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INTERIM FINANCIAL REPORT
AT **31 MARCH 2016**

Ansaldo STS A Hitachi Group Company

Directors' report at 31 March 2016

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Directors' Report at 31 March 2016

Introduction

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

Key performance indicators

(€'000)	First quarter of 2016	First quarter of 2015	Change
New orders	311,327	347,081	(35,754)
Order backlog	6,417,271	6,428,420	(11,149)
Revenue	291,209	284,581	6,628
Operating profit (EBIT)	23,394	23,775	(381)
Adjusted EBIT	23,394	23,775	(381)
Profit for the period	19,736	17,715	2,021
Net working capital	93,264	9,395	83,869
Net invested capital	343,444	268,403	75,041
Net financial position	(328,270)	(342,537)	14,267
Free operating cash flow	(8,538)	48,195	(56,733)
ROS	8.0%	8.4%	-0.4 p.p.
ROE	14.8%	15.0%	-0.2 p.p.
EVA	8,919	9,755	(836)
Research and development	9,140	8,585	555
Headcount (no.)	3,803	3,797	6

Ansaldo STS group recognised a profit of €19.7 million for the period under examination, compared to €17.7 million for the corresponding quarter of 2015. Revenue came to €291.2 million, up on the first quarter of 2015 (€284.6 million), and ROS was 8.0%, compared to 8.4% in the first quarter of 2015.

More specifically:

New orders totalled €311.3 million compared to €347.1 million for the first quarter of 2015; the order backlog amounted to €6,417.3 million (€6,428.4 million at 31 March 2015 and €6,410.4 million at 31 December 2015).

Revenue increased to €291.2 million from €284.6 million in the first quarter of 2015 (+2.3%).

Operating profit (EBIT) stood at €23.4 million compared to €23.8 million in the first quarter of 2015. ROS was 8.0% compared to 8.4% in the corresponding period of the previous year.

The profit for the period came to €19.7 million (€17.7 million for the corresponding period of 2015).

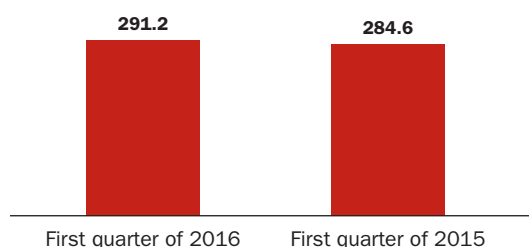
The group's net financial position (greater loan assets, cash and cash equivalent than loans and borrowings) decreased from €338.7 million at 31 December 2015 to €328.3 million.

Research and development expenditure directly recognised in profit or loss amounted to €9.1 million, up from the €8.6 million expenditure recognised in the corresponding period of the previous year.

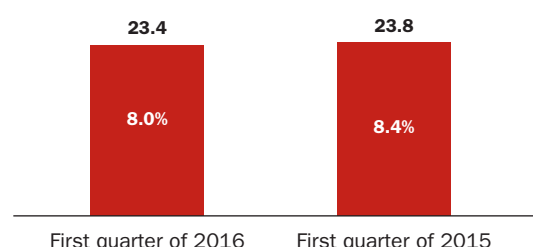
The group's headcount remained substantially unchanged with 3,803 employees from 3,797 at 31 March 2015 and 3,772 at 31 December 2015.

The average headcount of 3,750 employees decreased compared to 3,767 in the first quarter of 2015 and 3,748 for 2015.

Revenue for the quarters ended 31 March 2016 and 2015 (€m)



EBIT and ROS for the quarters ended 31 March 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.

The group's performance for the reporting period and corresponding period of the previous year is shown in the following table:

Reclassified income statement (€'000)	First quarter of	
	2016	2015
Revenue	291,209	284,581
Purchases and personnel expense (*)	(268,363)	(261,106)
Amortisation, depreciation and impairment losses	(4,193)	(4,221)
Other net operating income (**)	531	2,869
Change in work-in-progress, semi-finished products and finished goods	4,210	1,652
Adjusted EBIT	23,394	23,775
Restructuring costs	-	-
Operating profit (EBIT)	23,394	23,775
Net financial income	3,559	1,912
Income taxes	(7,217)	(7,972)
Profit (losses) from discontinued operations	-	-
Profit for the period	19,736	17,715
attributable to the owners of the parent	19,744	17,750
attributable to non-controlling interests	(8)	(35)
Earnings per share		
Basic and diluted	0.10	0.09

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 2.3% increase in revenue, due to the further progress of outstanding projects, did not lead to an increase in operating profit due to the recognition under personnel expenses of the accounting effects amounting to €2,4 million of transactions during first quarter 2016 with key personnel who left the company. The improvement in net financial income largely contributes to the increase in profit for the period.

The "reclassified" operating profit, excluding the above-mentioned accounting effects, amounts to €25.8 million, up 8.4% on the first quarter of 2015, with a "reclassified" ROS of 8.9% and "reclassified" profit for the period of €21.3 million, equal to 7.3% of revenue, up 110 basis points on the first quarter of 2015 (6.2% of revenue).

The group's reclassified statement of financial position as at 31 March 2016 is set out below:

(€'000)	31.03.2016	31.12.2015
Non-current assets	306,623	307,250
Non-current liabilities	(56,443)	(55,312)
	250,180	251,938
Inventories	125,350	121,217
Contract work in progress	395,503	346,353
Trade receivables	632,937	663,558
Trade payables	(447,962)	(415,973)
Progress payments and advances from customers	(606,828)	(635,785)
Working capital	99,000	79,370
Provisions for risks and charges	(11,814)	(11,126)
Other assets (liabilities), net (*)	6,078	(3,763)
Net working capital	93,264	64,481
Net invested capital	343,444	316,419
Equity attributable to the owners of the parent	671,424	654,787
Equity attributable to non-controlling interests	290	306
Equity	671,714	655,093
Non-current assets held for sale	-	-
Net financial position	(328,270)	(338,674)

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

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

Net invested capital totalled €343.4 million compared to €316.4 million at 31 December 2015 (€268.4 million at 31 March 2015). The €27.0 million increase is due to the rise in net working capital from €64.5 million at 31 December 2015 to €93.3 million at the reporting date (€9.4 million at 31 March 2015).

Specifically, the above increase is due to the greater amount of work in progress together with the decline in progress payments and advances from customers only partially offset by the decrease in trade receivables and the increase in trade payables.

