

**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2018**

**Ansaldo STS** A Hitachi Group Company



Directors' Report as at 30 September 2018

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# Directors' Report as at 30 September 2018

## Introduction

The Group's financial performance was generally satisfactory for the first nine months of 2018 and can be summarised as follows:

## Key performance indicators

(€K)	30.09.2018	30.09.2017	Change	31.12.2017
<b>New Orders</b>	<b>630,349</b>	915,488	(285,139)	1,500,823
<b>Orders Backlog</b>	<b>6,064,112</b>	6,384,461	(320,349)	6,457,458
<b>Revenues from contract with customers</b>	<b>983,887</b>	945,035	38,852	1,360,967
<b>Operating profit (EBIT)</b>	<b>80,842</b>	84,542	(3,700)	100,827
<b>Net profit/loss</b>	<b>61,060</b>	61,574	(514)	64,868
<b>Net working capital</b>	<b>177,534</b>	182,914	(5,380)	127,168
<b>Net invested capital</b>	<b>440,079</b>	438,520	1,559	371,458
<b>Net Financial Position (receivables)</b>	<b>(315,820)</b>	(295,703)	(20,117)	(357,535)
<b>Free Operating Cash Flow</b>	<b>(39,703)</b>	(35,213)	(4,490)	30,570
<b>R.O.S.</b>	<b>8.2%</b>	8.9%	-0.7 p.p.	7.4%
<b>R.O.E.</b>	<b>8.6%</b>	13.4%	-4.8 p.p.	9.0%
<b>V.A.E.</b>	<b>32,536</b>	32,901	(365)	34,002
<b>Research and development</b>	<b>31,171</b>	28,584	2,587	41,344
<b>Headcount (no.)</b>	<b>4,275</b>	4,161	114	4,228

Ansaldo STS Group recognised a net profit of €61.1 million for the period under examination, compared to €61.6 million for the corresponding period of the previous year. Revenue came to €983.9 million, up on the figure recorded in September 2017 (€945.0 million), and ROS was 8.2%, compared to 8.9% in the corresponding period of 2017. It should be noted that starting from 1 January 2018, the Group applied the new IFRS 15 accounting standard on recognition of revenues from customer contracts; of particular note, for the first nine months of 2018, the overall difference in terms of revenues from customer contracts and EBIT, if the new rule had not been applied, would have amounted to approximately €5.8 million, which would attest to a ROS of approximately 8.8%, practically in line with the first nine months of the previous year.

In detail:

Orders totalled €630.3 million compared to €915.5 million as at 30 September 2017; the orders backlog amounted to €6,064.1 million (€6,384.5 million as at 30 September 2017 and €6,457.5 million as at 31 December 2017).

Revenue totalled €983.9 million compared to €945.0 million in the same period of 2017 (+4.1%).

Operating profit (EBIT) stood at €80.8 million compared to €84.5 million in the same period of 2017. ROS was 8.2% compared to 8.9% in the previous year. The reasons for this decrease are expounded upon in the Notes to the income statement.

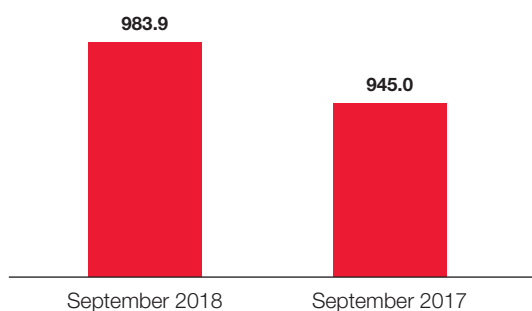
Net profit stood at €60.1 million (€61.6 million in the same period of 2017).

The Group's net financial position decreased from -€357.5 million as at 31 December 2017 (-€295.7 million as at 30 September 2017) to -€315.8 million.

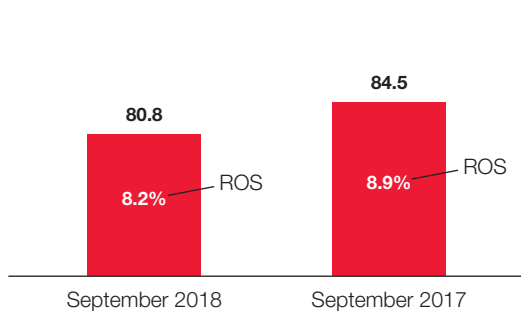
Research and Development expense amounted to €31.2 million, an increase of €2.6 million (€28.6 million in the same period of 2017).

