093
22 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	23,086	23,086
23 SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	BALDELLI SONIA	1,033	1,033
24 SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25 STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26 STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	BALDELLI SONIA	56,634	56,634
27 TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
54 UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003
55 VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390
28 WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**46**	**shareholders for n°**	**108,588,526**	**Shares** 67.361 % of participant capital
of which					
IN PERSON	**n°**	**1**	**shareholders for n°**	**100**	**Shares** 0.000 % of participant capital
BY PROXY	**n°**	**45**	**shareholders for n°**	**108,588,426**	**Shares** 67.361 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
67	LITESPEED MASTER FUND LTD	BALDELLI SONIA	1,254,567	1,254,567

Overview of voters against

TOTAL AGAINST	**n°**	**1**	**shareholders for n°**	**1,254,567**	**Shares**
					0.778 % of participant capital
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares**
					0.000 % of participant capital
BY PROXY	**n°**	**1**	**shareholders for n°**	**1,254,567**	**Shares**
					0.778 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
2	BRAGHERO CARLO MARIA		10	10
44	ELLIOTT INTERNATIONAL L.P	PRATELLI MATTEO MARIA	18,169,966	18,169,966
72	ELLIOTT INTERNATIONAL L.P.	PRATELLI MATTEO MARIA	6,643,127	6,643,127
64	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	PRATELLI MATTEO MARIA	6,488,475	6,488,475
45	ELLIOTT INTERNATIONAL LP	PRATELLI MATTEO MARIA	1,258,250	1,258,250
52	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	8,830,034	8,830,034
73	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	3,126,178	3,126,178
68	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	2,552,818	2,552,818
69	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	1,041,854	1,041,854
53	THE LIVERPOOL LIMITED PARTNERSHIP	SCIANNACA BRUNO	592,117	592,117
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47
46	FCP REGARD SEL.ACT EURO.	BALDELLI SONIA	69,540	69,540
65	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	COCIRIO STEFANO	2,587,349	2,587,349
58	BLUEBELL PARTNERS	TARICCO MARCO	10	10

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**15 shareholders for n°**	**51,359,798 Shares**	31.860 % of participant capital
of which				
IN PERSON	**n°**	**1 shareholders for n°**	**10 Shares**	0.000 % of participant capital
BY PROXY	**n°**	**14 shareholders for n°**	**51,359,788 Shares**	31.860 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.1**
of the ordinary part of the agenda

Financial Statements for the year ended on 31 December 2017; Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors. 2017 Non financial statements. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result of the vote on item **1.2**
of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**59**	Shareholders for n°	**59,658,119**	Shares	37.008 % of participant capital
AGAINST	n°	**1**	Shareholders for n°	**101,544,702**	Shares	62.992 % of participant capital
ABSTAINED	n°	**2**	Shareholders for n°	**70**	Shares	0.000 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.2**
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Allocation of the annual net income. Related and consequent resolutions.

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8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
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ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

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of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

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12 MACKENZIE DIVERSIFIED ALTERNATIVES FUND	BALDELLI SONIA	9,163	9,163
16 MARYLAND STATE RETIREMENT & PENSION SYSTEM	BALDELLI SONIA	1,062	1,062
48 MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	16,181	16,181
49 MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599
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37 MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50 NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
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18 PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279
19 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162
51 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
20 SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	1,093	1,093
22 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	23,086	23,086
23 SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	BALDELLI SONIA	1,033	1,033
24 SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25 STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26 STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	BALDELLI SONIA	56,634	56,634
27 TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
54 UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003
55 VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390
28 WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979
65 ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	COCIRIO STEFANO	2,587,349	2,587,349
58 BLUEBELL PARTNERS	TARICCO MARCO	10	10

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.2**
of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**59**	**shareholders for n°**	**59,658,119**	**Shares**
					37.008 % of participant capital
of which					
IN PERSON	**n°**	**2**	**shareholders for n°**	**110**	**Shares**
					0.000 % of participant capital
BY PROXY	**n°**	**57**	**shareholders for n°**	**59,658,009**	**Shares**
					37.008 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.2**
of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	WITH VOTING RIGHT
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702

Overview of voters against

TOTAL AGAINST	**n°**	**1**	**shareholders for n°**	**101,544,702**	**Shares** 62.992 % of participant capital
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares** 0.000 % of participant capital
BY PROXY	**n°**	**1**	**shareholders for n°**	**101,544,702**	**Shares** 62.992 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item **1.2**
of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**2 shareholders for n°**	**70 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**2 shareholders for n°**	**70 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
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10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1.2**
of the ordinary part of the agenda

Allocation of the annual net income. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result of the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**18**	Shareholders for n°	**104,502,230**	Shares	64.827 % of participant capital
AGAINST	n°	**30**	Shareholders for n°	**5,410,403**	Shares	3.356 % of participant capital
ABSTAINED	n°	**14**	Shareholders for n°	**51,290,258**	Shares	31.817 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
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10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

List of the voters in favour

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
1	ASTENGO GIACOMO		100	100
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702
71	ALASKA PERMANENT FUND CORPORATION	BALDELLI SONIA	50,367	50,367
56	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001	BALDELLI SONIA	316,735	316,735
57	ARROWGRASS MASTER FUND LTD 001	BALDELLI SONIA	665,294	665,294
42	CITADEL ADVISORS LLC	BALDELLI SONIA	4,311	4,311
3	EURIZON AZIONI ITALIA	BALDELLI SONIA	160,000	160,000
4	EURIZON AZIONI PMI ITALIA	BALDELLI SONIA	888,857	888,857
7	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	BALDELLI SONIA	136,496	136,496
5	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	BALDELLI SONIA	69,762	69,762
8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
6	EURIZON PIR ITALIA AZIONI	BALDELLI SONIA	13,538	13,538
47	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS	BALDELLI SONIA	2,145	2,145
12	MACKENZIE DIVERSIFIED ALTERNATIVES FUND	BALDELLI SONIA	9,163	9,163
19	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162
51	SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
55	VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**18**	**shareholders for n°**	**104,502,230**	**Shares**	64.827 % of participant capital
of which						
IN PERSON	**n°**	**1**	**shareholders for n°**	**100**	**Shares**	0.000 % of participant capital
BY PROXY	**n°**	**17**	**shareholders for n°**	**104,502,130**	**Shares**	64.826 % of participant capital

ANSALDO STS S.p.A
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10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	WITH VOTING RIGHT
70	BNYMTCIL MK DIVGRTFD	BALDELLI SONIA	26,040	26,040
60	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	BALDELLI SONIA	2,673	2,673
62	COMPASS HTV LLC	BALDELLI SONIA	906	906
63	COMPASS OFFSHORE HTV PCC LIMITED.	BALDELLI SONIA	681	681
43	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND	BALDELLI SONIA	5,099	5,099
46	FCP REGARD SEL.ACT EURO.	BALDELLI SONIA	69,540	69,540
13	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST	BALDELLI SONIA	132	132
66	GOVERNMENT OF NORWAY	BALDELLI SONIA	1,304,446	1,304,446
14	ISHARES GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	410,350	410,350
15	ISHARES VII PLC	BALDELLI SONIA	22,153	22,153
11	LBPAM RESPONSABLE ACTIONS ENVT	BALDELLI SONIA	215,224	215,224
67	LITESPEED MASTER FUND LTD	BALDELLI SONIA	1,254,567	1,254,567
16	MARYLAND STATE RETIREMENT & PENSION SYSTEM	BALDELLI SONIA	1,062	1,062
48	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	16,181	16,181
49	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599
36	MUF - LYXOR FTSE ITALIA MID	BALDELLI SONIA	947,007	947,007
37	MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50	NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
17	OMERS ADMINISTRATION CORPORATION FUND	BALDELLI SONIA	17,900	17,900
18	PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279
20	SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMEN	BALDELLI SONIA	1,093	1,093
22	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMEN	BALDELLI SONIA	23,086	23,086
23	SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST	BALDELLI SONIA	1,033	1,033
24	SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25	STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26	STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST F	BALDELLI SONIA	56,634	56,634
27	TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
54	UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003
28	WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979