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

(€'000)	31.03.2016	31.12.2015
Current loans and borrowings	300	1,628
Non-current loans and borrowings	-	-
Cash and cash equivalents	(292,381)	(304,306)
NET CASH AND CASH EQUIVALENTS	(292,081)	(302,678)
Related party loan assets	(951)	(563)
Other loan assets	(35,238)	(37,933)
LOAN ASSETS	(36,189)	(38,496)
Related party loans and borrowings	-	2,500
OTHER LOANS AND BORROWINGS	-	2,500
NET FINANCIAL POSITION	(328,270)	(338,674)

At 31 March 2016, the group's net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was €328.3 million, compared to €338.7 million at 31 December 2015 and €342.5 million at 31 March 2015.

The reclassified statement of cash flows for the period ended 31 March 2016 follows:

Statement of cash flows (€'000)	First quarter of 2016	First quarter of 2015
Opening cash and cash equivalents	304,306	270,067
Gross cash flows from operating activities	35,354	28,788
Changes in other operating assets and liabilities	(29,353)	(22,823)
Funds from operations	6,001	5,965
Change in working capital	(11,767)	45,067
Cash flows from (used in) operating activities	(5,766)	51,032
Cash flows used in ordinary investing activities	(2,772)	(2,837)
Free operating cash flow	(8,538)	48,195
Strategic transactions	-	(4,334)
Other changes in investing activities	178	111
Cash flows used in investing activities	(2,594)	(7,060)
Dividends paid	-	-
Cash flows used in other financing activities	(1,699)	(35,359)
Cash flows used in financing activities	(1,699)	(35,359)
Net exchange rate gains (losses)	(1,866)	7,221
Closing cash and cash equivalents	292,381	285,901

Cash and cash equivalents increased by €6.5 million to €292.4 million at the reporting date from the balance for the corresponding period of the previous year.

The Free Operating Cash Flow (FOCF) used before strategic transactions totalled €8.5 million compared to FOCF of €48.2 million generated in the first quarter of 2015, mainly due to the collection of the last instalment of the advance on the Riyadh project.

Non-IFRS alternative performance indicators

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

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

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

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

(€'000)	First quarter of	
	2016	2015
EBIT	23,394	23,775
Restructuring costs	-	-
Adjusted EBIT	23,394	23,775

- **Free Operating Cash Flow (FOCF):** the sum of cash flows from (used in) operating activities and cash flows from (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions or sales of equity investments which are deemed "strategic" due to their nature or importance. The reclassified statement of cash flows set out in the previous section shows how FOCF is arrived at for the current reporting period and corresponding period of the previous year.
- **Funds From Operations (FFO):** the cash flows from (used in) operating activities, net of changes in working capital. The reclassified statement of cash flows set out in the previous section shows how FFO is arrived at for the current reporting period and corresponding period of the previous year.
- **Economic value added (EVA):** the difference between EBIT net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the weighted average cost of capital (WACC).
- **Operating working capital:** comprises trade receivables and payables, inventories, work in progress, progress payments and advances from customers and provisions for risks and charges.
- **Net working capital:** operating working capital less other current assets and liabilities.
- **Net invested capital:** the sum of non-current assets, non-current liabilities and net working capital.
- **Net financial position or debt:** the calculation method which complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation (EC) no. 809/2004.
- **New orders:** the sum of the contracts agreed with customers during the period that meet the contractual requirements to be recorded in the orders book.
- **Order backlog:** the difference between new orders and revenue for the period (including the change in contract work in progress). This difference is added to the backlog for the previous period.
- **Headcount:** the number of employees recorded in the relevant register on the reporting date.
- **Return on Sales (ROS):** the ratio of operating profit to revenue.

- **Return on Equity (ROE):** the ratio of the profit or loss for the reporting period to the average amount of equity at the reporting date and the corresponding period reporting date.
- **Research and development expense:** the total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to “general technology”, i.e., aimed at gaining scientific knowledge and/or techniques applicable to various new products and/or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms.

Performance

The market and commercial situation

New orders acquired during the reporting period approximate €311 million (€347 million in the corresponding period of the previous year).

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

ITALY

New orders acquired during the period amount to approximately €8 million and mainly relate to component, maintenance and service contracts.

REST OF EUROPE

New orders approximate €218 million, in particular, the UK contract for the upgrading of the Glasgow metro (€135 million) signed by the Ansaldo STS and Stadler consortium. Ansaldo STS will implement its CBTC system and driverless solution for the whole line as well as the communication network, the Operation Control Centre, platform screen doors (PSD) and depot test track. It will also provide system integration, acceptance and related maintenance support services.

Again in the UK, a contract was signed with Network Rail, worth approximately €20 million, for the re-signalling and upgrading of the Ferriby-Gilberdyke line.

New orders acquired in France approximate €42 million, including the contract with RATP to maintain the Paris metro (roughly €27 million).

New orders acquired in Northern Europe approximate €19 million and mainly consist of component and service contracts in Sweden and order variations for the Copenhagen metro.

AMERICAS

New orders acquired during the period amount to approximately €32 million, of which €11 million relates to the sale of components, maintenance and renovation of freight railway lines, while approximately €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.

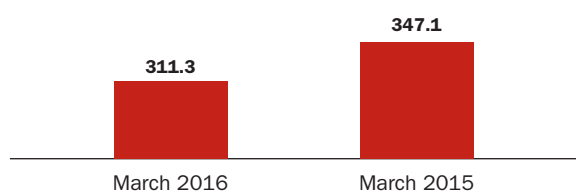
ASIA PACIFIC

New orders come to approximately €53 million, including roughly €50 million acquired in Australia and mainly relate to order variations for the mining and freight transport railway lines (Rio Tinto).

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

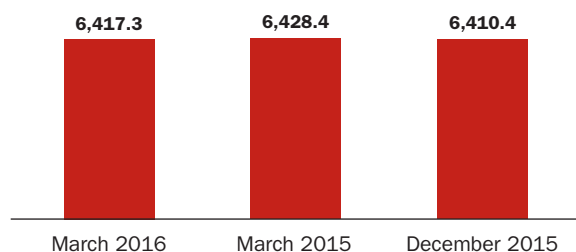
Country	Project	Customer	Amount (€m)
Great Britain	Glasgow metro – including maintenance	Strathclyde Partnership for Transport	134.7
Australia	Auto Haul – order variation AC Loco	Rio Tinto Iron One	47.6
France	Maintenance 2016	RATP	27.4
Great Britain	Ferriby Gilberdijke	Network Rail	19.7
USA	LIRR MID-DAY Storage Yard	LIRR	16.8
USA	Components	Sundry	10.9
Sundry EU / Asia	Components	Sundry	18.6
Sundry EU / Asia	Service & Maintenance	Sundry	14.6

New orders for the first quarters of 2016 and 2015 (€m)



The order backlog amounts to €6,417.3 million at 31 March 2016 compared to €6,410.4 million at 31 December 2015, up by €6.9 million (€6,428.4 million at 31 March 2015).