The Group's workforce as at 30 September 2018 numbered 4,275, an increase of 114 compared to 4,161 as at 30 September 2017 (4,228 employees as at 31 December 2017); the average number of employees was 4,181, an increase of 120 net employees compared to 4,061 employees in the same period of the previous year (4,081 employees on average for 2017).

#### Revenues from contract with customer as at 30 September 2018 and 2017 (€m)



#### EBIT and ROS as at 30 September 2018 and 2017 (€m)



The process of updating and preparing a Strategic Framework, the Strategic Business Overview, was completed in the first half of the year. Markets were analysed in a structured manner, the possible positioning of the Group was assessed and consequent actions were defined.

In particular, the process of reviewing and updating the current organisational structure was initiated; it includes:

- Two regional Business Units – Europe, Middle East & Africa (EMEA) and Americas & Asia-Pacific (Americas & APAC) – moving away from a market sector approach (Railways & Mass Transit and Freight) to a regional one, in order to strengthen customer focus by leveraging the Group's global presence;
- A new Business Operation & Maintenance (O&M) Unit, an organisational unit aimed at supporting the evolution towards a "Full Service Provider" approach;
- An integrated organisational Technology Unit for the integration of global skills in Engineering, Roll out, Product Development, Verification and Validation (product/system);
- A global Supply Chain & Construction organisational unit for the global unification and management of activities at group level;
- A new Innovation organisational unit, a structure dedicated to the aggregation and development of capabilities and supply in the field of innovation;
- A global support unit for Technical Compliance and Information Technology (IT) activities for integrated management of HSE, Quality, Certification and IT responsibilities.

This organisational development, approved by the Board of Directors, represents an enabling component for the Group's growth strategy. The change will be implemented in stages with the first changes taking effect in the last quarter of 2018. The objective is to finalise the anticipated organisational structure by the first half of 2019.

It should also be noted that the Shareholders' Meeting held on 10 May approved the change of the financial year-end from 31 December to 31 March of each year, and therefore the current financial year will have a duration of 15 months and will run from 1 January 2018 to 31 March 2019.

Finally, in September, Ansaldo STS S.p.A. received a letter of award from the ArRiyadh Development Authority (ADA) relating to the Operation & Maintenance contract for Lines 3, 4, 5 and 6 of the Riyadh metro.

In order to provide further information on the economic and financial situation of the Group, the following reclassified financial statements are provided: Consolidated income statement, Consolidated statement of financial position, Consolidated net financial position and Consolidated statement of cash flows.

The Group's performance as at September 2018 and 2017 is shown in the following table:

<b>Consolidated income statement</b> (€K)	<b>For the first nine months of</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues from contracts with customers</b>	<b>983,887</b>	<b>945,035</b>
Purchase and personnel cost (*)	(900,256)	(852,674)
Amortisation, depreciation and write-downs	(17,161)	(12,630)
Other net operating income (costs) (**)	4,943	1,762
Change in work in progress, semi-finished, and finished work	9,429	3,049
<b>Adjusted EBIT</b>	<b>80,842</b>	<b>84,542</b>
Restructuring costs	-	-
<b>Operating profit (EBIT)</b>	<b>80,842</b>	<b>84,542</b>
Net financial income (expense)	1,742	1,998
Income taxes	(21,524)	(24,966)
<b>Profit (loss) before non-current assets held for sale</b>	<b>61,060</b>	<b>61,574</b>
Profit (loss) from non-current assets held for sale	-	-
<b>Profit for the period</b>	<b>61,060</b>	<b>61,574</b>
<i>attributable to the owners of the parent</i>	<i>61,071</i>	<i>61,582</i>
<i>attributable to non-controlling interests</i>	<i>(11)</i>	<i>(8)</i>
<b>Earnings per share</b>		
<i>Basic and Diluted</i>	<i>0.31</i>	<i>0.31</i>

Linked entries between the reclassified consolidated income statement and consolidated income statement:

(\*) Includes the items "Costs for purchases", "Services", "Personnel costs" (net of restructuring costs, net of "Internal work capitalised").

(\*\*) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs and write-downs).