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10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

Overview of voters against

TOTAL AGAINST	**n°**	**30**	**shareholders for n°**	**5,410,403**	**Shares**
					3.356 % of participant capital
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares**
					0.000 % of participant capital
BY PROXY	**n°**	**30**	**shareholders for n°**	**5,410,403**	**Shares**
					3.356 % of participant capital

ANSALDO STS S.p.A
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Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
2	BRAGHERO CARLO MARIA		10	10
44	ELLIOTT INTERNATIONAL L.P	PRATELLI MATTEO MARIA	18,169,966	18,169,966
72	ELLIOTT INTERNATIONAL L.P.	PRATELLI MATTEO MARIA	6,643,127	6,643,127
64	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	PRATELLI MATTEO MARIA	6,488,475	6,488,475
45	ELLIOTT INTERNATIONAL LP	PRATELLI MATTEO MARIA	1,258,250	1,258,250
52	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	8,830,034	8,830,034
73	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	3,126,178	3,126,178
68	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	2,552,818	2,552,818
69	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	1,041,854	1,041,854
53	THE LIVERPOOL LIMITED PARTNERSHIP	SCIANNACA BRUNO	592,117	592,117
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47
65	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	COCIRIO STEFANO	2,587,349	2,587,349
58	BLUEBELL PARTNERS	TARICCO MARCO	10	10

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**14 shareholders for n°**	**51,290,258 Shares**	31.817 % of participant capital
of which				
IN PERSON	**n°**	**1 shareholders for n°**	**10 Shares**	0.000 % of participant capital
BY PROXY	**n°**	**13 shareholders for n°**	**51,290,248 Shares**	31.817 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **2**
of the ordinary part of the agenda

First Section of the Report on remuneration. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result of the vote on item **3**
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**46**	Shareholders for n°	**108,654,063**	Shares	67.402 % of participant capital
AGAINST	n°	**2**	Shareholders for n°	**1,258,570**	Shares	0.781 % of participant capital
ABSTAINED	n°	**14**	Shareholders for n°	**51,290,258**	Shares	31.817 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item 3
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

List of the voters in favour

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
1	ASTENGO GIACOMO		100	100
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702
71	ALASKA PERMANENT FUND CORPORATION	BALDELLI SONIA	50,367	50,367
56	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001	BALDELLI SONIA	316,735	316,735
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4	EURIZON AZIONI PMI ITALIA	BALDELLI SONIA	888,857	888,857
7	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	BALDELLI SONIA	136,496	136,496
5	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	BALDELLI SONIA	69,762	69,762
8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
6	EURIZON PIR ITALIA AZIONI	BALDELLI SONIA	13,538	13,538
46	FCP REGARD SEL.ACT EURO.	BALDELLI SONIA	69,540	69,540
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15	ISHARES VII PLC	BALDELLI SONIA	22,153	22,153
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49	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599
36	MUF - LYXOR FTSE ITALIA MID	BALDELLI SONIA	947,007	947,007
37	MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50	NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
17	OMERS ADMINISTRATION CORPORATION FUND	BALDELLI SONIA	17,900	17,900
18	PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279

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A Hitachi Group Company

Result on the vote on item **3**
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

19 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162
51 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
20 SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	1,093	1,093
22 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	23,086	23,086
23 SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	BALDELLI SONIA	1,033	1,033
24 SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25 STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26 STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	BALDELLI SONIA	56,634	56,634
27 TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
55 VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390
28 WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**46**	**shareholders for n°**	**108,654,063**	**Shares** 67.402 % of participant capital
of which					
IN PERSON	**n°**	**1**	**shareholders for n°**	**100**	**Shares** 0.000 % of participant capital
BY PROXY	**n°**	**45**	**shareholders for n°**	**108,653,963**	**Shares** 67.402 % of participant capital

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Ansaldo STS
A Hitachi Group Company

Result on the vote on item **3**
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
67	LITESPEED MASTER FUND LTD	BALDELLI SONIA	1,254,567	1,254,567
54	UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003

Overview of voters against

TOTAL AGAINST	**n°**	**2**	**shareholders for n°**	**1,258,570**	**Shares**
				0.781 % of participant capital	
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares**
				0.000 % of participant capital	
BY PROXY	**n°**	**2**	**shareholders for n°**	**1,258,570**	**Shares**
				0.781 % of participant capital	

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Result on the vote on item 3
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	WITH VOTING RIGHT
2	BRAGHERO CARLO MARIA		10	10
44	ELLIOTT INTERNATIONAL L.P	PRATELLI MATTEO MARIA	18,169,966	18,169,966
72	ELLIOTT INTERNATIONAL L.P.	PRATELLI MATTEO MARIA	6,643,127	6,643,127
64	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	PRATELLI MATTEO MARIA	6,488,475	6,488,475
45	ELLIOTT INTERNATIONAL LP	PRATELLI MATTEO MARIA	1,258,250	1,258,250
52	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	8,830,034	8,830,034
73	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	3,126,178	3,126,178
68	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	2,552,818	2,552,818
69	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERI	PRATELLI MATTEO MARIA	1,041,854	1,041,854
53	THE LIVERPOOL LIMITED PARTNERSHIP	SCIANNACA BRUNO	592,117	592,117
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47
65	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIM	COCIRIO STEFANO	2,587,349	2,587,349
58	BLUEBELL PARTNERS	TARICCO MARCO	10	10

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**14 shareholders for n°**	**51,290,258 Shares**	31.817 % of participant capital
of which				
IN PERSON	**n°**	**1 shareholders for n°**	**10 Shares**	0.000 % of participant capital
BY PROXY	**n°**	**13 shareholders for n°**	**51,290,248 Shares**	31.817 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **3**
of the ordinary part of the agenda

Authorisation to purchase and dispose of own shares. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result of the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**57**	Shareholders for n°	**159,948,144**	Shares	99.222 % of participant capital
AGAINST	n°	**1**	Shareholders for n°	**1,254,567**	Shares	0.778 % of participant capital
ABSTAINED	n°	**4**	Shareholders for n°	**180**	Shares	0.000 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