Order backlog at 31 March 2016 and 2015 (€m) and 31 December 2015



The order backlog at 31 March 2016 includes the residual amount of contracts in Libya, currently halted, worth €455.3 million.

Business performance

The key business 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 an acceleration plan in order to open the line by the end of 2016.

With respect to the on-board SCMT/ERTMS systems, work to equip the ETR1000 high-speed trains for the Trenitalia fleet continued. 23 trains were completed and delivered for commercial operation in March 2016.

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

The civil works continued for Line 6 of the Naples metro as well as the electro-mechanical installations for the Mergellina-S. Pasquale line. The tests on the ATC on-board system installed on the first vehicle will be completed by June, while 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 at the beginning of March. These works had previously been suspended due to some financial dispute with 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.

In Sweden, production mainly related to the development of technological systems for the Stockholm Red Line metro, for which line installations continue (13 stations out of the total 36 and 3 vehicles out of the total 93 have been completed) 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.

In Turkey, works to install and roll out the multi-station equipment relating to the Mersin-Toprakkale project continue for the north section. Specifically, the MS2 (Yesilhisar, Akkoy and Arapli), MS3 (Huyuk, Ovacik and Nidge), MS4 (Bor and Bereket) and MS5 (Altay, Karalar) devices are ready to be rolled out in the next quarter.

Work on the Ankara metro continues although limited to the wayside systems due to the unavailability of the customer's trains. The aim is to complete the CBTC technology for just the wayside systems for Lines M1, M2 and M3 in 2016.

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. Specifically, the civil works focus on eight stations

and on the construction of the tunnel and the depot, while Ansaldo STS has fully resumed design and procurement activities relating to the technological systems.

Work on the Copenhagen Cityringen project continues in Denmark; the design and procurement of materials continue concurrently with the dynamic testing of the driverless CBTC technology on a trial rail. The activities for the construction of the tram line in Aarhus are also going ahead and the first installation works along the line have begun.

AMERICAS

Activities for the construction of the Honolulu metro continue, specifically, design and production activities and mobilisation of the construction team. The first vehicle should be delivered in the next quarter then the installations on the trial rail will be completed. Under the revised work plan, the first part of the line is slated to open by the end of 2017.

The design of the Positive Train Control system for SEPTA's 13 lines in Philadelphia is nearing completion. The team is working on the installations and safety demonstrations requested by the local authorities which are a prerequisite for completing the works by 2016.

Meanwhile, preliminary activities relating to two projects acquired at the end of 2015 commenced: 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 originated by the work suspension with respect to the Russian customer Zarubezhstroytechnology continued before the Vienna International Arbitral Centre. Following the hearing held in Paris last September and presentation of the documentation requested after that hearing, the company is waiting for the arbitration panel to issue its award (expected in the first half of 2016).

In Saudi Arabia, the activities for the Riyadh Metro System project have been delayed compared to the initial schedule due to project 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. With respect to the project for the Zhuhai cable-free tramway, the technical issues which arose during the field tests postponing the completion of works are being settled.

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 master 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. Approval by SARP for the new VSS and ATP baseline software for Drop1 stage has been obtained.

The updating of this software version on the locomotives is nearing completion.

With respect to the Roy Hill project, activities for stage 3 (IETO) and stage 4 (CBS) continue, although they are behind the original schedule. Negotiations are taking place with the customer about the claims requested for higher costs incurred.

In India, work on the signalling systems along the 470 km railway track 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. An additional station was completed during the period (at present, 42 of the 47 stations have been finished).

The Kolkata metro project also continues to incur delays caused by the civil works and the unavailability of design inputs. However, the customer re-awarded the rolling stock supply contract during the period, which is a prerequisite for resuming various technology-related activities.

In Korea, the activities continue for the high-speed line of the Sudokwon project. All static tests have been completed according to schedule and the dynamic tests have started. These are aimed at rolling out the line by the end of 2016.

Key events of and after the reporting period

To be reminded that 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 launch a public tender offer 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 "public tender offer"). 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 offeror, 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 tender offer 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/public-tender-offer>.

Lastly, on 30 March 2016, Chairperson of the board of directors Alistair Dormer, Deputy chairperson Karen Boswell and Chief executive officer and General manager Stefano Siragusa resigned from their offices held in Ansaldo STS S.p.A..

Due to the resignations of Chairperson Alistair Dormer, Deputy chairperson Karen Boswell and Chief executive officer Stefano Siragusa (which followed those handed in by directors Barbara Poggiali and Ryoichi Hirayanagi and the co-option of directors Alessandra Piccinino and Mario Garraffo pursuant to article 2386 of the Italian Civil Code), the board members appointed by the shareholders in their meeting of 2 November 2015 lost their majority. Therefore, the resignations of Chairperson Alistair Dormer, Deputy chairperson Karen Boswell and Chief executive officer Stefano Siragusa will become effective upon re-appointment of the board pursuant to article 2385.1 of the Italian Civil Code.

Following these resignations and the consequent loss of majority by the directors appointed on 2 November 2015, pursuant to article 16.8 of the company by-laws, the board of directors of Ansaldo STS S.p.A. has convened an ordinary shareholders' meeting on 13 May 2016 in order to appoint, *inter alia*, a new board of directors.

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.

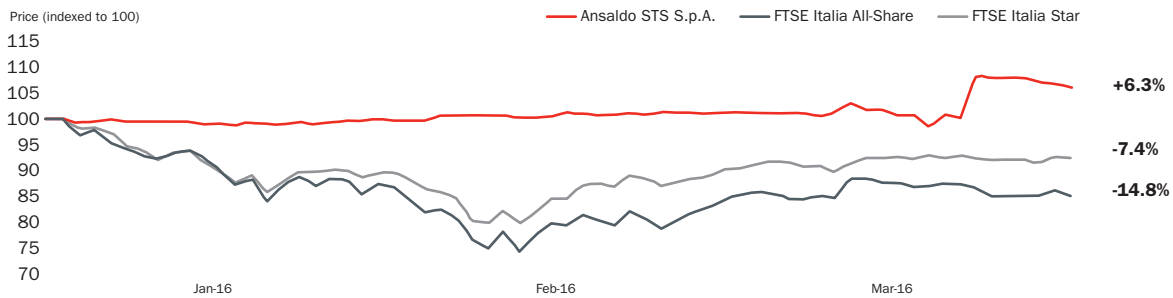
Financial disclosure


The official share price in the 31 December 2015 to 31 March 2016 period rose from €9.87 to €10.49. This 6.3% increase is mainly due to Hitachi's decision (made on 23 March 2016) to increase the consideration for each of the shares tendered in the public tender offer (completed on 14 March 2016) to €10.50.

