

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

**INTERIM FINANCIAL REPORT
ANSALDO STS GROUP
AT 30 JUNE 2016**

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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COMPANY BODIES AND COMMITTEES

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

ALISTAIR DORMER
Chairman

KATHERINE JANE MINGAY
Deputy chairwoman

ANDREW THOMAS BARR
Chief executive officer
and General manager

GIUSEPPE BIVONA

ROSA CIPRIOTTI

MARIO GARRAFFO (1)(2)

ALBERTO DE BENEDICTIS (1)(2)

FABIO LABRUNA

KATHARINE ROSALIND
PAINTER (1)(2)

FRANCESCO GIANNI
Board secretary

BOARD OF STATUTORY AUDITORS
(for the 2014 - 2016 three-year period)

GIACINTO SARUBBI
Chairman

RENATO RIGHETTI

MARIA ENRICA SPINARDI

SUBSTITUTE STATUTORY AUDITORS
(for the 2014 - 2016 three-year period)

FABRIZIO RICCARDO DI GIUSTO

GIORGIO MOSCI

DANIELA ROSINA

INDEPENDENT AUDITORS
(for the 2012 - 2020 period)

KPMG S.p.A.

- (1) Member of the risk and control committee
(2) Member of the appointments and remuneration committee

DIRECTORS' REPORT AT 30 JUNE 2016

Introduction

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

Key performance indicators - Ansaldo STS group

(€'000)	First half of 2016	First half of 2015	Change	2015
New orders	713,952	464,563	249,389	1,336,027
Order backlog	6,510,708	6,261,615	249,093	6,410,362
Revenue	602,726	632,397	(29,671)	1,383,837
Operating profit (EBIT)	48,067	57,938	(9,871)	135,769
Adjusted EBIT	48,067	57,938	(9,871)	135,769
Profit for the period/year	27,262	39,329	(12,067)	93,036
Net working capital	111,396	69,820	41,576	64,481
Net invested capital	361,615	326,540	35,075	316,419
Net financial position	(282,814)	(276,546)	(6,268)	(338,674)
Free operating cash flow	(17,334)	17,397	(34,731)	87,701
ROS	8.0%	9.2%	-1.2 p.p.	9.8%
ROE	13.0%	15.0%	-2.0 p.p.	15.1%
EVA	18,312	24,979	(6,667)	65,788
Research and development	18,488	18,556	(68)	36,914
Headcount (no.)	3,841	3,796	45	3,772

Ansaldo STS group recognised a profit of €27.3 million for the first half of 2016, compared to €39.3 million for the corresponding period of 2015. Revenue came to €602.7 million (€632.4 million in the same period of the previous year), and ROS was 8%, compared to 9.2% in the first half of 2015.

More specifically:

New orders totalled €714.0 million compared to €464.6 million for the first half of 2015. Specifically, they refer to the contracts for the Glasgow and Taipei (Sanying line) metros.

The order backlog amounted to €6,510.7 million (€6,410.4 million at 31 December 2015 and €6,261.6 million at 30 June 2015).

Revenue came to €602.7 million, down on €632.4 million for the first half of 2015. The continued progress on the contracts of the previous years has only partially offset the decrease in revenue due to the near completion of some major contracts in the Asia/Pacific area.

Operating profit (EBIT) came to €48.1 million, against €57.9 million for the corresponding period of the previous year. ROS was 9.2% compared to 8% for the first six months of 2015. The decrease is explained in the notes to the income statement.

The profit for the period came to €27.3 million (€39.3 million for the corresponding period of 2015).

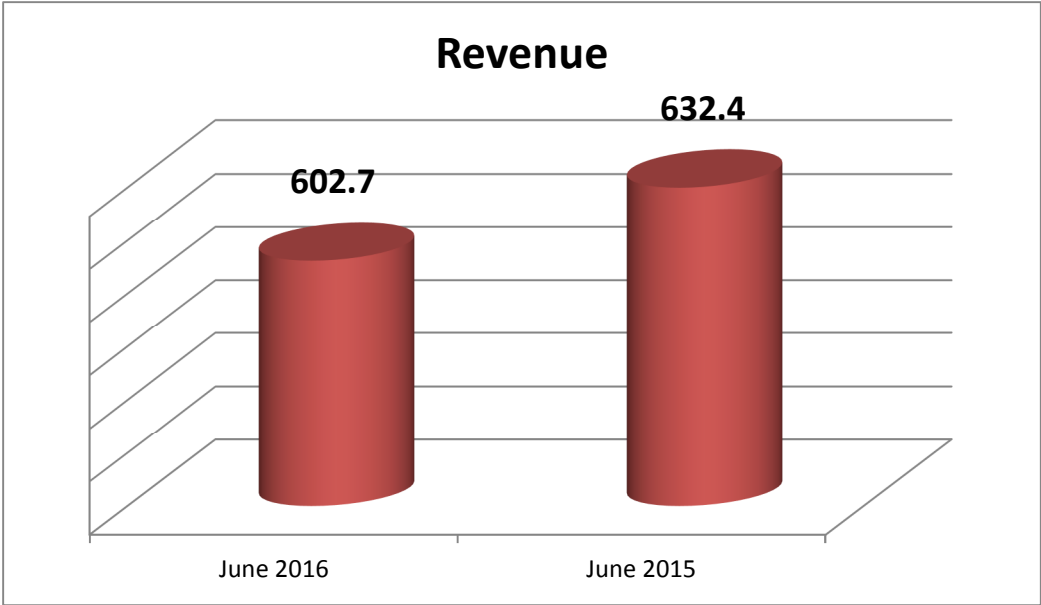
The group's net financial position amounted to €282.8 million, down on €338.7 million at 31 December 2015 and €276.5 million at 30 June 2015.

Research and development expense recognised in profit or loss amounted to €18.5 million, in line with the €18.6 million expense recognised in the corresponding period of the previous year.

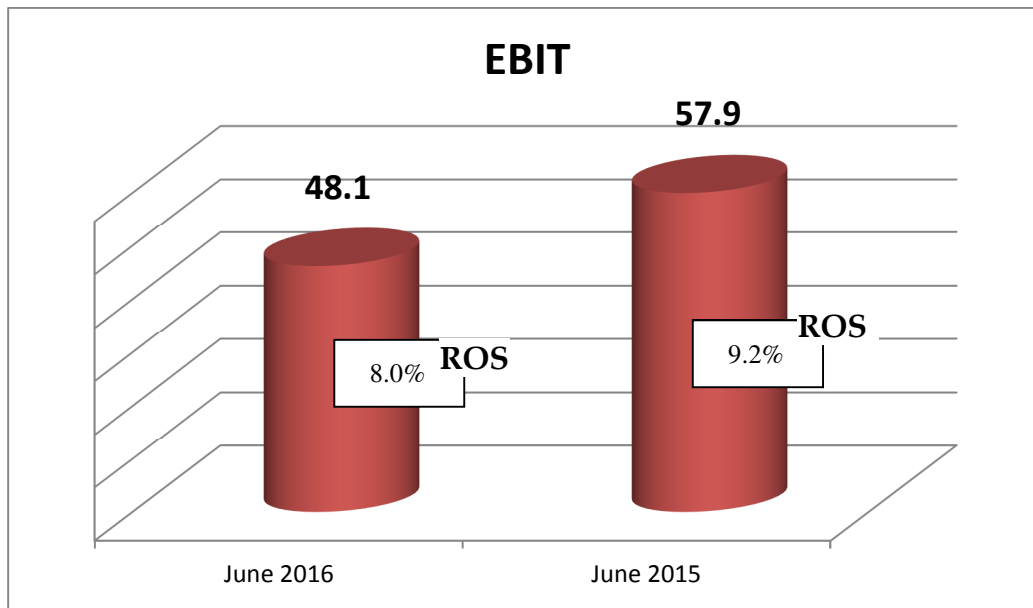
The group's headcount increased by a net 45 employees to 3,841 from 3,796 at 30 June 2015 and 3,772 at 31 December 2015.

The average headcount of 3,766 employees is substantially in line with the 3,763 employees in the first half of 2015 (3,748 for 2015).

Revenue for the six months ended 30 June 2016 and 2015 (€m)



EBIT and ROS for the six months ended 30 June 2016 and 2015 (€m)



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

Reclassified income statement (€'000)	First half of	
	2016	2015
Revenue	602,726	632,397
Purchases and personnel expense (*)	(547,194)	(572,889)
Amortisation, depreciation and impairment losses	(9,744)	(8,605)
Other net operating income (**)	680	3,470
Change in work in progress, semi-finished products and finished goods	1,599	3,565
Adjusted EBIT	48,067	57,938
Operating profit (EBIT)	48,067	57,938
Net financial income (expense)	(5,966)	975
Income taxes	(14,839)	(19,584)
Profit for the period from continuing operations	27,262	39,329
Discontinued operations	-	-
Profit for the period	27,262	39,329
<i>attributable to the owners of the parent</i>	27,280	39,376
<i>attributable to non-controlling interests</i>	(18)	(47)
Earnings per share		
<i>Basic and diluted</i>	0.14	0.20

Reconciliation between the reclassified income statement and the income statement included in the condensed interim consolidated financial statements:

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

(**) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs, impairment losses and accruals to (use of) the provision for expected losses to complete contracts).

The decrease in revenue, partly offset by the different mix of contracts in the two periods and the prudent accruals recognised in respect of the dispute with the Russian customer about the contract in Libya following the outcome of the arbitration procedure (about 7.5 €m) and the recognition of transaction costs with outgoing managers with strategic responsibility, substantially caused the decrease in operating profit.

The decreased in the profit for the period is due to the combined effect of the smaller operating profit and total net financial income and expense in relation to which accruals were prudently recognised to cover the dispute about the Libya contract (about 7.0 €m), which was only partially offset by the reduction in income taxes, substantially due to the lower taxable profit.

Reclassified statement of financial position*(€'000)*

	<u>30.06.2016</u>	<u>31.12.2015</u>
Non-current assets	309,207	307,250
Non-current liabilities	(58,988)	(55,312)
	<u>250,219</u>	<u>251,938</u>
Inventories	119,474	121,217
Contract work in progress	393,085	346,353
Trade receivables	586,661	663,558
Trade payables	(405,693)	(415,973)
Progress payments and advances from customers	(570,544)	(635,785)
	<u>122,983</u>	<u>79,370</u>
Working capital		
Provisions for risks and charges	(19,983)	(11,126)
Other assets (liabilities), net (*)	8,396	(3,763)
Net working capital	<u>111,396</u>	<u>64,481</u>
	<u>361,615</u>	<u>316,419</u>
Net invested capital		
Equity attributable to the owners of the parent	644,162	654,787
Equity attributable to non-controlling interests	267	306
Equity	<u>644,429</u>	<u>655,093</u>
Non-current assets held for sale	-	-
	<u>(282,814)</u>	<u>(338,674)</u>
Net financial position		

Reconciliation between the reclassified statement of financial position and the statement of financial position included in the consolidated financial statements:

() Includes "Tax assets" and "Other current assets", net of "Tax liabilities" and "Other current liabilities".*

Net invested capital totals €361.6 million, up on €316.4 million at 31 December 2015 (€326.5 million at 30 June 2015). The €45.2 million increase is attributable to the rise in net working capital (€46.9 million) due to greater work in progress and the reduction in progress payments and advances from customers, partially offset by the decrease in trade receivables.

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

Net financial position

	<u>30.06.2016</u>	<u>31.12.2015</u>
(€'000)		
Current loans and borrowings	2,889	1,628
Cash and cash equivalents	(251,856)	(304,306)
NET CASH AND CASH EQUIVALENTS	(248,967)	(302,678)
Related party loan assets	(527)	(563)
Other loan assets	(33,320)	(37,933)
LOAN ASSETS	(33,847)	(38,496)
Related party loans and borrowings	-	2,500
OTHER LOANS AND BORROWINGS	-	2,500
NET FINANCIAL POSITION	(282,814)	(338,674)

The group's net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was €282.8 million (after the granting of dividends of €36,0 thousand), compared to €338.7 million at 31 December 2015 and €276.5 million at 30 June 2015.

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

The net financial position at 30 June 2016 includes the €29.3 million remainder of the advance received from the Russian customer, Zarubezhstroytechnology (ZST), for the project agreed in August 2010 and suspended as from 21 February 2011 due to the armed conflict, for the development of signalling, automation, telecommunication, power supply, security and ticketing systems on the Sirth to Benghazi section in Libya. Proceedings commenced in the second half of 2013 with ZST for the enforcement of the advance payment bond. At the end of November 2013, the Milan court authorised Crédit Agricole to release part of the advance (€41.3 million), confirming that ZST only has the right to partial repayment thereof. Subsequently, on 25 March 2014, ZST issued the statement of claim which formally launched the arbitration procedure at the Vienna International Arbitral Centre in order to obtain payment of the portion of the advance payment bond not recognised by the Milan court in the provisional measure.

In May 2016, the arbitral centre rejected almost all claims filed by Ansaldo STS.

In accordance with the arbitration award, Ansaldo STS shall repay ZST its portion (approximately €29 million) of the advance withheld by the JV, in addition to the legal fees and the interest accrued until the repayment date.

Ansaldo STS is currently considering whether to take legal action against the arbitration award.

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

Statement of cash flows (€'000)	First half of 2016	First half of 2015
Opening cash and cash equivalents	304,306	270,067
Gross cash flows from operating activities	72,176	73,130
Changes in other operating assets and liabilities	10,761	(49,804)
Funds from operations	82,937	23,326
Change in working capital	(94,761)	1,285
Cash flows from (used in) operating activities	(11,824)	24,611
Cash flows used in ordinary investing activities	(5,510)	(7,214)
Free operating cash flow	(17,334)	17,397
Strategic transactions	-	-
Other changes in investing activities	560	(6,701)
Cash flows used in investing activities	(4,950)	(13,915)
Sale of treasury shares	-	-
Dividends paid	(36,000)	(30,755)
Cash flows from (used in) other financing activities	2,850	(23,297)
Cash flows used in financing activities	(33,150)	(54,052)
Other changes	-	-
Net exchange rate gains (losses)	(2,526)	3,756
Closing cash and cash equivalents	251,856	230,467

Cash and cash equivalents increased by €21.4 million to €251.9 million at the reporting date from the balance for the corresponding period of the previous year.

The free operating cash flow (FOCF) before strategic transactions totalled an outflow of €17.3 million, down on the €17.4 million cash inflow for the corresponding period of the previous year.

Reconciliation between the profit for the period and equity of the parent and the group at 30 June 2016

(€'000)	Equity	of which: profit for the period
Parent's equity at 30 June 2016 and profit for the period then ended	431,492	103,862
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	142,065	19,957
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	6,064	3,921
Goodwill	34,569	-
Consolidation adjustments for:		
- Dividends from consolidated companies	-	(99,394)
- Translation differences	21,006	-
- Impairment losses on consolidated companies and loan assets of subsidiaries	8,966	(1,066)
- Other adjustments	-	-
Total attributable to the owners of the parent	644,162	27,280
- Non-controlling interests	267	(18)
Total equity at 30 June 2016 and profit for the period then ended	644,429	27,262

Non-IFRS alternative performance indicators

Ansaldo STS's management also assesses the group's financial performance using certain non-IFRS indicators.