List of the voters in favour

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702
44	ELLIOTT INTERNATIONAL L.P	PRATELLI MATTEO MARIA	18,169,966	18,169,966
72	ELLIOTT INTERNATIONAL L.P.	PRATELLI MATTEO MARIA	6,643,127	6,643,127
64	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	PRATELLI MATTEO MARIA	6,488,475	6,488,475
45	ELLIOTT INTERNATIONAL LP	PRATELLI MATTEO MARIA	1,258,250	1,258,250
52	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	8,830,034	8,830,034
73	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	3,126,178	3,126,178
68	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) L	PRATELLI MATTEO MARIA	2,552,818	2,552,818
69	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) L	PRATELLI MATTEO MARIA	1,041,854	1,041,854
53	THE LIVERPOOL LIMITED PARTNERSHIP	SCIANNACA BRUNO	592,117	592,117
71	ALASKA PERMANENT FUND CORPORATION	BALDELLI SONIA	50,367	50,367
56	ARROWGRASS CUSTOMISED SOLUTIONS I LTD 001	BALDELLI SONIA	316,735	316,735
57	ARROWGRASS MASTER FUND LTD 001	BALDELLI SONIA	665,294	665,294
70	BNYMTCIL MK DIVGRTFD	BALDELLI SONIA	26,040	26,040
42	CITADEL ADVISORS LLC	BALDELLI SONIA	4,311	4,311
60	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	BALDELLI SONIA	2,673	2,673
62	COMPASS HTV LLC	BALDELLI SONIA	906	906
63	COMPASS OFFSHORE HTV PCC LIMITED.	BALDELLI SONIA	681	681
43	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND	BALDELLI SONIA	5,099	5,099
3	EURIZON AZIONI ITALIA	BALDELLI SONIA	160,000	160,000
4	EURIZON AZIONI PMI ITALIA	BALDELLI SONIA	888,857	888,857
7	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	BALDELLI SONIA	136,496	136,496
5	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	BALDELLI SONIA	69,762	69,762
8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
6	EURIZON PIR ITALIA AZIONI	BALDELLI SONIA	13,538	13,538
46	FCP REGARD SEL.ACT EURO.	BALDELLI SONIA	69,540	69,540
47	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS	BALDELLI SONIA	2,145	2,145
13	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST	BALDELLI SONIA	132	132
66	GOVERNMENT OF NORWAY	BALDELLI SONIA	1,304,446	1,304,446
14	ISHARES GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	410,350	410,350
15	ISHARES VII PLC	BALDELLI SONIA	22,153	22,153
11	LBPAM RESPONSABLE ACTIONS ENVT	BALDELLI SONIA	215,224	215,224
12	MACKENZIE DIVERSIFIED ALTERNATIVES FUND	BALDELLI SONIA	9,163	9,163

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **4**

of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

16 MARYLAND STATE RETIREMENT & PENSION SYSTEM	BALDELLI SONIA	1,062	1,062
48 MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	16,181	16,181
49 MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599
36 MUF - LYXOR FTSE ITALIA MID	BALDELLI SONIA	947,007	947,007
37 MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50 NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
17 OMERS ADMINISTRATION CORPORATION FUND	BALDELLI SONIA	17,900	17,900
18 PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279
19 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162
51 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
20 SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	1,093	1,093
22 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	23,086	23,086
23 SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	BALDELLI SONIA	1,033	1,033
24 SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25 STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26 STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	BALDELLI SONIA	56,634	56,634
27 TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
54 UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003
55 VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390
28 WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979
65 ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	COCIRIO STEFANO	2,587,349	2,587,349
58 BLUEBELL PARTNERS	TARICCO MARCO	10	10

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**57**	**shareholders for n°**	**159,948,144**	**Shares** 99.222 % of participant capital
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares** 0.000 % of participant capital
BY PROXY	**n°**	**57**	**shareholders for n°**	**159,948,144**	**Shares** 99.222 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
67	LITESPEED MASTER FUND LTD	BALDELLI SONIA	1,254,567	1,254,567

Overview of voters against

TOTAL AGAINST	**n°**	**1**	**shareholders for n°**	**1,254,567**	**Shares**
					0.778 % of participant capital
of which					
IN PERSON	**n°**	**0**	**shareholders for n°**	**0**	**Shares**
					0.000 % of participant capital
BY PROXY	**n°**	**1**	**shareholders for n°**	**1,254,567**	**Shares**
					0.778 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
1	ASTENGO GIACOMO		100	100
2	BRAGHERO CARLO MARIA		10	10
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**4 shareholders for n°**	**180 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**2 shareholders for n°**	**110 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**2 shareholders for n°**	**70 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item **4**
of the ordinary part of the agenda

Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S. p. A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

Time: 14:37:37

ANSALDO STS S.p.A

General Shareholders' Meeting

10 May 2018

COMMUNICATION OF THE PRESIDENT

Present directly representing their own shares or by proxy are no. **62** entitled to vote

representing no. **161,202,891** ordinary shares equal to

80.60 % of no. 200,000,000 (two hundred million) ordinary shares, making up the share capital

Physically present in the room: 8

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result of the vote on item **1S**
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

Shareholders present

In person	n°	2	for n°	110	Shares	0.000 % of the share capital
By proxy	n°	60	for n°	161,202,781	Shares	80.601 % of the share capital
TOTAL PRESENT	n°	**62**	for n°	**161,202,891**	Shares	80.601 % of the share capital

Result of the vote

IN FAVOUR	n°	**55**	Shareholders for n°	**158,969,454**	Shares	98.615 % of participant capital
AGAINST	n°	**4**	Shareholders for n°	**2,233,357**	Shares	1.385 % of participant capital
ABSTAINED	n°	**3**	Shareholders for n°	**80**	Shares	0.000 % of participant capital
TOTAL VOTERS	n°	**62**	Shareholders for n°	**161,202,891**	Shares	100.000 % of particpant capital
NON VOTERS	n°	**0**	Shareholders for n°	**0**	Shares	0.000 % of participant capital
TOTAL PRESENT	n°	**62**	Shareholders for n°	**161,202,891**		

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1S**
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