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 614,915 shares were traded daily in the period, compared to 1,322,658 shares traded in the corresponding period of the previous year.

The FTSE Italia All-Share index lost 14.8%, while the FTSE Italia STAR index dropped 7.4%.

Share performance compared to the main indices (base 100)





Condensed Interim
Consolidated Financial
Statements and for the three
months ended **31 March 2016**

1. Condensed interim consolidated financial statements

1.1 Income statement

(€'000)	First quarter of			
	2016	of which, related parties	2015	of which, related parties
Revenue	291,209	19,144	284,581	43,359
Other operating income	6,667	306	8,056	45
Purchases	(73,393)	(5,494)	(60,602)	(2,995)
Services	(111,602)	(12,060)	(121,959)	(13,945)
Personnel expense	(86,204)	-	(81,322)	-
Amortisation, depreciation and impairment losses	(4,193)	-	(4,221)	-
Other operating expense	(4,388)	(4)	(3,848)	-
Changes in finished goods, work-in-progress and semi-finished products	4,210	-	1,652	-
(-) Internal work capitalised	1,088	-	1,438	-
Operating profit	23,394		23,775	
Financial income	6,562	-	21,188	3
Financial expense	(7,206)	-	(24,511)	(18)
Share of profits (losses) of equity-accounted investees	4,203	-	5,235	-
Pre-tax profit	26,953		25,687	
Income taxes	(7,217)	-	(7,972)	-
Profit (losses) from discontinued operations	-	-	-	-
Profit for the period	19,736		17,715	
<i>attributable to the owners of the parent</i>	<i>19,744</i>		<i>17,750</i>	
<i>attributable to non-controlling interests</i>	<i>(8)</i>		<i>(35)</i>	
Earnings per share				
<i>Basic and diluted</i>	<i>0.10</i>		<i>0.09</i>	

1.2 Statement of comprehensive income

Statement of comprehensive income (€'000)	First quarter of	
	2016	2015
Profit for the period	19,736	17,715
Items that will not be reclassified to profit or loss:		
- Net actuarial losses on defined benefit plans	(408)	(633)
- Income tax	130	174
	(278)	(459)
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	6,904	(6,675)
- Net exchange rate gains (losses)	(8,434)	23,648
- Income tax	(1,796)	1,914
	(3,326)	18,887
Other comprehensive income (expense), net of taxes	(3,604)	18,428
Total comprehensive income for the period	16,132	36,143
Attributable to:		
- the owners of the parent	16,148	36,183
- non-controlling interests	(16)	(40)

1.3 Statement of financial position

(€'000)	31.03.2016	of which, related parties	31.12.2015	of which, related parties
ASSETS				
Non-current assets				
Intangible assets	50,696	-	51,546	-
Property, plant and equipment	85,958	-	87,012	-
Equity investments	72,677	-	69,041	-
Loans and receivables	41,546	21,516	41,832	21,211
Deferred tax assets	38,136	-	39,487	-
Other non-current assets	17,610	-	18,332	-
	306,623		307,250	
Current assets				
Inventories	125,350	-	121,217	-
Contract work in progress	395,503	-	346,353	-
Trade receivables	632,937	57,751	663,558	58,952
Tax assets	34,388	-	26,378	-
Loan assets	36,189	951	38,496	563
Other current assets	94,247	4	91,930	4
Cash and cash equivalents	292,381	-	304,306	-
	1,610,995		1,592,238	
Non-current assets held for sale	-	-	-	-
Total assets	1,917,618		1,899,488	
EQUITY AND LIABILITIES				
Equity				
Share capital	100,000	-	100,000	-
Reserves	571,424	-	554,787	-
Equity attributable to the owners of the parent	671,424	-	654,787	-
Equity attributable to non-controlling interests	290	-	306	-
Total equity	671,714		655,093	
Liabilities				
Non-current liabilities				
Employee benefits	33,807	-	33,155	-
Deferred tax liabilities	10,655	-	10,365	-
Other non-current liabilities	11,981	-	11,792	-
	56,443		55,312	
Current liabilities				
Progress payments and advances from customers	606,828	-	635,785	-
Trade payables	447,962	23,552	415,973	25,247
Loans and borrowings	300	-	4,128	2,500
Tax liabilities	11,752	-	10,816	-
Provisions for risks and charges	11,814	-	11,126	-
Other current liabilities	110,805	-	111,255	402
	1,189,461		1,189,083	
Total liabilities	1,245,904		1,244,395	
Total equity and liabilities	1,917,618		1,899,488	

1.4 Statement of cash flows

(€'000)	First quarter of 2016	of which, related parties	First quarter of 2015	of which, related parties
Cash flows from operating activities:				
Gross cash flows from operating activities	35,354	-	28,788	-
Change in working capital	(63,037)	(2,896)	45,067	-
Changes in other operating assets and liabilities	25,018	305	(17,567)	-
Net interest paid (received)	(406)	-	1,417	-
Income taxes paid	(2,695)	-	(6,673)	-
Cash flows from (used in) operating activities	(5,766)		51,032	
Cash flows from investing activities:				
Investments in property, plant and equipment and intangible assets	(2,567)	-	(2,839)	-
Cash flows used for strategic transactions	-	-	(4,334)	-
Sales of equity investments	-	-	111	-
Sales of property, plant and equipment and intangible assets	4	-	2	-
Other investing activities	(31)	-	-	-
Cash flows used in investing activities	(2,594)		(7,060)	
Cash flows from financing activities:				
Net change in other financing activities	(1,699)	(2,112)	(35,301)	(5,054)
Other changes	-	-	(58)	-
Cash flows used in financing activities	(1,699)		(35,359)	
Net increase (decrease) in cash and cash equivalents	(10,059)	-	8,613	-
Net exchange rate gains (losses)	(1,866)	-	7,221	-
Opening cash and cash equivalents	304,306	-	270,067	-
Closing cash and cash equivalents	292,381		285,901	