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

- **Operating profit (EBIT):** the unadjusted profit before income taxes and financial income and expense. It does not include income and expense on non-consolidated equity investments and securities or the gains (losses) on the disposal of consolidated equity investments, classified in "Financial income and expense" in the financial statements or, for equity-accounted investees, in the caption "Share of profit or loss of equity-accounted investees".
- **Adjusted EBIT:** is the EBIT as described earlier, net of:
 - any impairment losses on goodwill;
 - amortisation of the portion of any purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
 - restructuring costs in relation to defined and significant plans;
 - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

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

(€'000)	First half of	
	2016	2015
EBIT	48,067	57,938
Adjusted EBIT	48,067	57,938

- **Free operating cash flow (FOCF):** the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investments in and disinvestments of property, plant and equipment, intangible assets and equity investments, net of cash flows for acquisitions or disposals of equity investments which qualify as "strategic transactions" given their nature or materiality. The method used to calculate the FOCF for the first six months of 2016 and 2015 is shown in the reclassified statement of cash flows in the previous section.

- ***Funds from operations (FFO):*** the cash flows generated by (used in) operating activities, net of changes in working capital. The method used to calculate the FFO for the first six months of 2016 and 2015 is shown in the reclassified statement of cash flows in the previous section.
- ***Economic value added (EVA):*** the difference between adjusted gross operating profit net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the weighted average cost of capital (WACC).
- ***Working capital:*** includes inventories, trade receivables and payables, work in progress and progress payments and advances from customers.
- ***Net working capital:*** working capital net of the current portion of provisions for risks and charges and other current assets and liabilities.
- ***Net invested capital:*** the sum of non-current assets, non-current liabilities and net working capital.
- ***Net financial position or debt:*** the calculation method used complies with paragraph 127 of CESR recommendation 05-054b, implementing EC regulation 809/2004.
- ***New orders:*** the sum of the contracts agreed with customers during the period that meet the contractual requirements to be recorded in the orders book.
- ***Order backlog:*** the difference between new orders and revenue for the period (including the change in contract work in progress). This difference is added to the backlog for the previous period.
- ***Headcount:*** the number of employees recorded in the relevant register on the reporting date.
- ***Return on Sales (ROS):*** the ratio of operating profit to revenue.
- ***Return on Equity (ROE):*** the ratio of profit or loss for the year to the average amount of equity at the reporting date and the previous period reporting date.
- ***Research and development expense:*** the total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to “general technology”, i.e., aimed at gaining scientific knowledge and/or techniques applicable to various new products and/or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms).

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 parent, associates, joint ventures, consortia and unconsolidated subsidiaries.

The effects (including as a percentage of the relevant total balances) of related party transactions are shown in the condensed interim consolidated financial statements as at and for the six months ended 30 June 2016.

During the reporting period, no atypical and/or unusual transactions took place¹.

¹ as defined by CONSOB communication no. DEM/6064293 of 28 July 2006.

Performance

The market and commercial situation

New orders acquired during the period totalled approximately €714 million, compared to €465 million in the corresponding period of the previous year.

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

ITALY

New orders acquired during the period amounted to approximately €39 million and mainly relate to component, maintenance and service contracts.

REST OF EUROPE

New orders approximate €258 million and mainly relate to contracts acquired in the UK to upgrade the Glasgow metro (€135 million), using the driverless (CBTC) signalling technology, and for the re-signalling of the Ferriby - Gilderdyke line (€20 million) using the CBI SEI technology. New orders in France approximate €47 million, including the contract with RATP to maintain the Paris metro (roughly €27 million).

New orders acquired in Northern Europe approximate €54 million and mainly consist of the level 2 ERTMS contract in Haparanda (Sweden) (€21 million) and variations for the Copenhagen metro.

AMERICAS

New orders in the United States total approximately €83 million. The main order refers to a contract of about €38 million related to the design and construction of a new computer-based train control signalling system for Long Island Rail Road (LIRR). Furthermore, approximately €22 million relates to the sale of components, maintenance and renovation of freight railway lines, while roughly €17 million relates to the LIRR Mid Day Yard contract with Long Island Rail Road (LIRR) for the supply of interlocking products, switch machines and track circuits.

ASIA PACIFIC

New orders for the reporting period come to approximately €333 million, including roughly €52 million acquired in Australia and mainly relating to mining and freight transport railway lines (Rio Tinto) and roughly €37 million acquired in Malaysia for signalling works within a section of Klang Valley railway network.

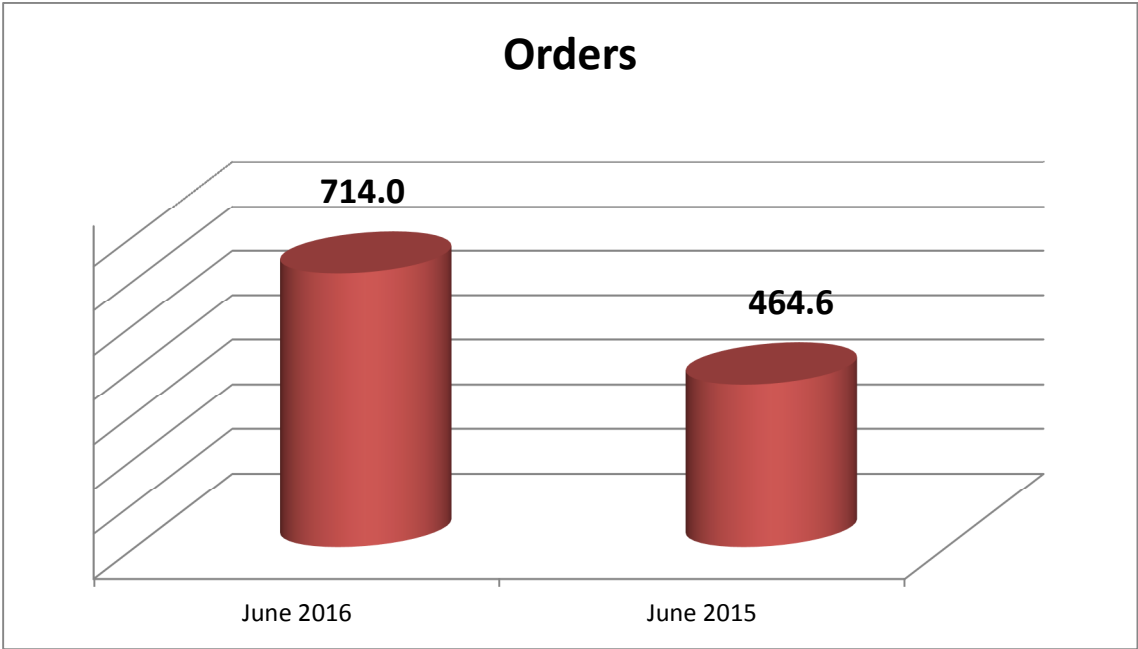
The main order refers to the signing of the turnkey contract by the consortium of Ansaldo STS, Hitachi Ltd. and RSEA Engineering Corp. and NCTG DORTS (New Taipei City Government Department of Rapid Transit System), concerning the Sanying (Sanxia-Yingge) line of the Taipei metro.

As the consortium leader, Ansaldo STS will provide the CBTC (Communication Based Train Control) technology and all electromechanical systems (power supply, telecommunications, platform screen doors, ticketing system, SCADA system and depot equipment), worth approximately €220 million.

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

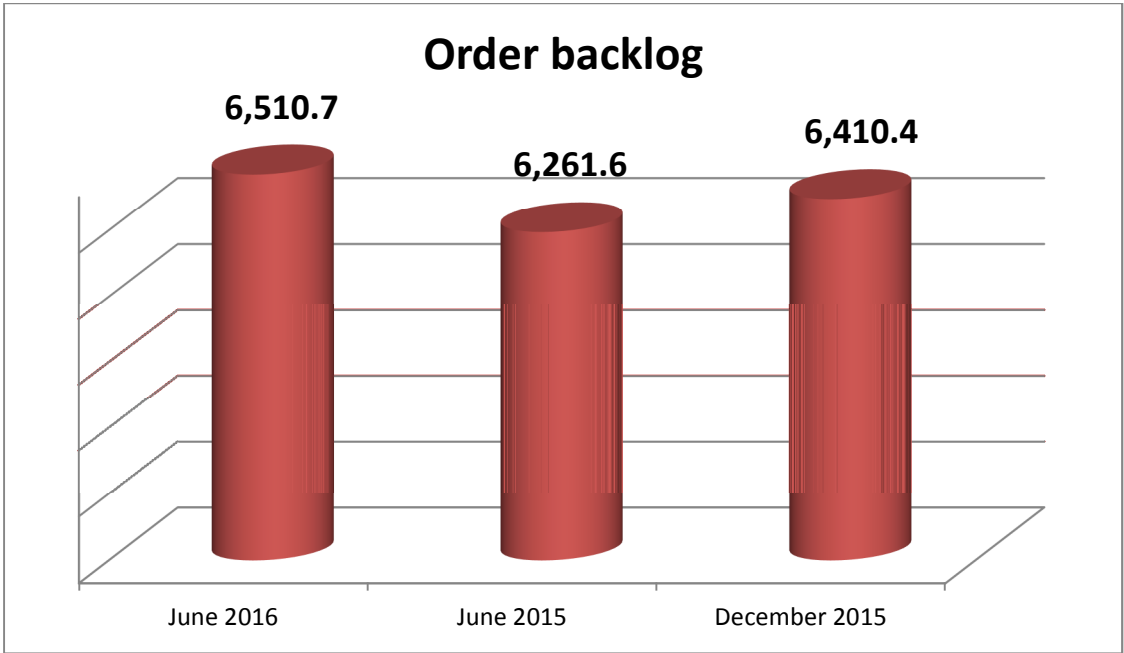
Country	Project	Customer	Amount (€m)
Taiwan	Sanying Line MRT System	NCTG DRTS	220
Great Britain	Glasgow metro – including maintenance	Strathclyde Partnership for Transport	135
Australia	Auto Haul – order variation AC Loco	Rio Tinto Iron One	48
USA	LIRR Ronkonkoma	LIRR	38
Malaysia	KVDT	Dhaya Maju infrastructure	37
France	2016 maintenance	RATP	27
Sweden	Line 2 Ester	Trafikverket	21
Great Britain	Ferriby Gilberdijke	Network Rail	20
USA	LIRR MID-DAY Storage Yard	LIRR	17
USA	Components	Sundry	22
Various EU / Asia	Components	Sundry	28
Various EU / Asia	Service & Maintenance	Sundry	21

New orders for the six months ended 30 June 2016 and 2015 (€m)



Order backlog at 30 June 2016 and 2015 (€m)

The order backlog at 30 June 2016 amounted to €6,510.7 million compared to €6,410.4 million at 31 December 2015 (€6,261.6 million at 30 June 2015).



The order backlog at 30 June 2016 includes the residual amount of contracts in Libya, currently interrupted, worth €459.4 million.

Business performance

The key production activities are summarised by geographical segment below.

ITALY

With respect to the high-speed railways business segment, production activities were focused on the Treviglio-Brescia section project as part of the Saturno consortium. As requested by the customer RFI, Ansaldo is working on the activation by the end of 2016.

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

Production by the central automated system business segment mainly related to the project for the technological upgrade of the Turin-Padua line.

With reference to Line 6 of the Naples metro, both the civil works and the electro-mechanical installations along the Mergellina-S.Pasquale line continued. The S. Pasquale station is slated for completion by the end of 2016.

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

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

Engineering and procurement activities continue on Line 4 of the Milan metro, while the Consortium and Municipality are discussing about a variation which would streamline the civil works on the stations in the historic centre.

REST OF EUROPE

In France, activities mainly focus on the on-board systems and equipment for the country's high-speed network (specifically the two main projects relating to LGV Sud Europe Atlantique – Tours Bordeaux Tours line and the LGV Bretagne Pays de la Loire line), as well as the maintenance, assistance and production of individual parts contracts.

At the end of June 2016, a referendum declared the exit of Great Britain from the European Union. The Company doesn't expect significant economic and financial impact for the current fiscal year.

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

In Germany, activities continue on the software development project related to the supply of on-board devices for the Siemens Velaro D and Velaro Eurostar high-speed trains for the end customers, DB, Eurostar and SCNF.

Recently geopolitical events in Turkey, as of today, have not impacted the progress of the on-going projects.

Works to install and roll out the multi-station equipment for the north section of the Mersin-Toprakkale project continued. Specifically, during the period, the MS2 (Yesilhisar, Akkoy and Arapli), MS3 (Huyuk, Ovacik and Nidge) and Kayseri CTC devices were rolled out.

In relation to the Ankara metro, the safety and assessment documents and the related certification of the M1, M2 and M3 lines for use of the CBTC system were issued in March 2016. The CBTC system for the above lines is therefore ready to be used by the customer for passenger service.

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

Work on the Copenhagen Cityringen project went ahead in Denmark; the design and procurement of materials continue concurrently with the dynamic testing on a trial rail.

Meanwhile, the activities for the construction of the tram line in the city of Aarhus continue.

AMERICAS

In the USA, the construction of the Honolulu metro continued. Specifically, the first vehicle was delivered in early May.

With respect to the Positive Train Control system for SEPTA in Philadelphia, the Warminster line was rolled out in April 2016.

Meanwhile, preliminary activities relating to two projects acquired at the end of 2015 continued: the design and construction of a Positive Train Control system for MBTA's 15 lines in Boston and the supply of a CBTC system for the Sharon Hill tram line in Philadelphia managed by SEPTA.

Production for the sale of components for the existing eight product lines (Electronics, Ground Material, Relays, End of Train, Cab Signals, Highway Crossings, Component Projects and Services) continued.

In Peru, the design and procurement activities continued on Lines 2 and 4 of the Lima metro. The first stage design has been completed, while the civil works are still affected by the delays caused by the difficulties in acquiring the areas to be expropriated.

NORTH AFRICA AND THE MIDDLE EAST

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

The arbitration procedure related to the contract with the Russian customer Zarubezhstroytechnology (ZST) for the Sirth - Benghazi line in Libya commenced by the latter in Vienna against the Ansaldo STS - Selex ES joint venture was completed.

The arbitration award, which was issued in the first half of May, rejected most of the JV's claims and allowed those of ZST.

In accordance with the arbitration award, Ansaldo STS shall repay the portion (approximately €29 million) currently withheld, in addition to the legal fees and interest. In this respect, the company prudently recognised some accruals.

In Italy, legal actions were commenced against the arbitration award and the company in Austria is considering the possibility of filing an appeal.