List of the voters in favour

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	WITH VOTING RIGHT
1	ASTENGO GIACOMO		100	100
10	HITACHI RAIL ITALY INVESTMENTS	PREMONTE RAIMONDO	101,544,702	101,544,702
44	ELLIOTT INTERNATIONAL L.P	PRATELLI MATTEO MARIA	18,169,966	18,169,966
72	ELLIOTT INTERNATIONAL L.P.	PRATELLI MATTEO MARIA	6,643,127	6,643,127
64	ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	PRATELLI MATTEO MARIA	6,488,475	6,488,475
45	ELLIOTT INTERNATIONAL LP	PRATELLI MATTEO MARIA	1,258,250	1,258,250
52	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	8,830,034	8,830,034
73	THE LIVERPOOL LIMITED PARTNERSHIP	PRATELLI MATTEO MARIA	3,126,178	3,126,178
68	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) L	PRATELLI MATTEO MARIA	2,552,818	2,552,818
69	THE LIVERPOOL LIMITED PARTNERSHIP C/O APPLEBY SERVICES (BERMUDA) L	PRATELLI MATTEO MARIA	1,041,854	1,041,854
53	THE LIVERPOOL LIMITED PARTNERSHIP	SCIANNACA BRUNO	592,117	592,117
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57	ARROWGRASS MASTER FUND LTD 001	BALDELLI SONIA	665,294	665,294
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60	CITADEL MULTI-STRATEGY EQUITIES (IRELAND)	BALDELLI SONIA	2,673	2,673
62	COMPASS HTV LLC	BALDELLI SONIA	906	906
63	COMPASS OFFSHORE HTV PCC LIMITED.	BALDELLI SONIA	681	681
43	CORNERSTONE ADVISORS GLOBAL PUBLIC EQUITY FUND	BALDELLI SONIA	5,099	5,099
3	EURIZON AZIONI ITALIA	BALDELLI SONIA	160,000	160,000
4	EURIZON AZIONI PMI ITALIA	BALDELLI SONIA	888,857	888,857
7	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 20	BALDELLI SONIA	136,496	136,496
5	EURIZON CAPITAL SGR SPA - EURIZON PIR ITALIA 30	BALDELLI SONIA	69,762	69,762
8	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 40	BALDELLI SONIA	440,150	440,150
9	EURIZON CAPITAL SGR SPA - EURIZON PROGETTO ITALIA 70	BALDELLI SONIA	131,129	131,129
6	EURIZON PIR ITALIA AZIONI	BALDELLI SONIA	13,538	13,538
46	FCP REGARD SEL.ACT EURO.	BALDELLI SONIA	69,540	69,540
47	FLEXSHARES MORNINGSTAR DEVELOPED MARKETS	BALDELLI SONIA	2,145	2,145
13	FORD MOTOR COMPANY OF CANADA, LIMITED PENSION TRUST	BALDELLI SONIA	132	132
66	GOVERNMENT OF NORWAY	BALDELLI SONIA	1,304,446	1,304,446
14	ISHARES GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	410,350	410,350
15	ISHARES VII PLC	BALDELLI SONIA	22,153	22,153
11	LBPAM RESPONSABLE ACTIONS ENVT	BALDELLI SONIA	215,224	215,224

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item **1S**
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

12 MACKENZIE DIVERSIFIED ALTERNATIVES FUND	BALDELLI SONIA	9,163	9,163
16 MARYLAND STATE RETIREMENT & PENSION SYSTEM	BALDELLI SONIA	1,062	1,062
36 MUF - LYXOR FTSE ITALIA MID	BALDELLI SONIA	947,007	947,007
37 MUL - LYXOR ITALIA EQUITY PIR	BALDELLI SONIA	9,663	9,663
50 NATIONAL GRID UK PENSION SCHEME	BALDELLI SONIA	2,197	2,197
17 OMERS ADMINISTRATION CORPORATION FUND	BALDELLI SONIA	17,900	17,900
18 PARAMETRIC INTERNATIONAL EQUITY FUND	BALDELLI SONIA	6,279	6,279
19 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY ETF	BALDELLI SONIA	46,162	46,162
51 SCHWAB FUNDAMENTAL INTERNATIONAL SMALL COMPANY INDEX FUND	BALDELLI SONIA	21,929	21,929
20 SPDR S&P GLOBAL INFRASTRUCTURE ETF	BALDELLI SONIA	35,490	35,490
21 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	1,093	1,093
22 SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	BALDELLI SONIA	23,086	23,086
23 SSGA RUSSELL FD GL EX-US INDEX NONLENDING QP COMMON TRUST FUND	BALDELLI SONIA	1,033	1,033
24 SSGA SPDR ETFS EUROPE II PUBLIC LIMITED COMPANY	BALDELLI SONIA	1,072	1,072
25 STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST FUNDS	BALDELLI SONIA	4,708	4,708
26 STATE STREET SP GLO INFRA INDEX NON-LENDING COMMON TRUST FUND	BALDELLI SONIA	56,634	56,634
27 TAX - MANAGED INTERNATIONAL EQUITY PORTFOLIO	BALDELLI SONIA	2,606	2,606
54 UBS (US) GROUP TRUST	BALDELLI SONIA	4,003	4,003
55 VANGUARD FTSE ALL WORLD SMALL CAP INDEX FUND	BALDELLI SONIA	1,390	1,390
28 WISDOMTREE EUROPE LOCAL RECOVERY FUND	BALDELLI SONIA	5,979	5,979
65 ELLIOTT INTERNATIONAL L.P., C/O MAPLES CORPORATE SERVICES LIMITED	COCIRIO STEFANO	2,587,349	2,587,349

Overview of voters in favour

TOTAL IN FAVOUR	**n°**	**55**	**shareholders for n°**	**158,969,454**	**Shares** 98.615 % of participant capital
of which					
IN PERSON	**n°**	**1**	**shareholders for n°**	**100**	**Shares** 0.000 % of participant capital
BY PROXY	**n°**	**54**	**shareholders for n°**	**158,969,354**	**Shares** 98.614 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Result on the vote on item **1S**
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

List of voters against

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
2	BRAGHERO CARLO MARIA		10	10
67	LITESPEED MASTER FUND LTD	BALDELLI SONIA	1,254,567	1,254,567
48	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	16,181	16,181
49	MERRILL LYNCH PROFESSIONAL CLEARING CORP	BALDELLI SONIA	962,599	962,599

Overview of voters against

TOTAL AGAINST	**n°**	**4**	**shareholders for n°**	**2,233,357**	**Shares**
					1.385 % of participant capital
of which					
IN PERSON	**n°**	**1**	**shareholders for n°**	**10**	**Shares**
					0.000 % of participant capital
BY PROXY	**n°**	**3**	**shareholders for n°**	**2,233,347**	**Shares**
					1.385 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item **1S**
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

List of abstensions

BALLOT	SHAREHOLDER NAME	PROXY	NUMBER OF SHARES TOTAL	NUMBER OF SHARES WITH VOTING RIGHT
59	CG CAYMAN FUND LIMITED	BALDELLI SONIA	23	23
61	CLINTON EQUITY STRATEGIES MASTER FUND LTD	BALDELLI SONIA	47	47
58	BLUEBELL PARTNERS	TARICCO MARCO	10	10

Overview of abstensions

TOTAL ABSTAINERS	**n°**	**3 shareholders for n°**	**80 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**3 shareholders for n°**	**80 Shares** 0.000 % of participant capital

ANSALDO STS S.p.A
General Shareholders' Meeting
10 May 2018

Ansaldo STS
A Hitachi Group Company

Result on the vote on item 1S
of the extraordinary part of the agenda

Proposal of By-laws amendment on the closing date of the financial year. Related and consequent resolutions.

List of non-voters

Overview of non-voters

TOTAL NON-VOTERS	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
of which			
IN PERSON	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital
BY PROXY	**n°**	**0 shareholders for n°**	**0 Shares** 0.000 % of participant capital

Attachment "I"

ANSALDO STS S.p.A.

* * * * *

BY-LAWS

* * * * *

CHAPTER I

Name - Head Office - Duration

Article 1

1.1 The company "ANSALDO STS S.p.A." is governed by these by-laws.

Article 2

2.1 The registered office of the company is in Genoa, the secondary office is in Naples.

2.2 The Board of Directors may set up or close secondary offices, subsidiary offices, branches, representative offices, agencies and permanent establishments in Italy and abroad.

Article 3

3.1 The duration of the company is until March 31, 2100 and may be extended one or more times by a resolution of the Shareholders' Meeting.