1.5 Statement of changes in equity

(€'000)	Share capital	Retained earnings and consolidation reserves	Hedging reserve	Stock grant reserve	Translation reserve	Other reserves	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity at 1 January 2015	99,999	445,581	4,015	4,262	3,458	16,329	573,644	1,278	574,922
Change in consolidation scope	-	(3,132)	-	-	3,132	-	-	-	-
Net change in stock grant reserve	-	-	-	576	-	-	576	-	576
Other comprehensive income (expense), net of taxes	-	-	(6,675)	-	23,653	1,455	18,433	(5)	18,428
Other changes	-	54	-	-	-	-	54	(755)	(701)
Profit for the period ended 31 March 2015	-	17,750	-	-	-	-	17,750	(35)	17,715
Equity at 31 March 2015	99,999	460,253	(2,660)	4,838	30,243	17,784	610,457	483	610,940
Equity at 1 January 2016	100,000	504,504	(1,469)	4,611	28,722	18,418	654,787	306	655,093
Change in consolidation scope and equity effect	-	(1,427)	-	-	271	-	(1,156)	-	(1,156)
Net change in stock grant reserve	-	-	-	1,645	-	-	1,645	-	1,645
Other comprehensive income (expense), net of taxes	-	-	6,904	-	(8,426)	(2,074)	(3,596)	(8)	(3,604)
Profit for the period ended 31 March 2016	-	19,744	-	-	-	-	19,744	(8)	19,736
Equity at 31 March 2016	100,000	522,821	5,435	6,256	20,567	16,344	671,424	290	671,714

2. Notes to the condensed interim consolidated financial statements at 31 March 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 31 March 2016 is drafted in accordance with article 154-ter.5 of Legislative decree no. 58/98 (the Consolidated Finance Act) and subsequent amendments and integrations and in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

This interim financial report was approved and authorised for publication by the board of directors in accordance with ruling legislation in the meeting held on 5 May 2016.

As per IAS 34 "Interim financial reporting", the notes to the condensed interim consolidated financial statements do not include all disclosures required for the preparation of the annual financial statements, as they refer only to those items that are essential to understand the group's financial position, results of operations and cash flows given their amount, breakdown or changes therein. These condensed interim consolidated financial statements should, therefore, be read in conjunction with the 2015 annual consolidated financial statements.

The accounting policies used for the condensed interim consolidated financial statements are unchanged from those of the 2015 annual consolidated financial statements.

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

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

2.3 Consolidation scope

Ansaldo STS group's condensed interim consolidated financial statements at 31 March 2016 include the interim financial statements at 31 March 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, 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 directors, to date, the above transactions will not generate significant liabilities for 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 current and previous years:

	Spot rate at 31/03/2016	Average rate for the quarter ended 31/03/2016	Spot rate at 31/03/2015	Average rate for the quarter ended 31/03/2015
USD	1.11940	1.10161	1.08560	1.12823
CAD	1.47410	1.51621	1.35800	1.39591
GBP	0.78450	0.77023	0.72980	0.74385
HKD	8.68350	8.56544	8.41810	8.75014
SEK	9.26900	9.32536	9.31780	9.38559
AUD	1.49010	1.53032	1.39400	1.43138
INR	74.47430	74.41686	67.87000	70.21419
MYR	4.47120	4.62873	3.99940	4.08081
BRL	4.07950	4.30333	3.48460	3.22003
CNY	7.28730	7.20939	6.74780	7.03635
VEB	11,180.00000	7,770.03000	6,830.70000	7,098.96667
BWP	12.49320	12.47898	10.72520	10.93717
ZAR	17.31560	17.47713	13.05040	13.23614
KZT	383.80400	392.47298	201.53100	208.35910
JPY	127.13000	126.94419	129.39000	134.33753
AED	4.10932	4.04401	3.98524	4.14308
KRW	1,306.67000	1,324.18538	1,199.43000	1,241.83264

3. Segment reporting

A breakdown of revenue by geographical segment is as follows:

(€'000)	First quarter of 2016	First quarter of 2015
Italy	64,289	57,263
Rest of Europe	82,319	71,996
North Africa and Middle East	25,759	8,552
Americas	56,483	53,054
Asia/Pacific	62,359	93,716
Total	291,209	284,581

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

(€'000)	31.03.2016	31.12.2015
Italy	108,771	110,055
Rest of Europe	13,980	14,340
North Africa and Middle East	746	184
Americas	11,674	12,354
Asia/Pacific	1,483	1,625
Total	136,654	138,558

4. Notes to the condensed interim consolidated financial statements at 31 march 2016

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 31.03.2016 (€'000)	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
Parent Company						
Hitachi Rail Europe LTD	-	-	-	301	-	301
Hitachi LTD	-	-	-	150	-	150
Associates						
International Metro Service S.r.l.	-	-	-	84	-	84
Metro 5 S.p.A.	-	21,038	-	1,700	-	22,738
Metro Brescia S.r.l.	-	-	-	1,119	-	1,119
Joint ventures						
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	2,596	-	2,596
Consortia						
Saturno consortium	-	-	-	25,500	-	25,500
M4 consortium	-	-	563	-	-	563
Ascosa Quattro consortium	-	-	-	1,157	-	1,157
Ferrovioario Vesuviano consortium	-	-	-	1,168	-	1,168
MM4 consortium	-	182	-	12,592	-	12,774
San Giorgio Volla Due consortium	-	-	-	1,177	4	1,181
San Giorgio Volla consortium	-	-	-	1,421	-	1,421
Alifana S.c.r.l.	-	-	-	134	-	134
Alifana Due S.c.r.l.	-	-	-	404	-	404
Other group companies						
Metro Service A.S.	-	-	-	867	-	867
I.M. Intermetro S.p.A. (in liq.)	-	-	-	389	-	389
Metro de Lima Linea 2 S.A.	-	296	-	-	-	296
Hitachi Rail Inc.	-	-	-	158	-	158
Hitachi Rail Italy S.p.A.	-	-	388	6,834	-	7,222
Total	-	21,516	951	57,751	4	80,222
% of the total corresponding condensed interim consolidated financial statements caption		52%	3%	9%	0.1%	