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

ASIA

In China, the projects related to the CBTC systems for the Chengdu, Dalian, Hangzhou, Xi'an, Zhengzhou and Shenyang metros continued according to schedule, while the project for the Zhuhai cable-free tramway, is nearing completion.

Design and production activities continued for the construction of the Taipei Metro Circular Line. The delays in civil works impacted the construction times of the metro. Initial access to the depot areas is expected to take place by the end of 2016. A new work plan is under negotiation with the customer.

ASIA PACIFIC

In Australia, production activities mainly focused on projects covered by the framework agreement with Rio Tinto (RAFA) and the Roy Hill project.

With respect to the RAFA projects and especially the AutoHaul project, the final installation upgrade of on-board devices on direct current (DC) locomotives has been completed and is nearing completion on alternating current (AC) locomotives.

With respect to the Roy Hill project, activities for stage 3 (IETO) and stage 4 (CBS) continue, although they are behind the original schedule. A new timeschedule is being discussed with the customer and negotiations are taking place about the claims for higher costs incurred, mainly in connection with longer contractual times.

In India, work on the signalling systems for the KFW project continues. Due to the delays accumulated by the numerous variations requested by the customer, work is not expected to be completed before the second half of 2017.

The Kolkata Metro project also continues to incur delays caused by the civil works and the unavailability of design inputs. The customer's re-awarding of the rolling stock supply contract is a prerequisite for resuming various technology-related activities.

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

SIGNIFICANT TRANSACTIONS OF THE REPORTING PERIOD AND EVENTS AFTER THE REPORTING PERIOD

On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. communicated their signing of a binding contract for Hitachi's purchase of Finmeccanica's entire investment in Ansaldo STS S.p.A., equal to approximately 40% of its share capital, and AnsaldoBreda S.p.A.'s current business except for certain revamping activities and specific residual contracts. As a result, on 2 November 2015, Finmeccanica S.p.A. executed the sale of its investment in Ansaldo STS (80,131,081 shares for 40.07% of its share capital) to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd.. Accordingly, Hitachi Ltd. became the company's controlling shareholder pursuant to article 2359.1.2 of the Italian Civil Code and article 93 of the Consolidated Finance Act. On 21 December 2015, the company's board of directors verified that it was managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

On 2 November 2015, following the sale of the above shares, the legal conditions materialised obliging Hitachi Rail Italy Investments S.r.l., Hitachi Ltd.'s subsidiary, to make a takeover bid for all the company's remaining ordinary shares (119,869,919 shares equal to 59.93% of its share capital) pursuant to articles 102 and 106.1-*bis* of the Consolidated Finance Act (the "takeover bid"). The offer period ended on 14 March 2016. 12,832,398 Ansaldo STS S.p.A. ordinary shares, equal to 6.416% of its share capital, were tendered to the offer. Therefore, at 21 March 2016, the date on which the consideration was paid to the holders of said shares and the latter were concurrently transferred to the bidder, Hitachi Rail Italy Investments S.r.l.'s investment in Ansaldo STS S.p.A. was equal to 46.482% of its share capital.

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

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

More information about the takeover bid is provided in the communications and documentation made available to the public pursuant to the relevant legislation on the company's website page <http://www.ansaldo-sts.com/en/investor-relations/takeover-bid>.

In March 2016, the Ansaldo STS – Stadler consortium won contracts to upgrade the Glasgow metro. These include the supply of 17 new trains, Driverless Communication Based Train Control (CBTC) signalling technology, platform screen doors and depot equipment, as well as the related maintenance support services to upgrade the 10.5 km long twin metro lines and 15 stations of the Glasgow metro system.

This project has a total value of GBP203.2 million. Ansaldo STS's share amounts to GBP104.3 million (approximately €135 million).

On 21 June 2016, Ansaldo STS and Hitachi, Ltd., as members of the ARH consortium (made up of Ansaldo STS S.p.A., RSEA Engineering Corp. and Hitachi, Ltd.), entered into a turnkey contract with New Taipei City Government Department of Rapid Transit System (NTCG DORTS) for a total amount of approximately €885 million.

As the consortium leader, Ansaldo STS will provide the CBTC (Communication Based Train Control) technology and all electromechanical systems (power supply, telecommunications, platform screen doors, ticketing system, SCADA system and depot equipment), worth approximately €219.8 million (net of VAT).

The CBTC solution is leading a new era of rail transit control, enhancing flexibility, reducing maintenance costs and improving interoperability.

Hitachi, Ltd's scope of work includes design and manufacture of metro rail transit train cars which consists of 29 two-car trains, for a total of 58 cars.

For NTCG DORTS, this turnkey project combines civil, electro-mechanic works and rolling stock. It is the first medium-capacity metro to be constructed and managed by New Taipei City.

The total length of Sanying Line is 14.29 km with 12 elevated stations and one depot. With fully elevated station design, the line route starts from MRT Blue Line Dingpu station in Tucheng, passing through Sanxia to Yingge.

As part of the “3-rings-3-lines” project, Sanying Line will enter the construction stage in the second half of 2016 and aim for completion in 2023, providing citizens of New Taipei City with a convenient and safe mass transportation system.

By writ of summons notified on 14 July 2016, the funds Elliott International L.P., The Liverpool Limited Partnership and Elliott Associates L.P. asked the Court of Genoa to declare void the

shareholders' meeting's resolution dated 13 May 2016 which appointed the current board of directors and the Chairman Dormer.

On 18 July 2016, the Funds Elliott International L.P., The Liverpool Limited Partnership and Elliott Associates L.P. notified at the registered office of the Company the decree, signed on 14 July 2016, with whom the President of the Court of Genoa has appointed Mr. Alessandro Barca, as “curatore speciale” pursuant to art. 78 c.p.c.

With reference to the above, Ansaldo STS S.p.A., as communicated to the market on 22 July 2016, filed with the President of the Court of Genoa a petition to overrule the mentioned decree.

In particular, the Company maintains that the decree is void because it is in breach of the right of the party to be heard and must be overruled because, in the opinion of the Company, there is no conflict of interests according to art. 78 cpc.

RESEARCH AND DEVELOPMENT

Research and development expense taken directly to profit and loss for the six months ended 30 June 2016 totalled €19.5 million (€19.9 million in the same period of the previous year), against grants approximating €1.0 million (€1.3 million in the same period of the previous year).

The PLUG IN project, which is part of the activities of the Liguria District on Research in collaboration with the MIUR (the ministry for university and research), was completed in the first half of 2016. The project provides for the development of an urban mobility platform to manage multi-source information, to determine current traffic and forecast its development.

The following projects, funded by the MUIR, are underway:

- Tesys Rail, to define strategies for the energy optimisation of rail traffic.
- the PON3 projects, carried out through the Campania district DATTILO (High technology district for transport and logistics) and the Campania laboratory TOP IN (Optoelectronic technologies for industry), are also underway:
 - ✓ MODISTA, which deals 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);
 - ✓ OPTOFER for the application of innovative optoelectronic technologies for railway infrastructure monitoring and diagnosis;
 - ✓ FERSAT, which studies a railway signalling system based on the innovative use of satellite technologies suitable for urban environments and their integration with existing technologies; in 2016, a lab demonstrator will be developed to check the accuracy of the satellite positioning in urban areas. The demonstrator will use the experimental data obtained during on-site test campaigns;
 - ✓ NEMBO for the study and experimentation of highly-efficient innovative embedded systems for railway applications.

Other projects financed by the European Commission are:

- CRYSTAL, aimed at the development of safety tools;
- NGTC, aimed at developing future rail and urban traffic control systems. Ansaldo STS heads up the work package related to satellite positioning;
- 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;

- IN2RAIL, funded by the European Commission as part of the Shif2Rail project; the project is aimed at optimising railway infrastructure by reducing the construction and maintenance costs and increasing capacity.

The European Commission also finances satellite technology projects. Specifically: ERSAT EAV, coordinated by Ansaldo STS, whose aim is to adopt and characterise 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. As part of the ERSAT EAV project, accurate measurement campaigns were carried out to customise the railway satellite signal to local phenomena, such as Radio Frequency Interference and Multipath. Furthermore, demonstration activities were organised to show the correct operation of the trial site in Sardinia as part of national and international workshops held at RFI's main offices in Cagliari (e.g., General Assembly EEIG ERTMS Users Group, CIFI Workshop) and presentations were given to International conferences, such as the WCRR and SOGEI workshops.

Meanwhile, activities for the 3InSat project have almost been successfully completed, including the development of a satellite localisation system and its integration with the ERTMS railway signalling system, to support LDS development as part of the Roy Hill contract. Large scale campaigns to collect and analyse experimental data at the Sardinian trial site were carried out in 2015 and early 2016. The objective is to quantify the performance of the ASTS ERTMS system based on satellite location and TETRA radio communications or GSM Public. The quantitative assessment of performance confirmed the expected results resulting in the commencement of a technical consultation with RFI and Trenitalia in preparation for the design of a signalling system in Sardinia for commercial roll-out using a satellite and TLC technology based on GSM Public. The results achieved were published on the European Space Agency's website - 3InSat project.

In 2016, the activities related to the STARS and RHINOS projects were launched as part of the Research Programme of the GSA European Agency, Horizon H2020.

The main objectives of the STARS project are:

- the definition of standard, shared, measurement procedures, approved by the UNIFE, for the GNSS signal in several railway application fields;
- the statistic and electrical characterisation of the RF GNSS signals and the characterisation of the quality of observation & navigation information associated with different constellations;

- the modelling of local phenomena, such as radio frequency interference and multipath in several railway fields;
- checking that the EGNOS augmentation network is adequate for the railway field.

The main objectives of the RHINOS project are:

- the study and checking, through simulation, of new localisation algorithms and ARAIM algorithms to detect local interference phenomena;
- the analysis of the evolution of RTCA avionics standards to check their application to the railway field.

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

- CBTC (Communication-Based Train Control);
- Interlocking MacroLok;
- FDU-3G “ACEI-like” (new entity controllers);
- On-board;
- Automatic Train Supervision (ATS) – Metro.

The first cycle of the release of the driverless CBTC functionality was completed for integration of the sub-systems in the laboratory and performance of preliminary field tests. Activities to develop CBTC to integrate the functions requested for new contracts and the testing of the safety of ongoing contracts continued for the CBTC projects already underway. In line with the CBTC roadmap, the evolution of the ATS Metro continued.

In addition, activities continued in respect of the backward compatibility of the new Interlocking MacroLok (WSP) platform with the existing peripheral stations and the MacroLok geo-redundancy to ensure disaster recovery and the development of the new entity controllers (ACEI interface) was completed, mainly to better meet Italy’s application requirements. With respect to On-Board activities, design and development activities began in respect of the new hardware for the EVC/STM-SCMT platform to ensure adequate performance of the ERTMS roadmap.

Research and development expense net of grants are as follows for the group companies:

- Ansaldo STS S.p.A.: €8.5 million;
- Ansaldo STS France S.A.S.: €5.5 million;
- ASTS Australia PTY LTD: €0.1 million;
- Ansaldo STS USA Inc.: €4.4 million.

HUMAN RESOURCES AND ORGANISATION

Ansaldo STS

In the first half of 2016, senior management changed.

Specifically:

on 30 March 2016, the board of directors acknowledged the resignation of the directors Alistair Dormer (chairman), Karen Boswell (deputy chairwoman) and Stefano Siragusa (chief executive officer) from their positions in Ansaldo STS S.p.A..

In their meeting of 13 May 2016, Ansaldo STS' shareholders appointed Alistair Dormer as chairman of Ansaldo STS.

On 16 May, the board of directors appointed Katherine Jane Mingay as deputy chairwoman.

On 24 May 2016, the board of directors appointed Andrew Thomas Barr as chief executive officer.

Furthermore, on the same date, the board of directors appointed Andrew Thomas Barr as general manager, reporting directly to the board.

Therefore, the following people are in office:

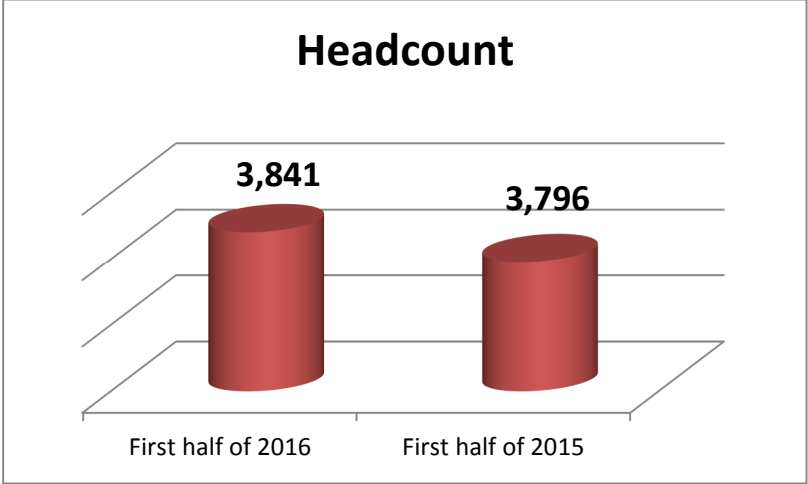
- Alistair Dormer, chairman of the board of directors;
- Katherine Jane Mingay: deputy chairwoman of the board of directors;
- Andrew Thomas Barr: chief executive officer and general manager.

On 15 March 2016, the board of directors appointed Giacomo Galli as managing director and country leader of the advisory company Protiviti, in charge, ad interim, of Ansaldo STS S.p.A.'s internal audit unit, replacing Mauro Giganti who resigned on 20 January 2016.

Headcount at 30 June 2016

The group's workforce at 30 June 2016 numbered 3,841, up a net 45 employees on the 3,796 employees at 30 June 2015.

Headcount at 30 June 2016 - 2015 (no.)



The group’s average workforce for the six months ended 30 June 2016 numbered 3,766, compared to 3,763 employees for the six months ended 30 June 2015.