CHAPTER II

Purpose of the Company

Article 4

4.1 The company may directly or indirectly - even through shares in other companies – carry out industrial design, production, sales, installation, maintenance and post-sales service activities in the field of complete rail transport systems, power supply systems, mechanical plants and services, electric, electronic and software systems, including telecommunications and railway constructions, railway signals, supervision and remote control systems and goods and services linked with the above activities; also, study and research in the field of technologies applied to the railway transport system or anything connected to the corporate purpose.

4.2 The company may – also through acquisition of shares in other Italian and foreign companies and businesses and in any form - in compliance with the regulations in force – conduct, on its own or with other associated companies, design, feasibility studies, construction, maintenance and management of public or private works on tender, integrated tenders, contract authorizations, entrusting of financed projects or as the general contractor carry out all the instrumental activities necessary to win public works tenders, execute them and them to entrust to third parties in compliance with delegated law no. 443/01, referred to as “the Objective Law”, and decree no. 190/02 and subsequent amendments and additions thereto. The company may also provide validations in accordance with European directive 18/2004 or other special regulations on this field for or on behalf of companies in which it does not hold shares in the following fields in addition to the ones mentioned above:

- electric systems, thermohydraulics, general technological systems as foreseen by law 46/90, video surveillance and security systems of all kinds, luminous signs and topographical surveys;
- civil works, civil and industrial buildings, water works, sewage systems, gas pipes and methane gas pipes, construction work and road surfacing, airport and railway and urban surveys of all kinds, car parks, tunnels, viaducts, underground artworks, complex masonry and reinforced concrete works, river and canal works, hydraulic systems and protection systems for rivers and canals;
- environmental intervention, internal and/or external (environmental clean-up, upkeep of green spaces or similar, soundproof barriers) for private and/or public bodies;
- land consolidation work, irrigation work and ecological work to clean up pollution.

4.3 The company may also acquire and manage – though not in relation to the public - shares in consortia and temporary associations of companies in Italy and abroad, and perform leadership and coordinating activities in the industrial and the strategic, technical, commercial and financial sectors of the subsidiary companies and offer them financial and management services.

4.4 As instrumental to accomplishing the corporate purpose the company may carry out all useful and/or appropriate movables, real estate, commercial, industrial and financial transactions and grant guarantees.

CHAPTER III

Share Capital- Shares- Withdrawal- Bonds

Article 5

5.1 The share capital is EUR 100,000,000.00 (one hundred million), represented by 200,000,000 (two hundred million) ordinary shares with a par value of EUR 0.50 (zero point fifty) each.

5.2 The Extraordinary Meeting may increase the company's share capital by issuing shares, even special types of shares, to be freely assigned to the employees in compliance with Article 2349 of the Italian civil code, or as payment to parties identified by the Meeting but with exclusion of pre-emptive rights, in compliance with Article 2441 of the Italian civil code.

5.3 Pursuant to Article 2441 paragraph 4 of the Italian civil code, the company's share capital may be increased with exclusion of pre-emptive rights up to 10% (ten percent) of the company's previously existing share capital on the condition that the issuing price be equal to the market value of the shares and that this be confirmed, in writing, by the company's independent auditors.

Article 6

6.1 Shares are registered; each share comports the right to one vote.

6.2 Being a shareholder implies the acceptance of these by-laws.

6.3 The domicile of each shareholder and of each of the persons having voting rights for the purpose of their relations with the company is the address reported in the register of shareholders or the one resulting from subsequent communications in writing by the shareholders.

6.4 Shares are indivisible. Should shares be joint-owned the rights of the co-owners must be exercised by a common representative appointed according to the applicable laws.

Article 7

7.1 The Extraordinary Shareholders' Meeting may agree to share capital increases, setting out the relevant terms and conditions.

7.2 The Extraordinary Shareholders' Meeting may also agree to exclude pre-emptive rights in accordance with the limits and manners set forth by Article 2441, paragraph 4, point 2 of the Italian civil code.

7.3 The Extraordinary Shareholders' Meeting may also resolve to grant shares or other financial instruments according to Article 2349 of the Italian civil code.

Article 8

8.1 The Board of Directors shall request payments on shares all at once or at different times.

8.2 Shareholders who are late in making payments shall be charted interest at the applicable rate, and Article 2344 of the Italian civil code shall apply.

Article 9

9.1 Each shareholder has the right to withdraw from the company in the cases foreseen by the law, without prejudice to the provisions of paragraph 9.2.

9.2 Extension of the company's duration shall not result in a right to withdraw.

Article 10

10.1 The Board of Directors may resolve to issue non-convertible bonds in compliance with the applicable legislation.

10.2 The company may also issue other financial instruments in compliance with the applicable legislation.

CHAPTER IV

Shareholders' Meetings

Article 11

11.1 Ordinary and Extraordinary Shareholders' Meetings are normally held at the company's registered offices, unless otherwise resolved by the Board of Directors; they must be held in Italy.

11.2 The Ordinary Shareholders' Meeting shall be convened at least once a year to approve the company's financial statements, within one hundred and twenty days following the closure of the company financial year, or within one hundred and eighty days insofar as the Company is obliged to draw up consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require.

11.3 Shareholders shall be called by a notice published in accordance with terms and provisions of the applicable law.

11.4 Ordinary and extraordinary meetings are normally held further to one single call. However, the Board of Directors may decide, if it so deems appropriate and giving a specific indication thereof in the meeting notice, that both ordinary and extraordinary meetings may be held further to more than one call.

Article 12

12.1 Participation in meetings requires certification issued in favour of the subject which has the right of vote, issued by an intermediary authorized, in accordance to its records at the time set as reference in compliance to regulations in force.

Article 13

13.1 Those who have the right to attend the Shareholders' Meeting may be represented in compliance to regulations in force through a paper or an electronic proxy.

In order to facilitate the gathering of proxies from shareholders who are employees of the company or of other companies owned by it and shareholders' associations complying with the applicable legislation, such shareholders' associations may be assigned places for the communication and the gathering of proxies, under terms and conditions agreed with their legal representatives.

Proxy duly filled in and signed may be sent in electronic format using certified electronic mail or apposite section of the internet site of the company, accordingly to the provisions set time by time in the notice of meeting.

13.2 Meetings are governed by the meeting regulations approved by the Ordinary Meeting.

13.3 The Chairman of the meeting shall verify the right of those present to attend the meeting and check that the proxies are in order. Following this verification, the validity of the decisions may not be contested by anyone who abstains from voting or leaves the meeting.

Article14

14.1 The meeting is chaired by the Chairman of the Board of Directors or, if this is absent or is unable to chair the meeting, by the vice-chairman, if nominated or, in the absence of both, by a person elected by the majority vote of those present.

14.2 The Chairman shall be assisted by secretary, who may not be a shareholder, to be appointed by the meeting and may also appoint one or more scrutineers.

Article 15

15.1 The meeting resolves upon the topics falling within its scope under the law, the provisions of Article 23.2, letters a) and b) remaining in effect.

15.2 Pursuant to the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same:

(a) the Meeting may, pursuant to Art. 2364, subsection 1, No. 5), of the Italian Civil Code, authorise the Board of Directors to carry out related party-transactions of greater importance, notwithstanding a negative opinion of the Committee for Related Party-Transactions, on condition that, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not express a contrary vote, and that the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote;

(b) if the Board of Directors intends to submit to the Meeting a transaction of greater importance notwithstanding a contrary opinion of, or however without taking account of the observations formulated by, the Committee for Related-Party Transactions, the transaction may be carried out if, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not vote against such transaction, and the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote.