FINANCIAL ASSETS AT 31.12.2015 (€'000)	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
Parent Company						
Hitachi Rail Europe LTD	-	-	-	301	-	301
Associates						
International Metro Service S.r.l.	-	-	-	121	-	121
Metro 5 S.p.A.	-	20,733	-	1,733	-	22,466
Metro Brescia S.r.l.	-	-	-	1,070	-	1,070
Joint ventures						
Balfour Beatty Ansaldo Systems 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
Alifana S.c.r.l.	-	-	-	128	-	128
Alifana Due S.c.r.l.	-	-	-	360	-	360
SP M4 S.C.p.A.	-	-	563	-	-	563
Other group companies						
Metro de Lima linea 2 S.A.	-	296	-	-	-	296
Metro Service A.S.	-	-	-	512	-	512
I.M. Intermetro S.p.A. (in liq.)	-	-	-	389	-	389
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%	0.0%	

FINANCIAL LIABILITIES AT 31.03.2016 (€'000)	Non-current loans and borrowings	Other non- current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
Parent Company						
Hitachi Rail Europe LTD	-	-	-	52	-	52
Associates						
Metro Brescia S.r.l.	-	-	-	153	-	153
Consortia						
Saturno consortium	-	-	-	3,533	5	3,538
Ascosa Quattro consortium	-	-	-	132	8	140
MM4 consortium	-	-	-	819	-	819
San Giorgio Volla Due consortium	-	-	-	8	-	8
Ferroviano Vesuviano consortium	-	-	-	145	8	153
San Giorgio Volla consortium	-	-	-	1	8	9
Alifana S.c.r.l.	-	-	-	93	3	96
Alifana Due S.c.r.l.	-	-	-	201	-	201
Other group companies						
Metro Service A.S.	-	-	-	10,166	-	10,166
I.M. Intermetro S.p.A. (in liq.)	-	-	-	2	-	2
MetroB S.r.l.	-	-	-	-	370	370
Hitachi Rail Italy S.p.A.	-	-	-	8,247	-	8,247
Total	-	-	-	23,552	402	23,954
% 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 financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	Total
Parent Company						
Hitachi Rail Europe LTD	-	-	-	93	3	96
Associates						
Metro Brescia S.r.l.	-	-	-	142	-	142
Metro 5 S.p.A.	-	-	-	1	-	1
I.M. Intermetro S.p.A. (in liq.)	-	-	-	2	-	2
Joint ventures						
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
Alifana Due S.c.r.l.	-	-	-	313	-	313
Other group companies						
MetroB S.r.l.	-	-	-	-	370	370
Metro Service A.S.	-	-	-	4,821	-	4,821
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%	

Trade receivables and payables due from/to related parties are substantially in line with the 31 December 2015 balance.

Non-current assets

Non-current assets totalled €306,623 thousand at 31 March 2016, as follows:

(€'000)	31.03.2016	31.12.2015
Intangible assets	50,696	51,546
Property, plant and equipment	85,958	87,012
Equity investments	72,677	69,041
Loans and receivables	41,546	41,832
Deferred tax assets	38,136	39,487
Other non-current assets	17,610	18,332
Total	306,623	307,250

Specifically:

- intangible assets amount to €50,696 thousand and mainly include goodwill (€34,569 thousand). The group recognised intangible assets of €972 thousand relating to the Satellite and Rail Telecom project during the quarter. Amortisation for the period totalled €1,473 thousand;
- property, plant and equipment of €85,958 thousand mainly include the parent's properties. They increased by €1,659 thousand during the quarter. Depreciation for the period totalled €2,402 thousand;
- equity investments increased by €3,636 thousand to €72,677 thousand on 31 December 2015, mainly due to the share of profits (losses) of equity-accounted investees, namely International Metro Service S.r.l. (€1,460 thousand), Metro 5 S.p.A. (€1,700 thousand), Metro Brescia S.r.l. (€195 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€281 thousand);
- non-current loans and receivables of €41,546 thousand are substantially in line with the 31 December 2015 balance;
- deferred tax assets decreased by €1,351 thousand to €38,136 thousand, principally relating to the parent and the French and US subsidiaries;
- other non-current assets of €17,610 thousand show a decrease of €722 thousand, mostly due to the reduction of the non-current prepaid trademark licence fees.

Non-current liabilities

Non-current liabilities of €56,443 thousand at the reporting date are made up as follows:

(€'000)	31.03.2016	31.12.2015
Employee benefits	33,807	33,155
Deferred tax liabilities	10,655	10,365
Other non-current liabilities	11,981	11,792
Total	56,443	55,312

Specifically:

- the employee benefits, which include the Italian post-employment benefits and other employee benefit obligations, rose €652 thousand to €33,807 thousand compared to 31 December 2015;
- deferred tax liabilities increased by €290 thousand to €10,655 thousand.

Inventories

Inventories totalled €125,350 thousand at the reporting date, as follows:

(€'000)	31.03.2016	31.12.2015
Raw materials, consumables and supplies	22,356	19,383
Work-in-progress and semi-finished products	14,464	12,314
Finished goods	12,362	10,854
Advances to suppliers	76,168	78,666
Total	125,350	121,217

The net increase for period of €4,133 thousand is due to the increase in raw materials, semi-finished products and finished goods (€6,631 thousand), partially offset by the decline in advances to suppliers (€2,498 thousand).

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

Work-in-progress, net of progress payments and advances from customers, is a negative €211,325 thousand. It can be analysed as follows:

(€'000)	31.03.2016	31.12.2015
Advances from customers	(134,460)	(65,594)
Progress payments	(1,842,838)	(1,842,741)
Work-in-progress	2,420,130	2,298,527
Provision for expected losses to complete contracts	(18,958)	(14,947)
Allowance for write-down	(28,371)	(28,892)
Work-in-progress (net)	395,503	346,353
Advances from customers	(305,907)	(384,195)
Progress payments	(1,782,271)	(1,749,832)
Work-in-progress	1,489,781	1,513,214
Provision for expected losses to complete contracts	(3,731)	(10,272)
Allowance for write-down	(4,700)	(4,700)
Progress payments and advances from customers (net)	(606,828)	(635,785)
Work-in-progress, net of progress payments and advances from customers	(211,325)	(289,432)

The overall carrying amount increased by €78,107 thousand mainly due to production in excess of revenue during the first quarter 2016.

Trade receivables and payables

Trade receivables and payables at 31 March 2016 are made up as follows:

(€'000)	31.03.2016		31.12.2015	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Third parties	575,186	424,410	604,606	390,726
Related parties	57,751	23,552	58,952	25,247
Total	632,937	447,962	663,558	415,973

The overall decrease in trade receivables (€30,621 thousand) and the increase in trade payables (€31,989 thousand) on the previous year-end balances are mainly due to positions of the parent.