FINANCIAL DISCLOSURE

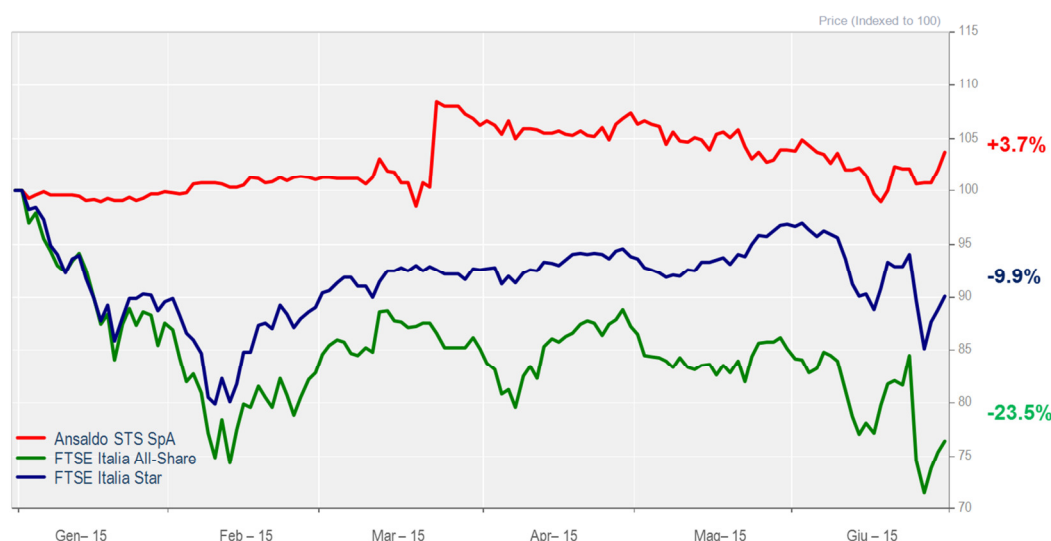
The official share price in the 31 December 2015 to 30 June 2016 period rose from €9.87 to €10.24, up 3.7%.

The share's period high of €10.70 was recorded on 23 March 2016 and its low of €9.73 on 18 March 2016.

An average 348,403 shares were traded daily in the period, compared to 1,583,275 shares traded in the corresponding period of the previous year. The decrease is directly attributable to the float reduction following the completion of the takeover bid made by Hitachi Rail Italy Investments on Ansaldo STS in the first quarter of 2016 and the subsequent acquisitions by HRII on the market, which generated an increase in its equity investment to the current 50.772%.

The FTSE Italia All-Share index lost 23.5%, while the FTSE Italia STAR index dropped 9.9%.

Share performance compared to the main indices (base 100)



Key shareholders at 30 June 2016

Considering the communications sent to CONSOB and received by the parent pursuant to article 120 of Legislative decree no. 58 of 24 February 1998, and other available information, the table below gives a list of the investors which hold more than 3% of Ansaldo STS S.p.A.'s share capital at 30 June 2016:

Shareholder	No. of shares	% held
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50.772
PAUL E. SINGER (*) (direct or indirect partner of the limited partnerships Elliott International, LP Elliott Associates, LP and The Liverpool Limited Partnership)	40,096,556	20.048
UBS	10,776,968	5.388

(*) Long positions held by Paul E. Singer 57,745,844 shares or 28.872%.

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

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 in July 2014 and July 2015 and Ansaldo STS's corporate governance system is already more or less in line therewith.

Finally, given the new regulations governing "Market abuse" introduced by Directive 2014/57/EU (MAD 2) and Regulation (EU) 569/2014 (MAR) which repealed Directive 2003/6/EC and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, Ansaldo STS is completing the review of its operating documents and protocols to align its corporate governance system to the new regulations. 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 2015, approved by the board of directors on 25 February 2016, published at the same time as the 2015 annual report.

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 its share capital) to Hitachi Rail Italy Investments S.r.l., wholly owned by Hitachi Ltd.. Accordingly, Hitachi Ltd. became the company's controlling shareholder pursuant to article 2359.1.2 of the Italian Civil Code and article 93 of the Consolidated Finance Act. On 21 December 2015, the company's board of directors verified that it is managed and coordinated by Hitachi Ltd. in accordance with article 2497 and subsequent articles of the Italian Civil Code.

As part of the agreements for the sale of the above shares, Finmeccanica S.p.A. called a shareholders' meeting on 2 November 2015. Pursuant to article 2367 of the Italian Civil Code and following the resignation of the directors elected from the majority list on 15 April 2014, the shareholders elected a new board of directors for the years from 2015 to 2017 after setting the new number of directors at nine. The newly-elected directors were Alistair Dormer (chairman), Karen Boswell, Stefano Siragusa, Giovanni Cavallini, Giulio Gallazzi, Paola Giannotti, Ryoichi Hirayanagi, Bruno Pavesi and Barbara Poggiali.

On 3 November 2015, with immediate effect before the board of directors' meeting held on the same day, Barbara Poggiali resigned from her position as director of Ansaldo STS.

During the meeting, the directors appointed Stefano Siragusa as CEO and Ryoichi Hirayanagi as deputy chairman. In addition, they also appointed Mr. Siragusa as the company's general manager.

On 9 November 2015 and given Ms. Poggiali's resignation, the board of directors appointed Alessandra Piccinino as the new non-executive independent director pursuant to article 2386 of the Italian Civil Code.

On 20 November 2015, Mr. Hirayangi resigned from his position as director and deputy chairman with immediate effect.

On 25 November 2015 and given Mr. Hirayanagi's resignation, the board of directors appointed Mario Garraffo as the new non-executive independent director pursuant to article 2386 of the Italian Civil Code.

On the same date, the directors appointed Karen Boswell as the company's new deputy chairwoman.

Ms. Piccinino and Mr. Garraffo remained in office until the next shareholders' meeting as provided for by article 2386.1.2 of the Italian Civil Code.

Subsequently, due to the resignations of Alistair Dormer, Karen Boswell and Stefano Siragusa on 30 March 2016, the board members appointed by the shareholders in their meeting of 2 November 2016 lost their majority. Therefore, pursuant to article 16.8 of the company by-laws, the board of directors convened a shareholders' meeting in order to appoint, inter alia, a new board of directors. In their meeting of 13 May 2016, the shareholders, after setting the new number of directors at nine, elected a new board of directors for the 2016–2018 period. Specifically, the newly-elected directors were Alistair Dormer (chairman), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Later on, in its meeting on 16 May 2016, the board of directors appointed Katherine Jane Mingay as the new chairwoman of the board of directors.

Finally, in its meeting 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..

The company's board of statutory auditors, elected for the three-year term from 2014 to 2016 by the shareholders on 15 April 2014, includes Giacinto Sarubbi (chairman), Renato Righetti and Maria Enrica Spinardi and the substitute statutory auditors Fabrizio Riccardo Di Giusto, Giorgio Mosci and Daniela Rosina.

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

On 24 May 2016, the board of directors also confirmed Roberto Carassai, the parent's chief financial officer, as manager in charge of financial reporting pursuant to article 154-bis of Legislative decree no. 58/1998.

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

On their appointment, the directors Giuseppe Bivona, Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis and Mario Garraffo confirmed they meet the requirements for independence of current legislation and the Code of conduct. The board of directors also assessed these requirements on 16 May 2016 and, with respect to Mr. Garraffo, on 24 May 2016. With respect to the director Alberto de Benedictis, as required by the board of statutory auditors, on 11 July 2016, the board of directors assessed again Mr. de Benedictis' compliance with the independent requirements.

During the same meeting, in accordance with Principle 7.P.3 of the Code of conduct, the parent's board of directors also appointed the chief executive officer Andrew Thomas Barr as manager in charge of the risk management and internal control system. In the same meeting, upon Mr. Barr's proposal, the board of directors confirmed the assignment of the internal audit to the external advisors Protiviti S.r.l., while confirming Giacomo Galli, the latter's managing director and country leader, as internal audit manager.

On the same date, the board of directors confirmed Nicoletta Garaventa and Alberto Quagli as chairwoman and external member of the company's supervisory body, respectively, while Filippo Corsi, Ansaldo STS' general counsel, was confirmed as the internal member of the company's supervisory body.

Pursuant to the Code of conduct, during the first meeting of the board of statutory auditors, held on 15 April 2014, the statutory auditors Giacinto Sarubbi, Renato Righetti and Maria Enrica Spinardi, also confirmed they meet the independence requirements of current legislation and stated thereby at the time of their appointment. Compliance with the independence requirements was subsequently checked and confirmed by the members of the board of statutory auditors during the meetings held on 9 December 2014 and 2 February 2016 for 2015.

With respect to the independent auditors appointed to perform the legally-required audit of Ansaldo STS S.p.A.'s financial statements, in their meeting of 7 May 2012, the shareholders assigned the new audit engagement for the 2012-2020 period to KPMG S.p.A..

On 25 February 2016, the board of directors approved the company's remuneration policy for 2016, 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 25 February 2016.

On 25 February 2016, after discussion with the appointments and remuneration committee, the board of directors also approved the remuneration report prepared by the parent pursuant to article 123-ter of the Consolidated Finance Act and article 84-quarter of the Issuer regulation.

Pursuant to article 123-ter.6 of the Consolidated Finance Act, in their ordinary meeting of 13 May 2016, the shareholders approved the first part of the above-mentioned report required by article 123-ter.3 of the Consolidated Finance Act, which describes the parent's remuneration policy for its directors, officers and managers with strategic responsibility, and the procedure followed to implement and describe this policy.

Pursuant to article 70.8 of the Issuer regulation, in their meeting of 28 January 2013 and as permitted by articles 70.8 and 71.1-bis of the Issuer regulation, the parent's directors resolved to opt out of the requirement to publish the relevant documents for significant transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.

The key corporate governance tools the company has implemented in compliance with the most recent legislative and regulatory requirements, those required 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;
- 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;
- Procedure for the keeping and updating the register of people with access to privileged information;
- Procedure for the handling and communication of privileged and confidential information;
- Internal dealing code of conduct.

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

Milan, 27 July 2016

On behalf of the board of directors
The Chairman

Alistair Dormer
(signed on the original)

**Condensed interim consolidated financial statements as at and for
the six months ended 30 June 2016**

1 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1.1 Income statement

(€'000)	Note	First half of			
		2016	of which, related parties	2015	of which, related parties
Revenue	5.2	602,726	35,175	632,397	96,542
Other operating income	5.3	12,189	618	14,329	3,493
Purchases	5.4	(146,069)	(11,143)	(129,860)	(10,583)
Services	5.4	(236,234)	(25,814)	(280,742)	(22,201)
Personnel expense	5.5	(168,999)	89	(164,529)	-
Amortisation, depreciation and impairment losses	5.6	(9,744)	-	(8,605)	-
Other operating expense	5.7	(10,224)	(4)	(11,488)	(951)
Changes in finished goods, work in progress and semi-finished products		1,599	-	3,565	-
(-) Internal work capitalised	5.8	2,823	-	2,871	-
Operating profit		48,067		57,938	
Financial income	5.9	8,556	-	18,447	183
Financial expense	5.9	(18,766)	-	(22,690)	(27)
Share of profits of equity-accounted investees	5.10	4,244	-	5,218	-
Pre-tax profit		42,101		58,913	
Income taxes	5.11	(14,839)	-	(19,584)	-
Profit (loss) from discontinued operations		-	-	-	-
Profit for the period		27,262		39,329	
<i>attributable to the owners of the parent</i>		27,280	-	39,376	-
<i>attributable to non-controlling interests</i>		(18)	-	(47)	-
Earnings per share					
<i>Basic and diluted</i>		0.14		0.20	

1.2 Statement of comprehensive income

Statement of comprehensive income (€'000)	First half of	
	<u>2016</u>	<u>2015</u>
Profit for the period	27,262	39,329
<u>Items that will not be reclassified to profit or loss:</u>		
- Net actuarial gains (losses) on defined benefit plans	(1,236)	524
- Income tax	393	(144)
	(842)	380
<u>Items that will or may be reclassified to profit or loss:</u>		
- Net change in fair value of cash flow hedges	8,166	2,792
fair value gains (losses)	7,585	(724)
transfer to profit or loss	582	3,516
- Net exchange rate gains (losses)	(7,988)	21,288
- Income tax	(2,388)	(763)
- Other changes	-	(3,377)
	(2,209)	19,940
<u>Other comprehensive income (expense), net of taxes</u>	(3,052)	20,320
<u>Total comprehensive income for the period</u>	24,210	59,649
Attributable to:		
- owners of the parent	24,249	59,715
- non-controlling interests	(39)	(66)

1.3 Statement of financial position

(€'000)	Note	30.06.2016	of which, related parties	31.12.2015	of which, related parties
ASSETS					
Non-current assets					
Intangible assets	4.2	50,247	-	51,546	-
Property, plant and equipment	4.3	84,586	-	87,012	-
Equity investments	4.4	71,109	-	69,041	-
Loans and receivables	4.5	42,713	22,352	41,832	21,211
Deferred tax assets	5.11	43,484	-	39,487	-
Other non-current assets	4.5	17,068	-	18,332	-
		309,207		307,250	
Current assets					
Inventories	4.6	119,474	-	121,217	-
Contract work in progress	4.7	393,085	-	346,353	-
Trade receivables	4.8	586,661	51,656	663,558	58,952
Tax assets	4.9	30,457	-	26,378	-
Loan assets	4.8	33,847	527	38,496	563
Other current assets	4.10	96,156	4	91,930	4
Cash and cash equivalents	4.11	251,856	-	304,306	-
		1,511,536		1,592,238	
Non-current assets held for sale		-	-	-	-
Total assets		1,820,743		1,899,488	
EQUITY AND LIABILITIES					
Equity					
Share capital	4.12	100,000	-	100,000	-
Reserves	4.13-4.14	544,162	-	554,787	-
<i>Equity attributable to the owners of the parent</i>		644,162		654,787	
<i>Equity attributable to non-controlling interests</i>	4.15	267	-	306	-
Total equity		644,429		655,093	
Non-current liabilities					
Employee benefits	4.18	34,783	-	33,155	-
Deferred tax liabilities	5.11	11,430	-	10,365	-
Other non-current liabilities	4.19	12,775	-	11,792	-
		58,988		55,312	
Current liabilities					
Progress payments and advances from customers	4.7	570,544	-	635,785	-
Trade payables	4.20	405,693	20,465	415,973	25,247
Loans and borrowings	4.16	2,889	-	4,128	2,500
Tax liabilities	4.9	11,971	-	10,816	-
Provisions for risks and charges	4.17	19,983	-	11,126	-
Other current liabilities	4.19	106,246	402	111,255	402
		1,117,326		1,189,083	
Total liabilities		1,176,314		1,244,395	
Total liabilities and equity		1,820,743		1,899,488	

1.4 Statement of cash flows

Statement of cash flows		First half of				
		Note	2016	of which, related parties	2015	of which, related parties
(€'000)						
Cash flows from operating activities:						
Gross cash flows from operating activities	7	72,176	-	73,130	-	
Change in working capital	7	(94,761)	(12,079)	1,285	47,682	
Changes in other operating assets and liabilities	7	24,663	-	(30,231)	2,317	
Net interest paid (received)	7	(2,422)	(6)	(1,024)	156	
Income taxes paid	7	(11,480)	-	(18,549)	-	
Cash flows from (used in) operating activities		(11,824)	-	24,611	-	
Cash flows from investing activities:						
Acquisitions/coverage of losses of companies, net of cash acquired		(5,510)	-	(6,701)	-	
Investments in property, plant and equipment and intangible assets		586	-	(7,312)	-	
Sales of property, plant and equipment and intangible assets		11	-	98	-	
Other investing activities		(37)	-	-	-	
Cash flows used in investing activities		(4,950)	-	(13,915)	-	
Cash flows from financing activities:						
Net change in other financing activities		2,850	(2,499)	(23,287)	(25,242)	
Dividends paid		(36,000)	-	(30,755)	-	
Other financing activities		-	-	(10)	-	
Cash flows used in financing activities		(33,150)	-	(54,052)	-	
Net decrease in cash and cash equivalents		(49,924)	-	(43,356)	-	
Net exchange rate gains (losses)		(2,526)	-	3,756	-	
Opening cash and cash equivalents		304,306	-	270,067	-	
Closing cash and cash equivalents		251,856	-	230,467	-	