15.3 Resolutions, both in ordinary and in extraordinary shareholders' meetings, are passed with the respective quorums required by law, except for the appointment of administrative and control bodies, to which articles 16.3 and 27.2 shall apply.

15.4 Resolutions passed by the Shareholders' Meetings in compliance with the law and these by-laws are binding upon all the shareholders, even those who are absent or oppose them.

15.5 Voting in both Ordinary and Extraordinary Meetings shall be carried out in compliance with the methods established by the Chairman and in compliance with the law.

15.6 The minutes of Ordinary Meetings shall be signed by the Chairman and the secretary.

15.7 A notary shall draw up the minutes of Extraordinary Shareholders' Meetings.

15.8 Copies of the minutes, authenticated by the Chairman, or whoever is acting as Chairman, and by the Secretary, shall constitute complete proof also towards third parties.

CHAPTER V

Board of Directors – Representatives

Article 16

16.1 The company shall be managed by a Board of Directors composed of no less than seven and no more than thirteen members. Each time, before appointing the Board of Directors, the meeting shall set the number of members within the above limits.

16.2 The members of the Board of Directors shall be in office no longer than three financial years, and may be re-elected as per Article 2383 of the Italian civil code.

16.3 Directors are appointed by the ordinary Shareholders' Meeting on the basis of slates presented by the Shareholders, where the candidates shall be slated with a progressive ranking.

The slates submitted by shareholders shall be filed at the registered office of the company and made available to the public in accordance with the terms and procedures set out by the applicable law.

Each slate shall include two candidates who satisfy the independence requirements stated by law, expressly identified, and one of whom shall be the first name on the slate. Slates with three or more candidates shall also include candidates different genders, as set forth in the notice convening the shareholders' meeting, to make sure the composition of the Board of Directors complies with the provisions of the applicable law on gender balance. If the aforesaid requirements are not fulfilled, the slate shall be considered as not submitted.

Each Shareholder may submit or concur to submit one slate only.

Each candidate shall appear only in one list under pain of ineligibility. Only those shareholders who, either alone or with other shareholders, represent the share identified in conformity with the Consob regulations or, in their absence, represent at least 2.5% of the shares with voting rights in the Ordinary Meeting of Shareholders are entitled to submit a list. In order to prove the ownership of the number of shares needed to submit a list, the shareholders should lodge at the company's registered office, within the terms set by the regulations in force, the certificate attesting the ownership of the shares.

Together with each list shareholders shall lodge a declaration by each candidate accepting the candidature and attesting to the absence of any cause of ineligibility and incompatibility as well as the possession of the requirements prescribed by the regulations in force and these by-laws for appointment to their office. Every person having the right to vote may vote for one list only.

The directors shall be appointed as follows:

a) two thirds of the directors to be appointed shall be drawn from the slate that obtained the majority of votes expressed by those entitled to vote (any fraction being rounded down to the nearest whole number), in their slated order of ranking;

b) the remaining directors shall be drawn from the other slates; for such purpose, the votes obtained by such slates shall be divided successively by one, two, or three, depending on the order of ranking of the directors to be appointed. The ratios thus obtained shall be progressively assigned to the candidates of each section of such slates, according to the order respectively indicated by the same slates. The ratios thus allotted to the candidates of the various slates shall then be ranked in single decreasing order. The candidates with the highest ratios will be appointed.

If more than one candidate receives the same ratio, the candidate of the slate without any elected director yet, or with the lowest number of elected directors shall be appointed.

If none of such slates has an elected director, or all of them have the same number of elected directors, the candidate on the slate that obtained the highest number of votes will be appointed. In the event of tied slate votes, and always provided that the ratio is equal, a new vote shall be taken by the whole Meeting, and the candidate shall be appointed by a simple majority of votes.

c) if, following application of the procedure set forth above, the minimum number of independent directors provided by applicable law is not appointed, the number of votes obtained by each slate is divided by the progressive order of ranking of each of the aforesaid candidates to calculate the ratio of votes to allot each candidate drawn from the slates presented; the elected candidates who do not satisfy the independence requirements with the lowest ratio amongst the candidates are replaced, without prejudice to compliance with the applicable law relating to gender balance, starting from the last of the independent candidates that may be included on the same slate as the replaced candidate (following the progressive order of ranking in which they are slated). If that slate does not include other candidates who satisfy the independence requirements, the shareholders’ meeting shall proceed to the replacement as above by the legal majority, according to the provisions set forth in article 16.4 below, in keeping with the principle of proportionate representation of minorities on the board of directors. If candidates on different slates obtain the same ratio, the following procedure is used to identify which candidate to replace: (i) the candidate drawn from the slate that obtained the most votes is replaced, or (ii), if the mechanism set forth in point (i) is not applicable, the candidate drawn from the slate that obtained the least votes is replaced or (iii), if the mechanism set forth in point (ii) is not applicable as well, the candidate that obtained the least votes of shareholders casting a specific vote for this, is replaced. Once the candidate to replace is identified, the replacement is made according to the criteria set forth in the first and second paragraph of this letter c).

c-bis) if, following application of the procedure set forth in letters a) and b), the gender balance requirements are not met according to the applicable law, the number of votes obtained by each slate is divided by the order of ranking of each of the aforesaid candidates to calculate the ratio of votes to allot each candidate drawn from the slates presented; the elected candidates of the more represented gender with the lowest ratio of elected candidates is replaced by the candidate of the less represented gender indicated (with the highest order of ranking) on the same slate as the replaced candidate, without prejudice to compliance with the minimum number of directors who satisfy the independence requirements stated by law.

If that slate does not include other candidates of the less represented gender, the replacement as above is made by the shareholders' meeting with the legal majority according to the provisions set forth in article 16.4 below, in keeping with the principle of proportionate representation of minorities on the board of directors.

If candidates on different slates obtain the same ratio, the following procedure is used to identify which candidate to replace: (i) the candidate drawn from the slate that obtained the most votes is replaced, or (ii), if the mechanism set forth in point (i) is not applicable, the candidate drawn from the slate that obtained the least votes is replaced or (iii), if the mechanism set forth in point (ii) is not applicable as well, the candidate that obtained the least votes of shareholders casting a specific vote for this, is replaced. Once the candidate to replace is identified, the replacement is made according to the criteria set forth in the first and second paragraph of this letter c-bis).

16.4 If only one slate is submitted, or if no slate is submitted, the shareholders' meeting shall pass resolution with the majority required by law and without following the procedure indicated above, but in any case in such manner as to ensure the presence of the minimum number of independent directors as required by the applicable law, in addition to compliance with the applicable law on gender balance.