In summary, the value of the operating profit decreased compared to that recorded in the first nine months of the previous financial year (-€3.7 million) as the effect of higher production volumes was offset by increased research and development activities and by the impact, as previously reported, of the application of the new IFRS 15 accounting standard (-€5.8 million). The combined effect of lower overall net financial income and expense (-€0.3 million) and lower tax burden (+€3.5 million), due in part to lower taxable income and in part to the different mix of pre-tax profits (losses), together with the above, determined the change in net profit (-€0.5 million).

The Group's reclassified consolidated statement of financial position as at 30 September 2018 is set out in the table below:

Consolidated statement of financial position (€K)	30.09.2018	31.12.2017
Non-current assets	323,600	305,070
Non-current liabilities	(61,056)	(60,780)
	<b>262,544</b>	<b>244,290</b>
Inventories	128,760	110,995
Contract Assets	461,464	379,590
Trade receivables	652,609	736,664
Trade payables	(365,246)	(413,639)
Contract Liabilities	(674,050)	(683,036)
<b>Working capital</b>	<b>203,537</b>	<b>130,574</b>
Provisions for risks and charges	(37,235)	(15,967)
Other net assets/(liabilities) (*)	11,232	12,561
<b>Net working capital</b>	<b>177,534</b>	<b>127,168</b>
<b>Net invested capital</b>	<b>440,079</b>	<b>371,458</b>
Group Equity	755,891	728,892
Minority interests	7	101
<b>Shareholders' equity</b>	<b>755,898</b>	<b>728,993</b>
Non-current assets held for sale	-	-
<b>Net financial position</b>	<b>(315,820)</b>	<b>(357,535)</b>

Linked entries between the reclassified consolidated statement of financial position and the consolidated statement of financial position:  
 (\*) Includes "Tax receivables", "Other current assets" and "Derivative assets", net of "Tax payables", "Other current liabilities" and "Derivative liabilities".

Net invested capital totals €440.1 million, up on €371.5 million as at 31 December 2017 (€438.5 million as at 30 September 2017); the increase of €68.6 million is due to the rise in other net non-current assets and liabilities (€18.3 million) mainly due to the recognition of deferred tax assets following the adoption of the new IFRS 15 accounting standard and of the net working capital (€50.4 million) as a result of the increase in total net inventories and the reduction in trade payables, partly offset by the decrease in trade receivables.

The net financial position as at 30 September 2018 compared to the data as at 31 December 2017 is set out in the statement below:

(€K)	30.09.2018	31.12.2017
Short-term debts	278	424
Medium/long-term loans and borrowings	-	-
Cash and cash equivalents	(282,968)	(327,326)
<b>BANK LOANS AND BORROWINGS</b>	<b>(282,690)</b>	<b>(326,902)</b>
Financial receivables from related parties	-	(232)
Other financial receivables	(33,130)	(30,401)
Current financial assets at fair value through profit or loss	-	-
<b>FINANCIAL RECEIVABLES</b>	<b>(33,130)</b>	<b>(30,633)</b>
Financial liabilities towards related parties	-	-
Other short-term financial debts	-	-
Other medium/long-term loans and borrowings	-	-
<b>OTHER DEBTS</b>	<b>-</b>	<b>-</b>
<b>NET FINANCIAL POSITION</b>	<b>(315,820)</b>	<b>(357,535)</b>

As at 30 September 2018, the Group's net financial position (greater financial receivables and cash and cash equivalents than loans and borrowings) was -€315.8 million, compared to -€357.5 million as at 31 December 2017 and -€295.7 million as at 30 September 2017.

It is noted that the financial receivables record the value of the Libyan dinar, which was received in advance by the local party on the first of the two contracts acquired in Libya by the parent company and deposited at a local bank and tied up pending the resumption of the activities (€28.4 million).

The consolidated statement of cash flows for the period ended 30 September 2018 follows:

(€K)	30.09.2018	30.09.2017
<b>Opening cash and cash equivalents</b>	<b>327,326</b>	<b>305,586</b>
Profit for the period	61,060	61,574
Share of profits (losses) of equity-accounted investees	(3,266)	(5,808)
Income taxes	21,524	24,966
Italian post-employment and other employee benefits	783	705
Stock grant plans	1,619	1,612
Gains (losses) on the sale of assets	(3)	(6)
Net financial income	1,524	3,810
Amortisation, depreciation and write-downs	17,161	12,630
Accruals to/reversals of provisions for risks	(637)	(3,218)
Other operating income/expense	(8,288)	(9,881)
Write-downs/write-backs of inventories and work in progress	20,340	11,600
<b>Gross cash flows from operating activities</b>	<b>111,817</b>	<b>97,984</b>
Net change in other operating assets and liabilities	(40,890)	(47,400)
<b>Funds From Operations</b>	<b>70,927</b>	<b>50,584</b>
Changes from (used in) working capital	(102,379)	(71,915)
<b>Cash flows from (used in) operating activities</b>	<b>(31,452)</b>	<b>(21,331)</b>
Cash flow from regular investing activities	(8,251)	(13,882)
<b>Free Operating Cash Flow</b>	<b>(39,703)</b>	<b>(35,213)</b>
Strategic investments	-	-
Other changes in investing activities	154	494
<b>Cash flows from (used in) investing activities</b>	<b>(8,097)</b>	<b>(13,388)</b>
Dividends paid	-	-
Cash flow from financing activities	(2,874)	(1,606)
<b>Cash flow from (used in) financing activities</b>	<b>(2,874)</b>	<b>(1,606)</b>
<b>Net exchange rate gains (losses)</b>	<b>(1,935)</b>	<b>(3,995)</b>
<b>Closing cash and cash equivalents</b>	<b>282,968</b>	<b>265,266</b>

Cash and cash equivalents increased by €17.7 million to €283.0 million as at 30 September 2018, compared to the corresponding period of the previous year.

The Free Operating Cash Flow (FOCF) used before strategic investments totalled €39.7 million compared to €35.2 million as at 30 September 2017.

It should be noted that in January 2018, in line with the agreement signed in December 2017 with the Swedish customer AB Storstockholms Lokaltrafik (SL), the outstanding advances of approximately €23.5 million were repaid plus VAT (€5.9 million) recovered in the half-year and plus interest (€1.7 million).



## Alternative “non-gaap” performance indicators

The management of Ansaldo STS assesses the economic performance and financial position of the Group also on the basis of a number of indicators not provided by the IFRS - EU.

As required by CESR communication 05 - 178b and considering the guidelines of the ESMA communication of 30 June 2015, Guidelines on Alternative Performance Measures, the components of each of these indicators are described below:

- **EBIT:** the Operating profit is equal to the unadjusted profit before income taxes and financial income and expense. It does not include income and expense on non-consolidated equity investments and securities or the gains (losses) on the disposal of consolidated equity investments, classified in “*Financial income and expense*” in the financial statements or, for equity-accounted investees, in the caption “*Share of profits (losses) of equity-accounted investees*”.
- **Free Operating Cash Flow (FOCF):** obtained as the sum of the cash flow generated (used) by the operations and cash flow generated (used) by investing activities and divestments in tangible and intangible assets and in equity investments, net of cash flows attributable to purchase or sale of shares *that, by their nature or significance, constitute themselves as “strategic investments”*. The FOCF construction *method for the financial years compared is presented* in the reclassified consolidated statement of cash flow in the paragraph relating to the consolidated financial standing.
- **Funds from Operations (FFO):** given by the cash flow generated (used) by operations, net of the component represented by changes in the working capital. The FFO construction method for the financial periods compared is presented in the reclassified consolidated statement of cash flow in the paragraph relating to the consolidated financial standing.
- **Economic value added (EVA):** the difference between operating profit net of income taxes and the cost of the average invested capital of the two periods under comparison, calculated using the weighted average cost of capital (WACC).
- **Net Working Capital:** includes trade receivables and payables, inventories, assets and liabilities from contracts and provisions for risks and charges, net of 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.
- **Return on Sales (ROS):** calculated as the ratio between EBIT and revenues from contracts with customers.
- **Return on Equity (ROE):** calculated as the ratio between the twelve-month net result and the average value of the net assets in the two periods compared.
- **Research and Development Costs:** the sum of costs incurred for research and development, expensed and sold. Normally, expensed research costs means costs referring to so-called “basic technology”, i.e., aimed at achieving new scientific and/or technical knowledge applicable to different new products and/or services. Sold research costs represent that commissioned by customers and for which there is a specific sales order and they are treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms.

## Other non-GAAP indicators

- **New orders:** the sum of the contracts signed with the buyers during the period considered, which generate the contractual characteristics to be included in the order book.
- **The Order backlog** shows revenues not yet recorded for orders received. The Order backlog at the end of the accounting period is calculated as follows:
  - order backlog at the beginning of the accounting period;
  - plus new orders during the period;
  - less revenues for the period;
  - less any changes to the initial portfolio following changes in the scope, exchange differences and any cancellations of orders.
- **Headcount:** the number of employees recorded in the company's register on the last day of the period reviewed.