1.5 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 2015	99,999	445,581	4,015	4,262	3,458	16,329	573,644	1,278	574,922
Change in consolidation scope	-	-	-	-	-	-	-	-	-
Net change in stock grant reserve	-	-	-	(730)	-	-	(730)	-	(730)
Other comprehensive income (expense), net of taxes	-	(3,377)	2,792	-	21,307	(383)	20,339	(19)	20,320
Other changes	-	-	-	-	-	-	-	-	-
Dividends	-	(30,000)	-	-	-	-	(30,000)	(755)	(30,755)
Net change in treasury shares	-	-	-	-	-	-	-	-	-
Profit for the period ended 30 June 2015	-	39,376	-	-	-	-	39,376	(47)	39,329
Equity at 30 June 2015	99,999	451,580	6,807	3,532	24,765	15,946	602,629	457	603,086
Equity at 1 January 2016	100,000	504,504	(1,469)	4,611	28,723	18,418	654,787	306	655,093
Change in consolidation scope	-	(271)	-	-	271	-	-	-	-
Net change in stock grant reserve	-	-	-	1,718	-	-	1,718	-	1,718
Other comprehensive income (expense), net of taxes	-	-	8,166	-	(7,966)	(3,231)	(3,031)	(21)	(3,052)
Other changes	-	(592)	-	-	-	-	(592)	-	(592)
Dividends	-	(36,000)	-	-	-	-	(36,000)	-	(36,000)
Net change in treasury shares	-	-	-	-	-	-	-	-	-
Profit for the period ended 30 June 2016	-	27,280	-	-	-	-	27,280	(18)	27,262
Equity at 30 June 2016	100,000	494,921	6,697	6,329	21,028	15,187	644,162	267	644,429

2 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

2.1 General information

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

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

Hitachi Rail Italy Investments S.r.l. currently owns 101,544,702 ordinary shares, equal to 50.772% of Ansaldo STS S.p.A.'s share capital.

Moreover, Hitachi Ltd. manages and coordinates Ansaldo STS S.p.A. pursuant to article 2497 and following articles of the Italian Civil Code.

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

2.2 Basis of preparation

Ansaldo STS group's interim financial report at 30 June 2016 is drafted in accordance with article 154-ter.2 of Legislative decree no. 58/98 (the Consolidated Finance Act) and subsequent amendments and integrations. The condensed interim consolidated financial statements at 30 June 2016 included in this interim financial report are drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to EC regulation no. 1606/2002 in force at the reporting date, integrated by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) applicable at

such date. The acronym “IFRS” covers all the above standards and interpretations. Specifically, these financial statements have been drafted in accordance with IAS 34 “Interim Financial Reporting”, issued by the IASB and 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 per IAS 34, the notes to the condensed interim consolidated financial statements do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the group’s financial position, results of operations and cash flows given their amount, breakdown or changes therein. These condensed interim consolidated financial statements should, therefore, be read in conjunction with the 2015 annual consolidated financial statements.

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

The accounting policies, the measurement and recognition criteria and the consolidation basis and criteria used for the condensed interim consolidated financial statements are unchanged from those of the 2015 annual consolidated financial statements, to which reference should be made.

The condensed interim consolidated financial statements of Ansaldo STS group at 30 June 2016 were approved and authorised for publication by the board of directors in accordance with ruling legislation on 27 July 2016.

Amounts are shown in thousands of euros unless stated otherwise.

The condensed interim consolidated financial statements were reviewed by KPMG S.p.A..

2.3 Consolidation scope

Basis and scope of consolidation

Ansaldo STS group’s condensed interim consolidated financial statements at 30 June 2016 include the interim financial statements at 30 June 2016 of the companies/entities in the consolidation scope (the “consolidated entities”) drafted pursuant to the IFRS applied by Ansaldo STS group.

The consolidated entities are listed below, with no amendments compared to December 31st, 2015, showing the group's related direct or indirect interest therein:

Companies consolidated on a line-by-line basis

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

Companies measured using the equity method

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/QUOTA CAPITAL ('000)	CURRENCY	INVESTMENT %
ALIFANA SCARL	Direct	Naples (Italy)	26	EUR	65.85
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EUR	53.34
PEGASO SCARL (in liq.)	Direct	Rome (Italy)	260	EUR	46.87
METRO 5 S.p.A.	Direct	Milan (Italy)	53,300	EUR	24.6
METRO BRESCIA S.r.l.	Direct	Brescia (Italy)	4,020	EUR	19.796
INTERNATIONAL METRO SERVICE S.r.l.	Direct	Milan (Italy)	700	EUR	49
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40
KAZAKHSTAN TZ-ANSALDO STS ITALY LLP*	Direct	Astana (Kazakhstan)	22,000	KZT	49

* In its meeting of 26 June 2013, Ansaldo STS's board of directors approved the winding up of the JV with JSC Remlokomotiv and authorised the early closure and liquidation of Kazakhstan TZ-Ansaldo STS Italy LLP. The liquidation is currently underway. Based on the information available to the directors, to date, the above transactions will not generate significant liabilities for the Ansaldo STS group.

2.4 Exchange rates adopted

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

	Spot rate at 30 June 2016	Average rate for the period ended 30 June 2016	Spot rate at 30 June 2015	Average rate for the period ended 30 June 2015
USD	1.10730	1.11535	1.12020	1.11644
CAD	1.44380	1.48583	1.38510	1.37711
GBP	0.82720	0.77850	0.71230	0.73248
HKD	8.59250	8.66402	8.68420	8.65671
SEK	9.44250	9.30091	9.26410	9.34490
AUD	1.49840	1.52256	1.46310	1.42579
INR	75.20700	74.97886	71.24580	70.14563
MYR	4.50770	4.57717	4.24160	4.06084
BRL	3.71830	4.13563	3.51570	3.30749
CNY	7.36060	7.29314	6.95530	6.94475
VEB	11,059.20000	9,523.24000	7,048.41000	7,023.81000
BWP	12.25390	12.41064	11.06550	10.91952
ZAR	16.88310	17.21433	13.64120	13.29853
KZT	375.52600	385.65109	208.59000	206.82949
JPY	113.40000	124.48817	138.58000	134.22264
AED	4.06490	1.09439	4.11225	4.09857
KRW	1,294.19000	1,318.90377	1,258.49000	1,227.25160

3 SEGMENT REPORTING

A breakdown of revenue by geographical segment is as follows:

revenue:

<i>(€'000)</i>	First six months of 2016	First six months of 2015
Italy	133,001	143,742
Rest of Europe	185,304	150,562
North Africa and the Middle East	49,889	21,087
Americas	108,628	116,467
Asia/Pacific	125,904	200,539
Total	602,726	632,397

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

<i>(€'000)</i>	30.06.2016	31.12.2015
Italy	107,906	110,055
Rest of Europe	13,573	14,340
North Africa and Middle East	694	184
Americas	11,277	12,354
Asia/Pacific	1,383	1,625
Total	134,833	138,558

4 NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1 Related party assets and liabilities

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

FINANCIAL ASSETS AT 30.06.2016	Non-current loan assets	Non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
<i>(€'000)</i>						
<u>Ultimate parent</u>						
Hitachi Rail Europe Ltd	-	-	-	322	-	322
<u>Subsidiaries</u>						
Alifana S.c.a.r.l.	-	-	-	103	-	103
Alifana Due S.c.a.r.l.	-	-	-	404	-	404
<u>Associates</u>						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	387
Metro 5 S.p.A.	-	21,874	-	1,426	-	23,300
Metro Service A.S.	-	-	-	1,194	-	1,194
SP M4 S.C.p.A.	-	-	527	-	-	527
Metro de Lima Linea 2 S.A.	-	296	-	-	-	296
Metro Brescia S.r.l.	-	-	-	762	-	762
<u>Joint ventures</u>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,284	-	2,284
<u>Consortia</u>						
Saturno consortium	-	-	-	24,694	-	24,694
Ascosa Quattro consortium	-	-	-	1,157	-	1,157
Ferrovioario Vesuviano consortium	-	-	-	1,168	-	1,168
MM4 consortium	-	182	-	8,534	-	8,716
San Giorgio Volla Due consortium	-	-	-	2,370	4	2,374
San Giorgio Volla consortium	-	-	-	1,421	-	1,421
<u>Other group companies</u>						
Hitachi Rail Italy S.p.A.	-	-	-	4,778	-	4,778
Hitachi Rail Inc.	-	-	-	652	-	652
Total	-	22,352	527	51,656	4	74,539
% of the total corresponding condensed interim consolidated financial statements caption		52%	2%	9%	0.1%	

FINANCIAL ASSETS AT 31.12.2015

(€'000)

	Non-current loan assets	Non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
Ultimate parent						
Hitachi Rail Europe LTD	-	-	-	301	-	301
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	128	-	128
Alifana Due S.c.a.r.l.	-	-	-	360	-	360
Associates						
International Metro Service S.r.l.	-	-	-	121	-	121
I.M. Intermetro S.p.A. (in liq.)	-	-	-	389	-	389
Metro 5 S.p.A.	-	20,733	-	1,733	-	22,466
Metro Service A.S.	-	-	-	512	-	512
SP M4 S.C.p.A.	-	-	563	-	-	563
Metro de Lima Linea 2 S.A.	-	296	-	-	-	296
Metro Brescia S.r.l.	-	-	-	1,070	-	1,070
JOINT VENTURES						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,860	-	2,860
Consortia						
Saturno consortium	-	-	-	23,535	-	23,535
Ascosa Quattro consortium	-	-	-	1,157	-	1,157
Ferroviano Vesuviano consortium	-	-	-	1,168	-	1,168
MM4 consortium	-	182	-	13,142	-	13,324
San Giorgio Volla Due consortium	-	-	-	1,138	4	1,142
San Giorgio Volla consortium	-	-	-	1,421	-	1,421
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	9,917	-	9,917
Total	-	21,211	563	58,952	4	80,730
% of the total corresponding condensed interim consolidated financial statements caption	-	51%	1%	9%	0.1%	

**FINANCIAL LIABILITIES AT
30.06.2016**

(€'000)

	Non- current loans and borrowings	Other non- current liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	18	-	18
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	72	3	75
Alifana Due S.c.a.r.l.	-	-	-	256	-	256
Associates						
Metro Service A.S.	-	-	-	8,419	-	8,419
MetroB S.r.l.	-	-	-	-	370	370
Pegaso S.c.a.r.l. (in liq.)	-	-	-	180	-	180
Consortia						
Saturno consortium	-	-	-	448	5	453
Ascosa Quattro consortium	-	-	-	132	8	140
San Giorgio Volla consortium	-	-	-	1	8	9
Consorzio San Giorgio Volla 2	-	-	-	8	-	8
Ferroviano Vesuviano consortium	-	-	-	145	8	153
MM4 consortium	-	-	-	270	-	270
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	-	10,512	-	10,512
Hitachi India Pvt Ltd Rail System Company	-	-	-	4	-	4
Total	-	-	-	20,465	402	20,867

**% of the total corresponding
condensed interim consolidated
financial statements caption**

5%

0.4%

**FINANCIAL LIABILITIES AT
31.12.2015**

(€'000)

	Non- current loans and borrowings	Other non- current liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
Ultimate parent						
Hitachi Rail Europe Ltd	-	-	-	93	3	96
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	313	-	313
Associates						
Metro Service A.S.	-	-	-	4,821	-	4,821
Metro Brescia S.r.l.	-	-	-	142	-	142
Metro 5 S.p.A.	-	-	-	1	-	1
MetroB S.r.l.	-	-	-	-	370	370
I.M. Intermetro S.p.A. (in liq.)	-	-	-	2	-	2
J.V.						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	9	-	9
Consortia						
Saturno consortium	-	-	-	2,232	5	2,237
Ascosa Quattro consortium	-	-	-	157	8	165
San Giorgio Volla Due consortium	-	-	-	182	-	182
Ferroviano Vesuviano consortium	-	-	-	145	8	153
San Giorgio Volla consortium	-	-	-	5	8	13
MM4 consortium	-	-	-	592	-	592
SP M4 S.C.p.A.	-	-	-	554	-	554
Cris consortium	-	-	-	1	-	1
Other group companies						
Hitachi Rail Italy S.p.A.	-	-	2,500	15,998	-	18,498
Total	-	-	2,500	25,247	402	28,149
% of the total corresponding condensed interim consolidated financial statements caption			61%	6%	0.4%	

4.2 Intangible assets

At 30 June 2016, intangible assets amounted to €50,247 thousand. They can be analysed as follows:

(€'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	-	-	223	46	75	88	432
Capitalisations	-	2,420	-	-	39	-	2,459
Amortisation and impairment losses	-	(905)	(2,012)	(166)	-	(501)	(3,584)
Opening/closing net exchange rate losses	-	-	-	-	(3)	(7)	(10)
Closing/average net exchange rate gains/(losses)	-	-	-	-	(1)	2	1
Reclassifications	-	(597)	-	-	(356)	356	(597)
At 30 June 2016	34,569	5,354	7,734	337	177	2,076	50,247

Acquisitions of the period amount to €432 thousand. Of this amount, €269 thousand relates to the parent, Ansaldo STS S.p.A. and mainly refers to the purchase of software, licences and trademarks, while €2,459 thousand relates to internal work capitalised and mainly refers to the parent, Ansaldo STS S.p.A., specifically 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.

Amortisation for the period amounts to €3,584 thousand (30 June 2015: €3,114 thousand).

For information on goodwill arising from prior year non-recurring transactions, reference should be made to the consolidated financial statements at 31 December 2015.

In line with group procedures, impairment testing takes place at the time the annual financial statements are prepared unless there is an indication that an impairment loss may have taken place. There was no such indication during the first half of 2016.

4.3 Property, plant and equipment

At 30 June 2016, property, plant and equipment amounted to €84,586 thousand. They can be analysed as follows:

<i>(€'000)</i>	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	47	221	483	521	994	2,266
Capitalisations	-	-	226	78	60	364
Sales	-	(10)	(2)	-	(2)	(14)
Depreciation and impairment losses	(1,157)	(1,111)	(976)	-	(1,600)	(4,844)
Opening/closing net exchange rate losses	(65)	(82)	(3)	(22)	(53)	(225)
Closing/average net exchange rate gains (losses)	-	(1)	(1)	(4)	33	27
Reclassifications	-	587	531	(1,567)	449	-
At 30 June 2016	59,581	7,124	6,592	1,429	9,860	84,586

Acquisitions of the period amount to €2,266 thousand and mainly relate to the parent, Ansaldo STS S.p.A., the subsidiary, Ansaldo STS USA Inc. and the subsidiary Ansaldo STS France for the purchase of assets for the maintenance of production facilities.