16.5 If one or more directors leave office during a financial year, on condition that the majority is always formed of directors appointed by the shareholders' meeting, the provisions of Article 2386 of the Italian Civil Code shall apply, as set forth herein:

a) the Board of Directors shall appoint the replacements from the same slate, to which the outgoing directors belonged, choosing, where necessary, the replacement who satisfies the independence requirements under law, as well as in compliance with the applicable law on gender balance; the shareholders' meeting shall resolve with the majorities indicated by the law, in compliance with those same principles.

b) if there are no candidates on the same slate who (i) have not been elected already, or (ii) who satisfy the independence requirements required by law, the board of directors will replace them, without applying point a) above and in any case in such manner as to ensure compliance with the applicable law on gender balance. The shareholders' meeting shall resolve, with the majorities indicated by the law, in compliance with the principles of composition of the board established by the applicable law, also on gender balance.

16.6 If in compliance with Article 16.4 the board has been elected after voting for a single list, and one or more directors leave office during the financial year, Article 16.5 above shall be applied as long as the majority of the directors consists of directors appointed by the Shareholders' Meeting.

16.7 If, again pursuant to article 16.4 above, the board has been elected without any slate being submitted and one or more directors leave office during the financial year, on condition that the majority is always formed of directors appointed by the shareholders' meeting, the provisions of Article 2386 of the Italian Civil Code shall apply, in any case ensuring, where necessary, compliance with the principles of composition of the board established by the provisions of the applicable law, also on gender balance.

16.8 If the majority of the members of the Board of Directors leaves office, the entire Board of Directors shall automatically be considered disbanded and a Shareholders' Meeting shall be called to appoint a new Board of Directors.

Article 17

17.1 Appointment to the position of director is subject to possession of the requirements of integrity foreseen by the rules and regulations and possession of the professional requirements set forth in this Article.

17.2 Those who do not possess integrity requirements equivalent those referred to in Article 17.1 above and regulated, in full or in part, by foreign law, cannot be elected as directors of the company and must resign their office if appointed. The Board of Directors determines the integrity of all its members as per Article 17.2.

17.3 Those who have not had three years experience in the following activities cannot be appointed as director and must resign if appointed:

a) management, control or executive functions in joint-stock companies having a share capital of at least two million euros, or,

b) professional activities or university teaching in law, economics, financial and technical-scientific disciplines strictly related to the company's activities, or,

c) management roles in public bodies or the civil service in the credit, financial or insurance sector, or in sectors strictly related to the company's activities.

The Board of Directors checks the professional requirements for all of its members as per Article17.3.

Article 18

18.1 If the Shareholders' Meeting has not already done so, the Board of Directors shall appoint among its members its own Chairman and may appoint a Vice-Chairman who shall substitute for the Chairman in the event of absence or impediment.

18.2 The Board of Directors shall nominate a Secretary, proposed by the Chairman, who need not be a member of the company.

Article 19

19.1 The Board of Directors shall meet in the place identified in the summons to meet, whenever deemed necessary by the Chairman, or the Vice Chairman, if appointed, in his absence or impediment.

A Board of Directors meeting shall be convened when the majority of members of the Board have sent a written request to resolve on a specific matter deemed to be particularly important and relevant to the management of the company, this matter must be mentioned in the request itself.

19.2 The Chairman shall convene a meeting of the Board of Directors at least 3 clear working days before the date set for the meeting. For urgent meetings, the term may be shortened. The Board of Directors sets the terms and conditions for convening their meetings.

19.3 It will be possible to hold meetings of the Board of Directors by means of telecommunication, on the condition that it is possible to identify all the participants and that this identification is recorded in the minutes of the Board and that they are able to follow the discussion and simultaneously participate in discussion of the subjects dealt with, and are able to exchange documentation if necessary. As long as these requirements are met, the Board of Directors meeting is considered to have been held in the place where the Chairman of the meeting is, and where the Secretary must also be to permit writing and signature of the minutes of the meeting.

Article 20

20.1 The Chairman shall preside over board meetings, and the Vice-Chairman, if appointed, shall take his place in his absence or impediment. If the Vice-Chairman is also absent, the most senior board member shall preside.

Article 21

21.1 A majority of members of the Board of Directors must be present at the meeting for the resolutions to be valid.

21.2 Resolutions are passed by absolute majority vote of those present. In case of an equal number of votes, the Chairman shall cast the deciding vote.

Article 22

22.1 The resolutions of the Board of Directors are written in the minutes entered in the record book kept by law and are signed by the Chairman and the secretary of the meeting.

22.2 Copies of the minutes are valid if signed by the Chairman or substitute thereof and by the secretary.

Article 23

23.1 The company shall be managed exclusively by the members of the board, who shall perform the operations needed to implement the company' purpose.

23.2 As well as exercising the powers attributed to it in law, the Board of Directors is also entitled to resolve on the following matters:

a) adaptation of the By-Laws to the regulatory provisions in force;

b) mergers by incorporation or demerger of the company in accordance with the terms of articles 2505, 2505-bis and 2506-ter , final paragraph, of the Italian Civil Code;

c) notification by the issuer on public acquisition or exchange offers pursuant to the terms of article 39 of Consob resolution no. 11971 of 14th May 1999;

d) reduction of the company capital in the event of withdrawal by one or more shareholders.

The Board of Directors may delegate to the Shareholders' Meeting the resolutions upon the abovementioned topics.

The Board of Directors appoints a manager entrusted with preparation of the company's financial reports, subject to the mandatory opinion of the Statutory Board. The manager in charge of preparing the company's financial reports must have at least three years' experience performing:

a) administration or control tasks or a managerial role in a joint-stock company with a share capital of no less than two million euro, or

b) professional work or a university professorship in law, economics, finance or technical and scientific subjects strictly pertaining to the company's field and the manager's functions, or

c) a managerial position in a public organisation operating in the field of credit, finance and insurance or in sectors strictly related to the company's field of business.

23.3 The delegated bodies promptly report to the Board of Directors and Auditors – or, where no delegated bodies have been appointed, the directors promptly report to the Statutory Board – at least every three months or – in any case - when the Board of Directors meets, in relation to the business, the general course of management of the company and its predictable development as well as the most relevant economic and financial transactions carried out by the company and its subsidiaries; in particular the delegated bodies or the directors, as the case may be, report on the operations in which they have an interest in their own right or on behalf of third parties.

The communication can be made during board meetings or in writing.

23.4 In cases of urgency, the Board of Directors or the competent body may, either directly or through subsidiaries, carry out related-party transactions, provided that the Meeting is not competent with regard to such transactions and the relevant authorisation, by applying the simplified rules set out by the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same.

Article 24

24.1 The Board of Directors may delegate its powers to an executive committee, within the limits set by Article 2381 of the Italian civil code and with the exception of the subjects identified in Article 23.2 above, determining the composition of the committee and the content, limits and the manner of the delegation. Meetings of the executive committee may also be held using means of telecommunication pursuant to Article 19.3 above. The Board of Directors can delegate some of their powers to the Chairman and/or other members or appoint one or more Managing Directors, again within the limits set by Article 2381 of the Italian civil code and with the exception of the subjects identified in Article 23.2 above.

The Board of Directors may appoint one or more General Managers, also among its members, determining their duties and remuneration.

24.2 The delegated bodies may, within their powers, assign special powers of attorney to company employees and third parties, with the faculty of subdelegating.

24.3 The Board of Directors may appoint an internal auditing committee, a remuneration committee and a nomination committee in compliance with the provisions of the Corporate Governance Code adopted by Borsa Italiana S.p.A..