Provisions for risks and charges

Provisions for risks and charges amount to €11,814 thousand at 31 March 2016 and are substantially in line with 31 December 2015 (€11,126 thousand).

Other assets/liabilities

Other current liabilities, net, of €16,558 thousand, are made up as follows:

(€'000)	31.03.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Prepayments - current portion	10,312	-	8,328	-
Research grants	17,223	-	18,046	-
Employees	4,325	45,380	1,340	34,995
Social security institutions	78	14,746	50	17,611
Indirect and other tax assets	41,929	14,776	42,678	15,079
Derivatives	5,299	9,009	5,367	14,612
Other	15,077	26,492	16,117	28,556
Total	94,243	110,403	91,926	110,853
Related parties	4	402	4	402
Total	94,247	110,805	91,930	111,255

Details of the main items are set out below:

- prepayments of €10,312 thousand increased by €1,984 thousand on 31 December 2015, mainly due to prepaid insurance premiums and prepaid commissions on sureties for taking part to bids;
- net liabilities at the end of the period to employees of €41,055 thousand rose by €7,400 thousand on 31 December 2015 due to the deferred remuneration recognised in the period;
- net indirect and other tax assets amount to €27,153 thousand and are substantially in line with the 31 December 2015 balance (€27,599 thousand);
- other liabilities, net, of €11,415 thousand dropped by €1,024 thousand from €12,439 thousand at 31 December 2015.

Financial disclosure

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

(€'000)	31.03.2016	31.12.2015
A. Cash-in-hand	140	126
B. Other cash and cash equivalents (bank current accounts)	292,241	304,180
C. Securities held for trading	-	-
D. CASH AND CASH EQUIVALENTS (A+B+C)	292,381	304,306
E. CURRENT LOAN ASSETS	36,189	38,496
F. Current bank loans and borrowings	300	21
G. Current portion of non-current loans and borrowings	-	-
H. Other current loans and borrowings	-	4,107
I. CURRENT FINANCIAL DEBT (F+G+H)	300	4,128
J. NET CURRENT FINANCIAL POSITION (I-E-D)	(328,270)	(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)	(328,270)	(338,674)

Analysis of the income statement

Impact of related party transactions on profit or loss

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

First quarter of 2016 (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Parent Company						
Hitachi LTD	30	-	-	-	-	-
Associates						
Metro 5 S.p.A.	1,187	306	27	-	-	-
International Metro Service S.r.l.	(76)	6	-	-	-	4
Metro Brescia S.r.l.	135	(6)	9	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	150	-	40	-	-	-
Consortia						
Saturno consortium	7,758	-	(303)	-	-	-
Ascosa Quattro consortium	(26)	-	-	-	-	-
SanGiorgio Volla 2 consortium	478	-	(36)	-	-	-
Ferroviano Vesuviano consortium	27	-	-	-	-	-
MM4 consortium	5,407	-	105	-	-	-
Alifana Due S.c.r.l.	38	-	48	-	-	-
Other group companies						
Metro Service A.S.	1,656	-	13,870	-	-	-
I.M. Intermetro S.p.A. (in liq.)	1	-	-	-	-	-
Hitachi Rail Italy S.p.A.	2,346	-	3,794	-	-	-
Hitachi Rail Inc.	33	-	-	-	-	-
Total	19,144	306	17,554	-	-	4
% of the total corresponding condensed interim consolidated financial statements caption	7%	5%	9%	0%	0%	0.1%

First quarter of 2015 (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Parent Company						
Finmeccanica S.p.A. (*)	-	-	1,031	3	18	-
Associates						
Metro 5 S.p.A.	228	-	(10)	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	95	-	-	-
Metro Brescia S.r.l.	130	45	-	-	-	-
Joint ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(966)	-	1	-	-	-
Consortia						
Saturno consortium	3,354	-	560	-	-	-
SanGiorgio Volla 2 consortium	2,936	-	-	-	-	-
MM4 consortium	2,414	-	133	-	-	-
SanGiorgio Volla consortium	(7)	-	(4)	-	-	-
Alifana Due S.c.r.l.	65	-	39	-	-	-
Other group companies						
AnsaldoBreda S.p.A. (**)	2,464	-	2,485	-	-	-
Telespazio S.p.A. (*)	-	-	1	-	-	-
Fata Logistic System S.p.A. (*)	-	-	379	-	-	-
Fata S.p.A. (*)	-	-	69	-	-	-
Finmeccanica Global Service S.p.A. (*)	-	-	60	-	-	-
Finmeccanica U.K. Ltd (*)	-	-	33	-	-	-
Selex ES S.p.A. (*)	74	-	2,145	-	-	-
E Security S.r.l. (*)	-	-	60	-	-	-
Metro Service A.S.	-	-	9,362	-	-	-
Metro 5 Lilla S.r.l.	3,462	-	131	-	-	-
Other - MEF (*)						
Ferrovie dello Stato group	26,998	-	342	-	-	-
Eni group	2,207	-	8	-	-	-
Enel group	-	-	20	-	-	-
Total	43,359	45	16,940	3	18	-
% of the total corresponding condensed interim consolidated financial statements caption	15%	0.6%	9%	0.01%	0.1%	0%

(*) 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..

Related party transactions in the first quarter of 2015 included transactions with companies which at that time were considered to be part of Finmeccanica group. The decline in related party revenue in the first quarter of 2016 is mainly due to the reclassification of these transactions to third parties starting from 2 November 2015, the date on which Hitachi acquired Finmeccanica S.p.A.'s entire investment.

Related party costs in the reporting period increased by €614 thousand to €17,554 thousand on the corresponding period of the previous year (€16,940 thousand) due to greater costs from Metro Service A.S. only partially offset by the above-mentioned reclassification of Finmeccanica group companies to third parties.

Revenue

Revenue rose €6,628 thousand to €291,209 thousand from €284,581 thousand for the corresponding period of the previous year (reference should be made to the directors' report for further details).

Other operating income

(€'000)	First quarter of	
	2016	2015
Reversals of provisions for risks and charges	700	92
Royalties	104	-
Exchange rate gains on operating items	2,917	5,932
Tax asset for R&D	558	450
Other operating income	2,082	1,537
Other third party operating income	6,361	8,011
Other related party operating income	306	45
Total other operating income	6,667	8,056

Other operating income amounted to €6,667 thousand, down €1,389 thousand compared to €8,056 thousand in the corresponding period of the previous year. The decrease is related to smaller income and exchange rate gains on operating items.