Depreciation for the period amounts to €4,844 thousand (30 June 2015: €4,550 thousand).

4.4 Equity investments

At 30 June 2016, equity investments amount to €71,109 thousand. They can be analysed as follows:

Equity investments recognised at cost:

(€'000)

	<i>At 31 December 2015</i>	<u><u>45,403</u></u>
Acquisitions/subscriptions and capital increases		-
	<i>At 30 June 2016</i>	<u><u>45,403</u></u>
Equity-accounted investments		<u><u>25,706</u></u>
Total equity investments		<u><u>71,109</u></u>

List of the investees of the parent, Ansaldo STS S.p.A., in thousands of euros:

	Reg. office	Type of activity	Reporting date	Accounting standards	Equity	Total assets	Total liabilities	Currency	Investment %	% of voting rights (%)	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	€'000
Metro 5 S.p.A.	Milan (Italy)	Transport	31.12.2015	IT GAAP	68,712	782,341	713,629	Euro	24.60%	24.60%	N/A	N/A	N/A	N/A	16,903
International Metro Service S.r.l.	Milan (Italy)	Transport	31.12.2015	IT GAAP	8,044	8,337	293	Euro	49.00%	49.00%	N/A	N/A	N/A	N/A	2,373
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2015	IT GAAP	260	4,551	42,091	Euro	46.87%	46.87%	N/A	N/A	N/A	N/A	122
Alifana S.c.a.r.l.	Naples (Italy)	Transport	31.12.2015	IT GAAP	26	671	645	Euro	65.85%	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.r.l.	Naples (Italy)	Transport	31.12.2015	IT GAAP	26	1,469	1,443	Euro	53.34%	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transport	31.12.2015	IT GAAP	5,379	61,014	55,635	Euro	19.80%	19.80%	N/A	N/A	N/A	✓ □	1,065
Balfour Beatty Ansaldo Systems JV SDN BHD	Kuala Lumpur (Malaysia)	Transport	31.12.2015	IFRS	12,248	28,150	15,902	MYR	40.00%	40.00%	N/A	N/A	N/A	N/A	5,181
Kazakhstan TZ-Ansaldo STS Italy LLP	Astana (Kazakhstan)	Transport	31.12.2015	IFRS	65	3,157	3,092	KZT	49.00%	49.00%	N/A	N/A	N/A	N/A	31
Total equity-accounted investments															25,706
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2015	IT GAAP	149,518	404,634	255,116	Euro	14.00%	14.00%	N/A	N/A	N/A	✓ □	21,000
LM. Intermeto S.p.A. (in liq.)	Rome (Italy)	Transport	31.12.2015	IT GAAP	1,877	5,217	3,340	Euro	16.67%	16.67%	N/A	N/A	N/A	✓ □	523
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31.12.2014	IT GAAP	10,454	122,398	111,944	Euro	3.80%	3.80%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transport	31.12.2015	IT GAAP	520	7,850	7,330	Euro	17.44%	17.44%	N/A	N/A	N/A	✓ □	90
Iricav Due consortium	Rome (Italy)	Transport	31.12.2015	IT GAAP	516	85,833	85,317	Euro	17.05%	17.05%	N/A	N/A	N/A	✓ □	88
Ferroviano Vesuviano consortium	Naples (Italy)	Transport	31.12.2015	IT GAAP	155	217,788	217,633	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	39
S. Giorgio Volla consortium	Naples (Italy)	Transport	31.12.2015	IT GAAP	72	6,155	6,083	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transport	31.12.2015	IT GAAP	72	59,001	58,929	Euro	25.00%	25.00%	N/A	N/A	✓ □	N/A	18
Cris consortium	Naples (Italy)	Research	31.12.2014	IT GAAP	2,445	6,022	3,577	Euro	1.00%	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transport	31.12.2014	IT GAAP	57	78,574	78,517	Euro	25.00%	25.00%	N/A	N/A	✓ □	N/A	14
Siti S.c.p.a	Genoa (Italy)	Research	31.12.2014	IT GAAP	610	2,218	1,608	Euro	2.30%	2.30%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transport	31.12.2013	IT GAAP	31	2,408,862	2,408,831	Euro	50.00%	50.00%	N/A	✓ □	N/A	N/A	16
Train consortium	Rome (Italy)	Transport	31.12.2015	IT GAAP	1,180	33,664	32,484	Euro	4.55%	4.55%	N/A	N/A	N/A	✓ □	6
Sesamo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2014	IT GAAP	16	762	746	Euro	2.00%	2.00%	N/A	N/A	N/A	N/A	2
Isiet consortium	Genoa (Italy)	Research	31.12.2015	IT GAAP	51	241	190	Euro	14.29%	14.29%	N/A	N/A	N/A	✓ □	6
Cosiba consortium (in liq.)	Naples (Italy)	Research	31.12.2014	IT GAAP	108	109	1	Euro	0.92%	0.92%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transport	31.12.2015	IT GAAP	200	17,192	16,992	Euro	18.20%	18.20%	N/A	N/A	N/A	✓ □	36
Radiolabs consortium	Rome (Italy)	Research	31.12.2014	IT GAAP	221	2,007	1,786	Euro	50.00%	50.00%	N/A	N/A	✓ □	N/A	52
SPV M4 S.p.A.	Milan (Italy)	Transport	31.12.2015	IT GAAP	360	4,126	3,766	Euro	5.33%	5.33%	N/A	N/A	N/A	N/A	5,640
Ansaldo STS do Brasil Sistemas de Transp. Ferroviário e Metropolitano LTDA	Fortaleza (Brazil)	Transport	31.12.2015	IFRS	229	215	(14)	BLR	99.99%	99.99%	N/A	N/A	N/A	N/A	334
Metro de Lima Línea 2 S.A.	Lima (Peru)	Transport	31.12.2015	IFRS	128,536	216,539	87,803	USD	16.90%	16.90%	N/A	N/A	N/A	OK □	16,638
TOP IN S.c.a.r.l.	Naples (Italy)	Transport	31.12.2014	IT GAAP	80	140	60	Euro	5.03%	5.03%	N/A	N/A	N/A	N/A	4
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2013	IT GAAP	41	135	94	Euro	12.00%	12.00%	N/A	N/A	N/A	✓ □	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2014	IT GAAP	100	104	4	Euro	14.00%	14.00%	N/A	N/A	N/A	✓ □	14
S.P. M4 S.c.p.a.	Milan (Italy)	Transport	31.12.2014	IT GAAP	360	204,351	203,991	Euro	16.90%	16.90%	N/A	N/A	N/A	✓ □	61
MetroB S.r.l.	Rome (Italy)	Transport	31.12.2014	IT GAAP	18,037	18,147	110	Euro	2.47%	2.47%	N/A	N/A	N/A	✓ □	494
Total equity investments recognised at cost															45,403
Total equity investments															71,109

Equity investments at 30 June 2016 amount to €71,109 thousand, of which €25,706 thousand was measured using the equity method and €45,403 thousand at cost. The €2,068 thousand difference is entirely related to equity-accounted investments and is due to the €282 thousand rise in Balfour Beatty System JV SDN BHD's equity, the profit for the period of Metro 5 S.p.A. and Metro Brescia S.r.l. of €1,700 thousand and €195 thousand, respectively, and the effect of the €109 thousand decrease in International Metro Service S.r.l.'s equity, after the dividend distribution.

4.5 Loans and receivables and other non-current assets

Loans and receivables and other non-current assets at 30 June 2016 can be analysed as follows:

<i>(€'000)</i>	30.06.2016	31.12.2015
Guarantee deposits	2,519	2,267
Other	17,843	18,355
Non-current related party loans and receivables	22,351	21,210
Non-current financial assets	42,713	41,832
Prepayments	17,068	18,332
Other non-current assets	17,068	18,332

At 30 June 2016, non-current financial assets amounted to €42,713 thousand, up €881 thousand on the 31 December 2015 balance, while prepayments went from €18,332 thousand to €17,068 thousand.

Specifically:

- “guarantee deposits” include advances to lessors;
- “other non-current assets” include the Pittsburgh facility lease of €12,149 thousand;
- “non-current related party loans and receivables” include an advance of €21,874 thousand to Metro 5 S.p.A.;
- “prepayments” include the residual non-current portion of the fee paid to Finmeccanica S.p.A. (now Leonardo S.p.A.) for the licence to use the “Ansaldo” trademark for a 20-year period (€13,680 thousand).

4.6 Inventories

At 30 June 2016, inventories amounted to €119,474 thousand. They can be analysed as follows:

<i>(€'000)</i>	<u>30.06.2016</u>	<u>31.12.2015</u>
Raw materials, consumables and supplies	22,191	19,383
Work in progress and semi-finished products	12,868	12,314
Finished goods	11,418	10,854
Advances to suppliers	72,997	78,666
Total	<u>119,474</u>	<u>121,217</u>

The decrease for the period of €1,743 thousand is mainly due to the reduction in advances to suppliers (€5,669 thousand).

Inventories are shown net of the relevant allowance for write-down of €3,826 thousand (31 December 2015: €3,960 thousand), substantially unchanged during the period.

4.7 Contract work in progress and progress payments and advances from customers

At 30 June 2016, contract work in progress, net of progress payments and advances from customers, amounted to €177,459 thousand. It can be analysed as follows:

<i>(€'000)</i>	<u>30.06.2016</u>	<u>31.12.2015</u>
Advances from customers	(121,082)	(65,594)
Progress payments	(1,854,199)	(1,842,741)
Work in progress	2,417,355	2,298,527
Provision for expected losses to complete contracts	(20,509)	(14,947)
Allowance for write-down	(28,480)	(28,892)
Work in progress (net)	<u>393,085</u>	<u>346,353</u>
Advances from customers	(295,030)	(384,195)
Progress payments	(1,837,757)	(1,749,832)
Work in progress	1,576,463	1,513,214
Provision for expected losses to complete contracts	(2,020)	(10,272)
Allowance for write-down	(12,200)	(4,700)
Progress payments and advances from customers (net)	<u>(570,544)</u>	<u>(635,785)</u>
Work in progress, net of progress payments and advances from customers	<u>(177,459)</u>	<u>(289,432)</u>

The overall net amount increased by €111,973 thousand, mainly due to the higher amount of production compared to progress payments. Work in progress is recognised net of the relevant allowance for write-down.

The net balance of work in progress and progress payments and advances from customers includes net advances of €141,499 thousand related to the contracts in Libya, which are currently halted.

With respect to the contract with the Russian customer, in May 2016, the arbitration tribunal rejected almost all claims filed by Ansaldo STS.

In accordance with the arbitration award, Ansaldo STS shall repay the portion (approximately €29 million) currently withheld, in addition to the legal fees and interest. In this respect, the company prudently recognised some accruals to cover the costs incurred.

Ansaldo STS is currently considering whether to take legal action against the arbitration award.

These advances (approximately €112 million) largely cover the works performed to date which are invoiced and not. As a consequence, at the reporting date, there are no probable risks which would require any accrual.

4.8 Trade receivables and loan assets

They can be analysed as follows:

(€'000)	30.06.2016		31.12.2015	
	Trade receivables	Loan assets	Trade receivables	Loan assets
Third parties	535,005	33,320	604,606	37,933
Total third parties	535,005	33,320	604,606	37,933
Related parties	51,656	527	58,952	563
Total	586,661	33,847	663,558	38,496

Third party trade receivables amount to €535,005 thousand at 30 June 2016, down €69,601 thousand on the December 2015 figure. Related party trade receivables fell €7,296 thousand to €51,656 thousand mainly because of the smaller amounts due from the associate Hitachi Rail Italy S.p.A. and MM4 consortium.

At 30 June 2016, third party loan assets amounted to €33,320 thousand and mainly related to the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited with a local bank.

Related party loan assets amount to €527 thousand (31 December 2015: €563 thousand) and relate to the balance of residual loan granted to S.P. M4 S.C.p.a..

With respect to CONSOB communication no. DAC/RM/97003369 of 9 April 1997, we note that, during the period, the group did not factor receivables with recourse.

4.9 Tax assets and liabilities

Direct tax assets and liabilities can be analysed as follows:

(€'000)	30.06.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Direct taxes	30,457	11,971	26,378	10,816
Total	30,457	11,971	26,378	10,816

Direct tax assets amount to €30,457 thousand, up €4,079 thousand on the previous year-end balance. The increase is due to the parent, Ansaldo STS S.p.A., following the increase in the taxes paid by the branches, specifically in Denmark and Saudi Arabia. Direct taxes include a tax asset recognised by the parent in December 2012 (€3,555 thousand) in connection with the claim for reimbursement pursuant to article 2.1-quater of Decree law no. 201/2011, related to the smaller IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense.

Direct tax assets relate to the parent, Ansaldo STS S.p.A., (€21,817 thousand), Ansaldo STS France S.A.S (€4,716 thousand), the Australian group companies (€2,988 thousand) and the US group companies (€936 thousand).

Direct tax liabilities amount to €11,971 thousand and are substantially in line with the 2015 year-end balance (€10,816 thousand).

4.10 Other current assets

They can be analysed as follows:

(€'000)	30.06.2016	31.12.2015
Prepayments - current portion	10,879	8,328
Research grants	18,060	18,046
Employees	1,704	1,340
Social security institutions	36	50
Indirect and other tax assets	43,092	42,678
Derivatives	7,728	5,367
Other	14,653	16,117
Total	96,152	91,926
Related parties	4	4
Total	96,156	91,930

Other current assets amount to €96,156 thousand at 30 June 2016, up €4,226 thousand on 31 December 2015 (€91,930 thousand). The increase is mainly due to prepayments and the fair value of derivative assets.

Derivative assets and liabilities may be analysed as follows:

(€'000)	30.06.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges	3,150	31	3,599	163
Cash flow hedges	4,578	9,555	1,768	14,449
Currency hedges	7,728	9,586	5,367	14,612

Derivative assets increased €2,361 thousand, due mainly to the positions of the parent, Ansaldo STS S.p.A..

Reference should be made to the paragraph 8 “Financial risk management” for the notional amounts of hedges.

Derivatives liabilities decreased by €5,026 thousand, mainly as a consequence of cash flow hedges agreed by the subsidiary Ansaldo STS USA and the parent.

Reference should be made to paragraph 8 “Financial risk management” for information on the notional amounts of the derivatives outstanding at 30 June 2016.

Fair value measurement

Ansaldo STS group does not hold listed derivative instruments at 30 June 2016. 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.