Article 25

25.1 The Chairman of the Board of Directors, the Vice-Chairman, if appointed, in his absence or impediment, is the legal representative of the company. The Vice-Chairman’s signature is valid towards third parties in absence or impediment of the Chairman.

The Managing Directors, if appointed, are also entitled to the aforesaid powers of representation and powers of signature, within the scope of the powers delegated to them, as are persons duly authorised by the Board of Directors with resolutions published pursuant to the law, within the limits set by these resolutions.

Article 26

26.1 The members of the Board of Directors and executive committee, if appointed, shall be reimbursed for any costs they bear due to their position and be given a remuneration set by resolution of the Shareholders’ Meeting. Once this resolution has been passed, it will also be valid for the subsequent financial years until the Shareholders’ Meeting decides otherwise.

26.2 The remuneration of the directors with particular positions according to the by-laws is determined by the Board of Directors, subject to the approval of the Statutory Board.

CHAPTER VI

Statutory Board – External Auditor

Article 27

27.1 The shareholders' meeting shall appoint the Board of Statutory Auditors composed of three statutory auditors and shall determine their remuneration. The shareholders' meeting shall also appoint three alternate auditors.

The members of the Board of Statutory Auditors are chosen from individuals who satisfy the professional and integrity requirements indicated in the Ministry of Justice Decree no. 162 of 30 March 2000. For the purposes of the provisions of Article 1, subsection 2, letters b) and c) of such Decree, commercial and tax law, company economics and company finance are considered strictly pertaining to the company's business.

Taking into account the laws on ineligibility, candidates who exceed the limits to the number of offices held pursuant to the applicable laws and regulations shall not be appointed as auditors.

27.2 Statutory and alternate auditors are appointed by the ordinary shareholders' meeting on the basis of slates presented by the shareholders, where the candidates shall be slated with a progressive ranking. The slates shall indicate the names of one or more candidates, which in any case shall not exceed the number of members to be elected.

The slates are divided into two sections: one for candidates to the office of statutory auditor and the other for candidates to the office of alternate auditor. The first of the candidates in each section must be entered in the Register of Statutory Auditors and must have exercised statutory auditing activities for no less than three years.

Taking into account both sections, slates with three or more candidates shall include different genders, both for the first two names in the section of the slate relating to regular statutory auditors and the first two names in the section of the slate relating to alternate auditors.

The slates submitted by shareholders shall be filed at the registered office of the company and made available to the public in accordance with the terms and procedures set out by the applicable law.

Each shareholder may submit or concur to submit one slate only, and may only vote for one slate.

Any shareholders belonging to the same group or being parties to a shareholders' agreement concerning shares of the Company shall not submit or vote for more than one slate, even by proxy or through trust companies.

Each candidate can be nominated in one slate only, on pain of being declared ineligible.

Slates may be submitted only by shareholders who, on their own or together with other shareholders, own the shareholding indicated in compliance with the provisions of the Consob regulation or, in the absence thereof, they must represent at least 2.5% of shares with voting rights at the ordinary shareholders' meeting. In order to prove ownership of the number of shares required to submit the slates, the shareholders shall file at the registered office of the company the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable law.

Statements shall be filed together with each slate, without prejudice to the provisions of the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist and that they meet the requirements set out by the applicable laws and by these By-laws.

Two statutory auditors and two alternate auditors shall be drawn from the slate that has obtained the majority of votes, in the progressive order in which they appear in the relevant sections of the same slate. The remaining statutory auditor and the remaining alternate auditor shall be appointed according to the procedures set forth in article 16.3, letter b), to apply to each of the sections in which the other slates are divided and in any case in compliance with the provisions and regulations in force.

In the event that (i) only one slate is submitted, or (ii) no slate is submitted, or (iii) to fill a vacancy on the board of statutory auditors and not to renew the entire board, the shareholders' meeting shall pass resolution on a legal majority basis, without following the procedure indicated above, but in any case in such a way as to ensure that the board of statutory auditors is formed as specified in Article 1, subsection 1 of the Decree of the Ministry of Justice no. 162 of 30 March 2000 and by the applicable law on gender balance.

To replace one of the auditors drawn from the slate that obtained the most votes, the first alternate auditor drawn from the same list will be appointed. If the above replacement made pursuant to the aforesaid procedure does not enable the forming of a board of statutory auditors compliant with the applicable law on gender balance, the second alternate auditor drawn from the same slate will be appointed.

To replace an auditor drawn from other slates, the alternate auditor elected under the terms and conditions provided for in article 16.3, letter b) shall be appointed.

If the procedure used to replace auditors who leave before the end of their term of office with alternate auditors as described above does not ensure compliance with the applicable law on gender balance, the Shareholders' Meeting shall be convened as soon as possible in order to ensure compliance with the aforesaid law.

In any case, the Shareholders' Meeting pursuant to article 2401, subsection 1 of the Italian Civil Code shall replace the auditors in accordance with the principle of mandatory representation of minorities and in such manner as to ensure compliance with the applicable law on gender balance.

The chairperson of the Board of Statutory auditors is appointed by the shareholders' meeting and is the statutory auditor elected by the minority, unless only one slate or no slates have been submitted, in which case, the chairperson of the Board of Statutory Auditors shall be appointed by the shareholders' meeting on a legal majority basis.

27.3 Auditors may be re-elected.

27.4 Meetings of the Statutory Board can also be held by telecommunications provided that all the members can be identified, that this identification is recorded in the minutes of the Board and that they can all follow the discussions and can take part in real time in such discussions, exchanging documents if necessary; in this event the meeting will be considered to have been held in the place where the Chairman is.

27.5 The Statutory Board or at least two permanent auditors may convene a Shareholders' Meeting after having notified the Chairman of the Board of Directors, and each auditor may convene a meeting of the Board of Directors or the executive committee, where appointed.

Article 28

28.1 Accounts are audited by an External Auditor pursuant to the law.

28.2 The Shareholders' Meeting appoints an External Auditor in response to a motivated proposal from the controlling body and shall approve its remuneration for the entire duration of the office and criteria for the adjustment of such remuneration during the office.

CHAPTER VII

Balance sheet and profits

Article 29

29.1 The financial year shall end on 31 March of every year.

29.2 At the end of each financial year, the Board of Directors shall draw up the financial statements, as required by law.

29.3 The Board of Directors may pay out advances on dividends to shareholders during the financial year.

Article 30

30.1 Dividends not collected within five years from the day they are payable shall lapse in favour of the company and shall be directly allocated to its reserves.

CHAPTER VIII

Dissolution and liquidation of the Company

Article 31

31.1 In the event of dissolution of the company, a Shareholders' Meeting shall resolve upon the terms and conditions of the liquidation and shall appoint one or more liquidators, determining their powers and remuneration.

CHAPTER IX

General provisions

Article 32

32.1 All aspects not specifically contemplated in these by-laws shall be subject to the provisions contained in the Italian civil code and specific laws on these topics.

Temporary Clause

Article 33

The provisions of articles 16.3, 16.4, 16.5, 16.7 and 27.2 aimed at ensuring compliance with the applicable law on gender balance shall be applied for the first three appointments of the new Board of Directors and Board of Auditors, after the entry into force and the effectiveness of the provisions of article 1 of Law no. 120 of 12 July 2011, published in the Official Gazette no. 174 of 28 July 2011.