# Report on operations

## Market and business scenario

Orders intake as at 30 September 2018 amounted to approximately €630 million (€915 million as at 30 September 2017). Below is the main information by geographic area:

### ITALY

Orders intake during the period amounted to approximately €198 million, including approximately €14 million relating to the framework agreement with RFI for the supply of LED signals and a further €13 million relating to the contract entered into with Trenitalia for the supply of ETCS level 2 on-board units on 116 trains. Again, as regards RFI, the following are worthy of note: the supply of the ERTMS signalling system for the Milan junction (€14 million) and the upgrade of signalling (SCC-M) on the Florence-Rome high-speed line (€11 million).

Also worth mentioning are the changes relating to the Piscinola-Capodichino section of the Alifana railway (€35 million) and Line 4 of the Milan underground (€12 million).

### REST OF EUROPE

Orders amount to approximately €86 million, mainly in France (€45 million) and in Denmark (€19 million).

In France, a contract was signed with RATP for the implementation of the OCTYS - Open Control of Train Interchangeable & Integrated System - (CBTC-based technology) to modernise a 14 km stretch, serving 28 stations on metro Line 6 (€18 million).

In Denmark, approximately €19 million was recorded for the Copenhagen project, of which approximately €8 million was for Hitachi Rail Italy train operations.

### MIDDLE EAST

Orders intake in the period totalled approximately €60 million.

These include €34 million for the new JV O&M contract for the metro serving Princess Noura University in Riyadh; Ansaldo STS has been working on the site since 2009, starting with the contract for the design and construction of the driver-less system serving the campus of the largest university for women in the world, which was completed on time in 2012. In the last 6 years Ansaldo STS has supported the main contractor in the construction of the campus, within its O&M activities.

Changes amounting to €21 million occurred on the Line 3 project.

It should be noted that in September, Ansaldo STS, as part of a consortium, received a letter awarding them the contract for the operation and maintenance of Lines 3, 4, 5 and 6 of the Riyadh metro, for a period of 12 years.

## AMERICAS

Orders received during the period amounted to approximately €128 million, of which approximately €38 million relates to the sale of components, maintenance and modernisation of freight lines.

It is worth mentioning that approximately €38 million related to the contract entered into with LIRR (Long Island Railroad) for the addition of the third track on the Floral Park-Farmingdale line, €17 million related to the contract entered into with the PAAC (Port Authority of Allegheny County) for the replacement of the “Trip Stop” automatic system, and finally, €15 million related to the contract entered into with LACMTA for the upgrade of the track circuits on Line 10 of the Los Angeles subway.

## ASIA-PACIFIC

Orders intake come to approximately €158 million, including roughly €91 million acquired in Australia and mainly relating to variations on mining and freight transport railway lines (Rio Tinto).

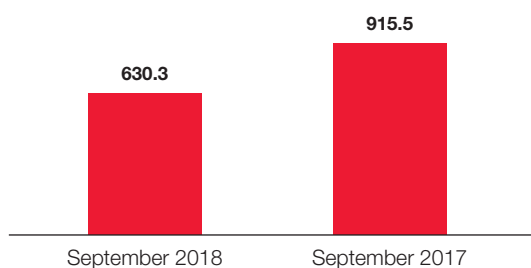
As far as the Far East is concerned, orders amount to approximately €48 million, including approximately €7 million relating to the contract entered into with the Shanghai Metro and in partnership with CASCO for the supply of track circuits on 31 new trains for Line 2 of the Shanghai metro and another €23 million relating to different contracts entered into with the partner Insignia for systems and components on Lines 6 and 11 of the Cheng Du metro.

Key orders acquired in the first nine months of 2018 are as follows:

Country	Project	Customer	Value (€m)
Australia	Rio Tinto – Change orders	Rio Tinto	74
U.S.A.	LIRR project extension from Floral Park to Hicksville – New York	Third track construction contract JV	38
Italy	Piscinola – Capodichino – order change	EAV	35
Saudi Arabia	Riyadh O&M (PNU)	Princess Noura Bint Abdulrahman University	34
France	OCTYS L6	RATP	18
U.S.A.	Trip Stop replacement	PAAC	17
U.S.A.	Los Angeles – replacement track circuits	LACMTA	15
Various EU / Asia	Service & Maintenance	Various	54
Various EU / Asia	Components	Various	53
U.S.A.	Components	Various	38