4.11 Cash and cash equivalents

They can be analysed as follows:

(€'000)	30.06.2016	31.12.2015
Cash-in-hand	129	126
Bank accounts	251,727	304,180
Total	251,856	304,306

Cash and cash equivalents amounted to €251,856 thousand at 30 June 2016, down €52,450 thousand, mainly due to the lower cash and cash equivalents of the parent, Ansaldo STS S.p.A. and the subsidiaries Ansaldo STS France and Ansaldo STS USA.

Reference should be made to paragraph on the group's financial position for a discussion of the changes.

4.12 Share capital

	in euros			Total
	No. of shares	Nominal amount	Treasury shares	
Outstanding shares	200,000,000	100,000,000	-	100,000,000
31 December 15	200,000,000	100,000,000	-	100.000000
Use of treasury shares for SGP	-	-	-	-
30 June 16	200,000,000	100,000,000	-	100,000,000

The fully paid up share capital equals €100,000,000.00 and is divided into 200,000,000 ordinary shares with a nominal amount of €0.50 each.

4.13 Retained earnings

(€'000)

At 31 December 2015	504,504
Profit for the year	27,280
Dividends	(36,000)
Changes in the consolidation scope	(271)
Other changes	(592)
At 30 June 2016	494,921

At 30 June 2016, retained earnings, including profit for the period and consolidation reserves, amounted to €494,921 thousand. The €9,583 thousand decrease is mainly due to the net effect of the profit for the period of €27,280 thousand and the dividend distribution of €36,000 thousand.

4.14 Other reserves

They can be analysed as follows:

(€'000)	Legal reserve	Hedging reserve	Stock grant reserve	Deferred tax reserve	Translation reserve	Other	Total
31 December 2015	20,000	(1,469)	4,611	1,763	28,723	(3,345)	50,283
Change in the consolidation scope	-	-	-	-	271	-	271
Transfers to profit or loss	-	582	-	-	-	-	582
Net exchange rate losses	-	-	-	-	(7,966)	-	(7,966)
Increase/decrease	-	-	1,718	-	-	(1,236)	483
Fair value gains (losses)	-	7,585	-	(1,995)	-	-	5,590
30 June 2016	20,000	6,697	6,329	(232)	21,028	(4,581)	49,242

Legal reserve

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

Hedging reserve

This reserve of €6,697 thousand comprises the fair value gains or losses on the derivatives the group uses to hedge its foreign currency exposure, net of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this takes place, the reserve is reclassified to profit or loss to offset the effects of the hedged transaction.

Stock grant reserve

The stock grant reserve equals €6,329 thousand, up €1,718 thousand over 31 December 2015 following the combined effect of the accrual of the period and the amount of the shares granted in 2013.

Deferred tax reserve

The deferred tax reserve equalled -€232 thousand and changed to reflect 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. The largest amounts are generated by the consolidation of the American and Asia Pacific subsidiaries.

Other

Other reserves relate to the revaluation reserves, the reserve for defined benefit plans and the reserves set up when the parent was awarded research grants. The €1,236 thousand decrease recorded in the first half of the year is mainly due to the actuarial losses on defined benefit plans.

4.15 Equity attributable to non-controlling interests

Changes in equity attributable to non-controlling interests are as follows:

Equity attributable to non-controlling interests:

(€'000)

At 31 December 2015	306
Profit for the period attributable to non-controlling interests	(18)
Translation reserve attributable to non-controlling interests	(21)
At 30 June 2016	267

Equity attributable to non-controlling interests relates to Ansaldo STS Beijing Ltd. (20%).

4.16 Loans and borrowings

They can be analysed as follows:

(€'000)

	30.06.2016			31.12.2015		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans and borrowings	1,666	-	1,666	21	-	21
Other loans and borrowings	1,223	-	1,223	1,607	-	1,607
Other loans and borrowings - related parties	-	-	-	2,500	-	2,500
Total	2,889	-	2,889	4,128	-	4,128

Changes of the period are as follows:

(€'000)	31.12.2015	Increases	Decreases	Reclassifications	Other changes	30.06.2016
Bank loans and borrowings	21	1653	-	-	(8)	1,666
Other loans and borrowings	1,607	-	(384)	-	-	1,223
Other loans and borrowings - related parties	2,500	-	(2,500)	-	-	-
Total	4,128	1,653	(2,884)	-	(8)	2,889

Loans and borrowings amount to €2,889 thousand, down €1,239 thousand and mainly refer to the parent for reimbursements to other partners of the joint ventures for which Ansaldo STS is lead contractor.

Financial debt

The repayment plans and exposure to interest rate fluctuations for group financial liabilities are as follows:

(€'000)	Bank loans and borrowings		Other		Total	
	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate
31 December 2015						
Within one year	21	-	4,107	-	4,128	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	21	-	4,107	-	4,128	-

(€'000)	Bank loans and borrowings		Other		Total	
	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate
30 June 2016						
Within one year	1,666	-	1,223	-	2,889	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	1,666	-	1,223	-	2,889	-

The following disclosure is presented in accordance with the format required by CONSOB communication no. DEM/6064293 of 28 July 2006:

(€'000)	30.06.2016	31.12.2015
A Cash-in-hand	129	126
B Other cash and cash equivalents (bank current accounts)	251,727	304,180
C Securities held for trading	-	-
D. CASH AND CASH EQUIVALENTS (A+B+C)	251,856	304,306
E. CURRENT LOAN ASSETS	33,847	38,496
F. Current bank loans and borrowings	1,666	21
G Current portion of non-current loans and borrowings	-	-
H Other current loans and borrowings	1,223	4,107
I CURRENT FINANCIAL DEBT (F+G+H)	2,889	4,128
J NET CURRENT FINANCIAL POSITION (I-E-D)	(282,814)	(338,674)
K Non-current bank loans and borrowings	-	-
L Bonds issued	-	-
M Other non-current financial liabilities	-	-
N NON-CURRENT FINANCIAL DEBT (POSITION) (K+L+M)	-	-
O NET FINANCIAL POSITION (J+N)	(282,814)	(338,674)

4.17 Provisions for risks and charges and contingent liabilities - current

They can be analysed as follows:

(€'000)	Product warranties	Disputes with employees	Other	Total
At 31 December 2015	8,732	813	1,581	11,126
Accruals	3,221	87	7,006	10,314
Reversals	(239)	-	-	(239)
Utilisation	(596)	(2)	(561)	(1,159)
Other changes	(59)	-	-	(59)
At 30 June 2016	11,059	898	8,026	19,983
<i>Current</i>	8,732	813	1,581	11,126
<i>Non-current</i>	-	-	-	-
At 31 December 2015	8,732	813	1,581	11,126
<i>Current</i>	11,059	898	8,026	19,983
<i>Non-current</i>	-	-	-	-
At 30 June 2016	11,059	898	8,026	19,983

In relation to the provisions for risks, the activities of the Ansaldo STS 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.

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

Provisions have been made for risks that are probable and for which the amount can be determined.

The provisions for risks amounted to €19,983 thousand at 30 June 2016, up on the €11,126 thousand at 31 December 2015.

Specifically, "Other" includes the accruals recognised in respect of the probable risks related to the payment of interest on the arbitration procedures commenced in Vienna by Zarubezhstroytechnology (ZST) against the Ansaldo STS - Selex ES joint venture.

Reference should be made to the Performance paragraph for further details.

Except for that stated above, there were no particular changes in disputes from that described in the 2015 annual financial statements to which reference should be made for more exhaustive information

4.18 Employee benefits

The amount of and changes in post-employment benefits and the defined benefit plans are as follows:

<i>(€'000)</i>	<u>30.06.2016</u>	<u>31.12.2015</u>
Italian post-employment benefits	19,401	17,948
Defined benefit pension plans	<u>15,382</u>	<u>15,207</u>
Total	<u>34,783</u>	<u>33,155</u>

<i>(€'000)</i>	<u>Italian post-employment benefits</u>		<u>Defined benefit plans</u>	
	<u>30.06.2016</u>	<u>31.12.2015</u>	<u>30.06.2016</u>	<u>31.12.2015</u>
Present value of obligations	19,401	17,948	15,382	15,207
Total	<u>19,401</u>	<u>17,948</u>	<u>15,382</u>	<u>15,207</u>

<i>(€'000)</i>	Italian post-employment benefits	Defined benefit plans
At 31 December 2015	17,948	15,207
Current costs	399	495
Benefits paid	(182)	(319)
Other changes	-	(1)
Actuarial losses taken to equity	1,236	-
Actuarial losses taken to equity following changes to financial assumptions	1,319	-
Actuarial gains taken to equity following experience-based adjustments	(83)	-
At 30 June 2016	19,401	15,382

The amount recognised in the income statement is as follows:

<i>(€'000)</i>	Italian post-employment benefits		Defined benefit plans	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Current service costs	226	157	352	335
Interest expense	173	129	143	132
Total	399	286	495	467

The following main actuarial assumptions were used:

	Italian post-employment benefits		Defined benefit plans	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Discount rate (p.a.)	1.90%	1.75%	1.90%	1.80%
Salary increase rate	N.A.	N.A.	2.50%	2.50%
Turnover rate	2.09% - 5.69%	2.1% - 5.7%	0.91% - 3.26%	1.80%
	Italian post-employment benefits		Defined benefit plans	
	-0.25%	0.25	-0.25%	0.25%
Discount rate (p.a.)	441	(417)	15,780	14,417
Salary increase rate	N.A.	N.A.	14,830	15,328
Inflation rate	(319)	327	14,418	15,775

4.19 Other current and non-current liabilities

They can be analysed as follows:

(€'000)	30.06.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Employees	40,429	8,217	34,995	7,353
Indirect and other tax liabilities	12,186	-	15,079	-
Amounts due to social security institutions	16,737	-	17,611	-
Derivatives	9,586	-	14,612	-
Other	26,906	4,558	28,556	4,439
Total other third party liabilities	105,844	12,775	110,853	11,792
Other related party liabilities	402	-	402	-
Total	106,246	12,775	111,255	11,792

Other current and non-current third party liabilities amount to €118,619 thousand, down €4,026 thousand on 31 December 2015 (€122,645 thousand). The decrease is mainly due to derivatives (€5,026 thousand) and indirect taxes and amounts due to social security institutions (€3,767 thousand), partly offset by the increase in personnel liabilities.

Non-current third party liabilities are substantially unchanged.

4.20 Trade payables

They can be analysed as follows:

(€'000)	30.06.2016	31.12.2015
Trade payables	385,228	390,726
Total trade payables	385,228	390,726
Related party trade payables	20,465	25,247
Total	405,693	415,973

Total trade payables decreased by €10,280 thousand on 31 December 2015. Specifically, the reduction pertaining to related parties refers to Hitachi Rail Italy S.p.A..

There are no trade payables due after five years.

4.21 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)	<u>Operating leases</u>	<u>Finance leases</u>
Within one year	3,009	-
Between two and five years	11,115	-
After five years	883	-
	<u>15,007</u>	<u>-</u>

Guarantees

The group has the following guarantees at 30 June 2016:

UNSECURED GUARANTEES AT 30.06.16

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)	ASTS group
Personal guarantees issued by Finmeccanica (parent guarantees) and Finmeccanica Finance S.A. (advance payment bonds, performance bonds and retention money bonds) to customers for trading transactions	637,131
Personal guarantees issued by Hitachi (parent guarantees) to customers for trading transactions	615,913
Personal guarantees issued by Ansaldo STS (parent guarantees) to customers for trading transactions	849,161
Sureties and bonds (advance payment bonds, performance bonds, bid bonds and retention bonds) issued by banks or insurance companies to customers for trading transactions	1,908,174
<i>of which, counter-guaranteed by Hitachi for the Honolulu project</i>	<i>174,958</i>
<i>of which, counter-guaranteed by Ansaldo STS</i>	<i>282,742</i>
Direct and other guarantees issued by Finmeccanica and Ansaldo STS, banks or insurance companies to other third parties for non-contractual/trading guarantees (financial and tax transactions)	38,803
<i>of which, issued or counter-guaranteed by Ansaldo STS</i>	<i>38,803</i>
Total	4,049,182

5 NOTES TO THE INCOME STATEMENT

5.1 Impact of related party transactions on profit or loss

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

First half of 2016	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
<i>(€'000)</i>						
<u>Ultimate parent</u>						
Hitachi Rail LTD	141	-	18	-	-	-
Hitachi Rail Europe LTD	28	-	(10)	-	-	-
<u>Subsidiaries</u>						
Alifana S.c.a.r.l.	-	-	(1)	-	-	-
Alifana Due S.c.a.r.l.	72	-	103	-	-	-
<u>Associates</u>						
Metro 5 S.p.A.	1,816	618	55	-	-	-
IM Intermetro S.p.A. (in liq.)	1	-	-	-	-	-
Metro Brescia S.r.l.	153	(6)	9	-	-	-
International Metro Service S.r.l.	(76)	6	-	-	-	4
Pegaso S.c.a.r.l. (in liq.)	-	-	148	-	-	-
Metro Service A.S.	3,375	-	25,340	-	-	-
<u>Joint ventures</u>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	103	-	40	-	-	-
<u>Consortia</u>						
Saturno consortium	16,440	-	496	-	-	-
Ascosa Quattro consortium	(26)	-	-	-	-	-
Ferrovio Vesuviano consortium	28	-	-	-	-	-
M4 Società di progetto consortile per Azioni consortium	-	-	33	-	-	-
MM4 consortium	7,225	-	274	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla Due consortium	1,629	-	(1)	-	-	-
SanGiorgio Volla consortium	(32)	-	-	-	-	-
<u>Other group companies</u>						
Hitachi Rail Italy S.p.A.	4,466	-	10,452	-	-	-
Hitachi Rail Inc.	(350)	-	-	-	-	-
Hitachi India Pvt Ltd Rail Systems Company	182	-	-	-	-	-
Total	35,175	618	36,957	-	-	4
% of the total corresponding condensed interim consolidated financial statements caption	6%	5%	10%	-	-	0.04%

First half of 2015

Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
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(€'000)

Ultimate parent

Finmeccanica S.p.A. (*)	-	-	2,740	15	27	-
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Subsidiaries

Alifana Due S.c.a.r.l.	116	-	100	-	-	-
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Associates

Metro 5 S.p.A.	11,594	3,442	195	-	-	-
IM Intermetro S.p.A. (in liq.)	(39)	-	-	-	-	-
Metro Brescia S.r.l.	198	45	11,553	11	-	-
International Metro Service S.r.l.	-	6	-	-	-	-
Pegaso S.c.a.r.l. (in liq.)	-	-	95	-	-	-

Joint ventures

Balfour Beatty Ansaldo Syst. JV SDN BHD	(1,110)	-	-	-	-	-
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Consortia

Saturno consortium	22,813	-	1,121	-	-	-
SanGiorgio Volla Due consortium	(156)	-	-	-	-	-
Ferrovioario Vesuviano consortium	622	-	49	-	-	-
MM4 consortium	6,011	-	307	-	-	-
Cris consortium	-	-	1	-	-	-
SanGiorgio Volla consortium	(80)	-	(4)	-	-	-

Other group companies

AnsaldoBreda S.p.A. (**)	10,779	-	9,100	-	-	-
Telespazio S.p.A. (*)	-	-	1	-	-	-
Fata Logistic System S.p.A. (*)	-	-	808	-	-	-
Fata S.p.A. (*)	-	-	140	-	-	-
Finmeccanica UK LTD (*)	-	-	103	-	-	-
Finmeccanica Global Services S.p.A. (*)	-	-	145	-	-	-
SPV M4 S.p.A.	-	-	-	157	-	-
Selex ES S.p.A. (*)	83	-	5,283	-	-	951
Electron Italia S.r.l. (*)	(505)	-	-	-	-	-
E-Geos S.p.A. (*)	-	-	41	-	-	-

Other - MEF (*)

Ferrovie dello Stato group	41,498	-	954	-	-	-
Enel group	-	-	42	-	-	-
Eni group	4,718	-	10	-	-	-

Total	96,542	3,493	32,784	183	27	951
% of the total corresponding condensed interim consolidated financial statements caption	15%	24%	8%	1%	0.1%	8%

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

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

5.2 Revenue

(€'000)	First half of	
	2016	2015
Sales	358,771	675,088
Services	56,422	51,155
	415,193	726,243
Change in work in progress	152,358	(190,388)
Third party revenue	567,551	535,855
Related party revenue	35,175	96,542
Total revenue	602,726	632,397

Revenue for the reporting period came to €602,726 thousand, compared to €632,397 thousand. The €29,671 thousand decrease is mainly due to the near completion of some contracts in the Asia/Pacific area.