Purchases and services

(€'000)	First quarter of	
	2016	2015
Materials	70,967	60,894
Change in inventories	(3,068)	(3,287)
Services	94,963	102,903
Rentals and operating leases	4,579	5,111
Total third party purchases and services	167,441	165,621
Total related party purchases and services	17,554	16,940
Total purchases and services	184,995	182,561

Purchases and services increased by €2,434 thousand as a result of larger production volumes.

Personnel expense

(€'000)	First quarter of	
	2016	2015
Wages and salaries	64,653	64,444
Stock grant plans and LTIPs	1,796	645
Social security and pension contributions	14,926	14,007
Italian post-employment benefits	106	73
Other defined benefit plans	167	167
Other defined contribution plans	718	914
Restructuring costs	-	-
Ongoing disputes with personnel	48	124
Recovery of personnel expense	-	-
Other incentives to employees	-	-
Other costs	3,790	948
Total personnel expense	86,204	81,322

Personnel expense increased by €4,882 thousand to €86,204 thousand from €81,322 thousand in the corresponding period of the previous year, mainly due to the recognition of the accounting effects of transactions with key personnel.

Amortisation, depreciation and impairment losses

Specifically:

(€'000)	First quarter of	
	2016	2015
Amortisation of intangible assets	1,744	1,473
Depreciation of property, plant and equipment	2,402	2,278
Impairment losses	47	470
Total amortisation, depreciation and impairment losses	4,193	4,221

The balances in the two reporting periods are substantially unchanged.

Other operating expense

(€'000)	First quarter of	
	2016	2015
Accruals to the provisions for risks and charges	1,868	-
Membership fees	205	375
Losses to complete contracts	(1,749)	(1,339)
Exchange rate losses on operating items	2,639	2,966
Interest and other operating expense	223	402
Indirect taxes	846	870
Other operating expense	352	574
Total other third party operating expense	4,384	3,848
Other related party operating expense	4	-
Total other operating expense	4,388	3,848

Other operating expense increased by €540 thousand on the corresponding period of the previous year mainly due to the accrual to the provision for risks and charges for product warranties, partially offset by the reversal of greater losses to complete contracts.

Internal work capitalised

(€'000)	First quarter of	
	2016	2015
Internal work capitalised	1,088	1,438

Internal work capitalised mainly relates to the parent Ansaldo STS S.p.A. (€1,034 thousand); it mainly consists of intangible assets and, in particular, work performed on the Satellite and Rail Telecom project.

Net financial expense

(€'000)	First quarter of					
	2016			2015		
	Income	Expense	Net	Income	Expense	Net
Interest and fees	218	116	102	170	676	(506)
Exchange rate gains and losses	6,177	6,399	(222)	20,849	21,388	(539)
Fair value gains and losses	167	454	(287)	166	2,186	(2,020)
Interest on Italian post-employment benefits	-	86	(86)	-	71	(71)
Interest on other defined benefit plans	-	72	(72)	-	66	(66)
Other financial income and expense	-	79	(79)	-	106	(106)
Total net financial expense	6,562	7,206	(644)	21,185	24,493	(3,308)
Net related party financial income (expense)	-	-	-	3	18	(15)
Total	6,562	7,206	(644)	21,188	24,511	(3,323)

Net financial expense amounted to negative €644 thousand compared to negative €3,323 thousand in the corresponding period of the previous year.

The improvement of this balance is mainly due to the smaller net exchange rate losses and net fair value losses on derivatives still in place at the end of the reporting period.

The share of profits (losses) of equity-accounted investees came to €4,203 thousand and relates to the profits (losses) of Metro 5 S.p.A., International Metro Service S.r.l., Metro Brescia S.r.l. and Balfour Beatty Ansaldo Systems JV SDN BHD.

(€'000)	First quarter of					
	2016			2015		
	Income	Expense	Net	Income	Expense	Net
Share of profits (losses) of equity-accounted investees	4,203	-	4,203	5,235	-	5,235
Total	4,203	-	4,203	5,235	-	5,235

Income taxes

(€'000)	First quarter of	
	2016	2015
IRES	1,900	655
IRAP	297	109
Other foreign taxes	4,014	8,005
Prior year taxes	383	4
Net deferred tax (income) expense	623	(801)
Total	7,217	7,972

Income taxes for the reporting period amount to €7,217 thousand compared to €7,972 thousand for the first quarter of 2015.

The €755 thousand decrease is attributable to the different mix of the consolidated taxable base.

The tax rate at 31 March 2016 is 26.8% (31.0% at 31 March 2015).

5. Earnings per share

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

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

Basic EPS	31.03.2016	31.03.2015
Average shares outstanding during the period	200,000,000	199,998,595
Profit for the period (€'000)	19,736	17,715
Basic and diluted EPS	0.10	0.09

6. Financial risk management

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

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

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

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

(local currency '000)	Sell16	Buy16	31.03.2016	Sell15	Buy15	31.03.2015
Euro	21,482	40,863	62,345	38,832	63,556	102,388
US dollar	330,936	66,620	397,556	348,298	80,839	429,137
Pound sterling	10,014	-	10,014	10,551	-	10,551
Swedish krona	-	29,849	29,849	868	27,999	28,867
Australian dollar	-	34,436	34,436	-	46,270	46,270
Hong Kong dollar	1,291	-	1,291	505	-	505
Indian rupee	5,133	-	5,133	5,447	-	5,447
United Arab Emirates dirham	12,510	-	12,510	5,019	-	5,019

The net fair value of the derivatives in place (both fair value and cash flow hedges) at 31 March 2016 is a negative €3,711 thousand.

7. Significant non-recurring events and transactions

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

8. Atypical and/or unusual transactions

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

9. Outlook

To date, 2016 production volumes and profitability are expected to be in line with those of 2015.

10. Disclosure on the opt-out regime

Pursuant to article 70.8 of the Issuer regulation, we note that, 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 transactions such as mergers, demergers, share capital increases via contributions in kind, acquisitions and sales.

London (GB), 5 May 2016

On behalf of the board of directors
The Chairperson
Alistair Dormer
(signed on the original)

Annex A: Statement pursuant to Article 154-bis.2 of Legislative Decree no. 58/1998

In accordance with the provisions of article 154-*bis*.2 of the Consolidated Finance Act, the undersigned, Roberto Carassai, Manager in charge of financial reporting of Ansaldo STS S.p.A., states that the interim financial report at 31 March 2016 is consistent with the accounting evidence, ledgers and records.

Milan, 5 May 2016

The Manager in charge of financial reporting
Roberto Carassai
(signed on the original)

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A Hitachi Group Company

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