5.3 Other operating income

(€'000)	First half of	
	2016	2015
R&D grants	1,047	1,386
Gains on sales of property, plant and equipment and intangible assets	-	96
Reversals of provision for expected losses to complete contracts	1,023	-
Reversals of impairment losses on loans and receivables	3	69
Reversals of provisions for risks and charges	239	322
Royalties	129	158
Financial income and exchange rate gains on operating items	6,164	7,211
Tax asset for R&D	1,387	1,134
Other operating income	1,579	460
Other third party operating income	11,571	10,836
Other related party operating income	618	3,493
Total other operating income	12,189	14,329

Other third party operating income amounted to €11,571 thousand, in line with the corresponding period of the previous year (€10,836 thousand).

The decrease in other related party operating income is due to the closing of specific transactions with the consortia/companies of which Ansaldo STS S.p.A. is part during the first half of 2015.

5.4 Purchases and services

(€'000)	First half of	
	2016	2015
Materials	137,733	122,815
Change in inventories	(2,807)	(3,538)
Services	200,597	248,937
Rentals and operating leases	9,823	9,604
Total third party purchases and services	345,346	377,818
Total related party purchases and services	36,957	32,784
Total purchases and services	382,303	410,602

Total purchases and services for the six months ended 30 June 2016 decreased €28,299 thousand over the corresponding period of the previous year, mainly due to the smaller production output.

5.5 Personnel expense

(€'000)	First half of	
	2016	2015
Wages and salaries	127,697	128,550
Stock grant plans	2,864	1,102
Social security and pension contributions	29,801	28,191
Italian post-employment benefits	226	157
Other defined benefit plans	352	335
Other defined contribution plans	2,024	2,036
Recovery of personnel expense	(399)	(828)
Disputes with personnel	87	317
Other costs	6,347	4,669
Total	168,999	164,529

The workforce at 30 June 2016 numbered 3,841, up a net 45 employees on the 3,796 employees at 30 June 2015 and 69 employees on the 3,772 employees at 31 December 2015.

The average headcount on the payroll in the first half of 2016 numbered 3,766, compared to 3,763 employees in the first half of 2015.

Personnel expense came to €168,999 thousand, up by €4,470 thousand on the corresponding period of the previous year (€164,529 thousand). The balance for the first half of 2016 includes the costs related to the transactions with the parent's outgoing managers with strategic responsibility.

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

5.6 Amortisation, depreciation and impairment losses

(€'000)	First half of	
	2016	2015
Amortisation and depreciation:		
- intangible assets	3,584	3,114
- property, plant and equipment	4,844	4,550
	8,428	7,664
Impairment losses:		
- current loans and receivables	1,309	941
- other assets	7	-
	1,316	941
Total amortisation, depreciation and impairment losses	9,744	8,605

Amortisation/depreciation and impairment losses amount to €9,744 thousand and are up €1,139 thousand on the corresponding period of the previous year.

5.7 Other operating expense

(€'000)	First half of	
	2016	2015
Accruals to the provisions for risks and charges	3,228	267
Membership fees	500	631
Losses on sales of property, plant and equipment and intangible assets	3	57
Exchange rate losses on operating items	4,597	6,262
Losses to complete contracts	(1,285)	629
Interest and other operating expense	874	784
Indirect taxes	1,579	1,735
Other operating expense	724	172
Total other third party operating expense	10,220	10,537
Other related party operating expense	4	951
Total other operating expense	10,224	11,488

Other operating expense of €10,224 thousand decreased €1,264 thousand on 30 June 2015. The use of the provision for losses to complete contracts increased during the period, while exchange rate losses on operating items decreased.

5.8 Internal work capitalised

(€'000)	First half of	
	2016	2015
Internal work capitalised	(2,823)	(2,871)

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

5.9 Net financial expense

(€'000)	First half of					
	2016			2015		
	Income	Expense	Net	Income	Expense	Net
Interest and fees	503	266	237	531	970	(439)
Net exchange rate losses	7,214	7,795	(581)	17,264	18,178	(914)
Fair value net losses	661	3,150	(2,489)	469	3,088	(2,619)
Interest on Italian post-employment benefits	-	173	(173)	-	129	(129)
Interest on other defined benefit plans	-	143	(143)	-	132	(132)
Other financial income and expense	178	7,239	(7,061)	-	166	(166)
Total net financial expense	8,556	18,766	(10,210)	18,264	22,663	(4,399)
Net related party financial income (expense)	-	-	-	183	27	156
Total	8,556	18,766	(10,210)	18,447	22,690	(4,243)

Net financial expense for the first half of 2016 amounts to €10,210 thousand (first half of 2015: €4,243 thousand). The €5,967 thousand decrease on the corresponding period of the previous year is mainly due to the accrual to the provision for risks related to the interest to be paid to the Russian customer following the conclusion of the arbitration procedure on the Libya contract.

Reference should be made to the Performance section for further details.

5.10 Share of profits of equity-accounted investees

(€'000)	For the first half of					
	2016			2015		
	Income	Expense	Net	Income	Expense	Net
Share of profits of equity-accounted investees	4,244	-	4,244	5,218	-	5,218
Total	4,244	-	4,244	5,218	-	5,218

The share of profits of equity-accounted investees of €4,244 thousand (€5,218 thousand for the first half of 2015) comprises the profits of the investees International Metro Service S.r.l. (€1,460 thousand), Metro 5 S.p.A. (€2,501 thousand), Metro Brescia S.r.l. (€195 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€88 thousand). For additional information, reference should be made to note 4.4.

5.11 Income taxes

This caption comprises:

	<i>First half of</i>	
	2016	2015
(€'000)		
IRES	6,599	3,795
IRAP	908	431
Other foreign taxes	10,212	16,995
Prior year taxes	833	-
Provisions for tax disputes	-	550
Net deferred tax income	(3,713)	(2,187)
Total	14,839	19,584

Income taxes decreased by an overall €4,745 thousand compared to the corresponding period of the previous year. Specifically, the decrease is mainly due to the lower income taxes on foreign operations, only partially offset by the parent's greater taxes.

The difference between the theoretical and effective tax rates is analysed below:

(€'000)	<i>First half of</i>					
	<i>2016</i>		<i>2015</i>			
	amount	%	amount	%		
Pre-tax profit	42,101		58,913	-		
Taxes calculated at ruling tax rates	11,578	27.50%	16,201	27.50%		
Permanent differences	(2,226)	(612)	(4,789)	(1,317)	-2.24%	
	39,875	10,966	26.05%	54,124	14,884	25.27%
Different rates on foreign taxes and/or due to losses of the year	-	2,593	6.16%	-	3,702	6.28%
IRAP and other taxes calculated on a basis other than pre-tax profit	-	447	1.06%	-	448	0.76%
Prior year taxes	-	833	1.98%	-	-	0.00%
Provisions for tax risks	-		0.00%	-	550	0.93%
Total effective taxes recognised in profit or loss		14,839	35.25%		19,584	33.24%

In the reporting period, the effective tax rate is 35.25%, compared to 33.24% in the same period of the previous year. The increase is due to the different mix of pre-tax profits (losses) of individual group companies.

Deferred taxes and the related assets and liabilities at 30 June 2016 can be analysed as follows:

(€'000)	Income statement		Statement of financial position	
	Income	Expense	Assets	Liabilities
Italian post-employment benefits and pension funds	61	393	5,449	-
Remuneration		-	423	-
Goodwill	-	-	-	-
Property, plant and equipment and intangible assets	(6)	(20)	1,045	504
Provisions for risks and charges	(192)	-	24,494	-
Research grants	-	86	301	2,200
Allowances for WIP and inventory write-down	72	-	1,847	-
Cash flow hedges - defined benefit plans	-	-	1,894	3,215
Tax losses	(80)	-	1,562	-
Stock grant plan	-	-	-	-
Other	4,714	397	6,469	5,511
Total	4,569	856	43,484	11,430

The deferred tax assets related to Italian post-employment benefits and pension plans mainly relate to Ansaldo STS France S.A.S. (€4,391 thousand).

The deferred tax assets generated by undeductible accruals to “Provisions for risks and charges” mainly relate to the parent Ansaldo STS S.p.A. (€18,112 thousand) and the US subsidiaries (€5,941 thousand).

The deferred tax assets related to the allowance for WIP and inventory write-down mainly relate to the parent Ansaldo STS S.p.A. (€273 thousand) and Ansaldo STS France S.A.S. (€1,253 thousand).

Finally, deferred tax assets on tax losses relate to the Ansaldo STS USA group subsidiaries for €1,562 thousand.

“Other” mainly relates to the parent, Ansaldo STS S.p.A. (€2,257 thousand), Ansaldo STS Australia’s group companies (€2,000 thousand) and the American subsidiaries of Ansaldo STS USA Inc. (€1,978 thousand).

Deferred tax assets and liabilities include those recognised with a balancing entry directly in equity, on derivatives recognised as cash flow hedges and actuarial gains/losses following the adoption of the equity method for defined benefit plans. This equity item changed as follows during the reporting period:

	2015	Transfers to profit or loss	Fair value gains or losses	Other changes	First half of 2016
Deferred taxes directly recognised in equity	1,763	-	(1,995)	-	(232)

6 EARNINGS PER SHARE

Earnings per share (“EPS”) are calculated by:

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

<i>Basic EPS</i>	<i>First half of 2016</i>	<i>First half of 2015</i>
Average shares outstanding during the period	199,992,651	199,990,957
Profit for the period	27,262	39,329
<i>Basic and diluted EPS</i>	0.14	0.20

7 CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the cash flows from operating activities:

<i>(€'000)</i>	First half of 2016	First half of 2015
Profit for the period	27,262	39,329
Share of profits of equity-accounted investees	(4,424)	(5,218)
Income taxes	14,839	19,584
Italian post-employment and other employee benefits	400	492
Stock grant plans	3,359	1,131
Gains/(losses) on the sale of assets	3	(39)
Net financial income	10,211	4,243
Amortisation, depreciation and impairment losses	8,428	8,605
Other net operating income/expense	3,517	(69)
Accruals to/reversals of provisions for risks	(2)	(55)
Accruals to/reversals of provisions for litigation	1,305	317
Write-downs/reversals of write-downs of inventories and work in progress	7,278	4,810
Total	72,176	73,130

The change in working capital, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

<i>(€'000)</i>	First half of 2016	First half of 2015
Inventories	1,397	(18,841)
Work in progress and progress payments and advances from customers	(141,226)	(14,785)
Trade receivables and payables	45,068	34,911
Total	(94,761)	1,285

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:

<i>(€'000)</i>	First half of 2016	First half of 2015
Payment of Italian and other post-employment benefits	(451)	(1,945)
Taxes paid	(11,480)	(18,549)
Changes in other operating items	22,692	(29,310)
Total	10,761	(49,804)

Reference should be made to the paragraph on the group's financial position in the directors' report for a discussion of changes in the statement of cash flows.

8 FINANCIAL RISK MANAGEMENT

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

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

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

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

(€'000)	Sell 06 16	Buy 06 16	30.06.2016	Sell 12 15	Buy 12 15	31.12.2015
Euro	29,899	38,313	68,212	21,482	40,863	62,345
US dollar	285,849	69,940	355,789	330,936	66,620	397,556
Pound sterling	61,719	-	61,719	10,014	-	10,014
Swedish krona	-	212	212	-	29,849	29,849
Australian dollar	-	1,468	1,468	-	34,436	34,436
Hong Kong dollar	920	35	955	1,291	-	1,291
Indian rupee	4,916	-	4,916	5,133	-	5,133
United Arab Emirates dirham	12,300	-	12,300	12,511	-	12,511

The net fair value of the derivatives in place (both fair value and cash flow hedges) at 30 June 2016 is a negative €1,858 thousand.

9 OUTLOOK

The exceptional events related to dispute with the Russian customer about the contract in Libya and the recognition of the effects with outgoing managers with strategic responsibility have been reflected in the half year economic results; the effect on the net financial position, related to the Libyan dispute is expected in the second half of the year.

Excluding the above exceptional events, the underlying performance of the company for 2016 in terms of profitability (ROS) is expected to be substantially in line with the previous fiscal year.

Milan, 27 July 2016

On behalf of the board of directors

The Chairman
Alistair Dormer
(signed on the original)

**STATEMENT ON THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB
REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT
AMENDMENTS AND INTEGRATIONS**

1. The undersigned, Andrew Thomas Barr, as CEO and general manager, and Roberto Carassai, as manager in charge of financial reporting for Ansaldo STS S.p.A., also considering the provisions of article 154-*bis.3/4* of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting procedures used to draft the condensed interim consolidated financial statements at 30 June 2016:

- are adequate in relation to the nature of the business;
- have been effectively applied.

2. There is nothing to report in this regard.

3. Moreover:

3.1 the condensed interim 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) provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the consolidation scope.

3.2 The directors' report accompanying the condensed interim consolidated financial statements provides a reliable analysis of the important events that took place in the first six months of the year and their impact on the condensed interim consolidated financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year.

The directors' report also includes a reliable analysis of significant transactions with related parties.

Milan, 27 July 2016

The CEO
and general manager

The manager in charge of
financial reporting

Andrew Thomas Barr
(signed on the original)

Roberto Carassai
(signed on the original)