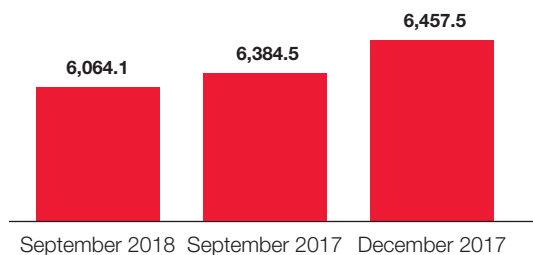
## Orders for the first nine months of 2018 and 2017 (€m)

### New orders



The orders portfolio amounts to €6,064.1 million as at 30 September 2018 compared to €6,457.5 million as at 31 December 2017, down by €393.4 million (€6,384.5 million as at 30 September 2017).

## Order backlog as at 30 September 2018 and 2017 (€m) and 31 December 2017



The orders portfolio in September 2018 includes the residual value of the currently-suspended contract for Libya for €425.7 million.

## Business performance

Revenue in the first nine months of 2018 totalled €984 million (€945 million as at 30 September 2017). Below is the main information by geographic area:

### ITALY

#### RAILWAYS:

In relation to the project for the technological upgrade of the Turin-Padua Line, phase 6.1 was completed in June, as scheduled.

With regard to the Florence-Rome direct line project, phase A design, procurement and installation activities have advanced; an amending act is also being negotiated to regulate all the changes encountered thus far, with respect to the plan.

In August, the activation of phase 2 of the new Brescia Centrale Central Automated System (ACC - Apparato Centrale Computerizzato) was successfully completed, as per the work plan.

#### MAINTENANCE & SERVICE AND SPARE PARTS:

As regards the manufacturing of components, activities concentrated mainly on the supply of spare parts for RFI (for the Conventional Network as well as High Speed), the production of electronic cards for Hitachi Rail Italy S.p.A., and the supply of components.

Activities related to the assistance concerned contracts with the RFI customer and technical assistance for systems under the outsourcing contract for FS services.

#### NAPLES METRO LINE 6:

Work on the Mergellina-Municipio section is proceeding, although there are delays with respect to the contractual schedule, mainly due to critical issues related to the construction of the ventilation chambers and the failure of the operator ANM to authorise access to sites.

#### ROME METRO LINE C:

In May, the San Giovanni station was opened for commercial use.

Excavation activities for the construction of section T3 (from San Giovanni to Fori Imperiali) are proceeding.

Economic and financial disputes of Metro C with the customer and of ASTS with Metro C are still ongoing and there have been no significant updates during the period.

#### MILAN METRO LINE 5:

The Milan Metro Line 5 project has been completed, and the entire line is currently operating. It should be noted that in July the test certificate for the Bignami - Garibaldi section was obtained.

**FLORENCE TRAM LINE**

In July, Line 3 of the Florence tram line entered into service.

Work continued on Line 2, which was delayed with respect to the contractual schedule, mainly due to critical issues generated due to the situation of one of the shareholders.

**MILAN METRO LINE 4:**

During the period, engineering and procurement activities continued; the first access to the line was granted and installation activities in the Expo section are ongoing.

A new schedule of works was defined with the customer, which provides for the opening of functional sections.

**GENOA METRO:**

In March, the last train provided for under the contract successfully became operational.

The actions required for the initiation of the second phase of works on the depot are being defined.

**REST OF EUROPE****TURKEY:**

With reference to the Mersin-Toprakkale project, in August the ETCS Level 1 system for Multistation 01 to 05 was put into operation; while the preparatory activities for the commissioning of the ETCS Level 1 system for Multistation 06 to 08 continued.

With regard to the Ankara metro, Line 1 with the CBTC system was put into operation in July.

**GREECE:**

With regard to the Thessaloniki project, design and procurement activities relating to technological systems are progressing and installation activities have begun.

With regard to the contract with Ergaose for the supply of on-board equipment, activities were completed with final acceptance from the customer.

**DENMARK:**

In Denmark, testing activities relating to the Cityringen Copenhagen metropolitan line continue. With regard to the construction of the tram line in the city of Aarhus, the Odderbane entered non-urban section went into service in August.

**SWEDEN:**

As regards the Red Line project for the Stockholm metro, at the beginning of April 2018 Ansaldo STS Sweden filed a request for arbitration against SL with the SCC Arbitration Institute, appointing its own arbitrator.

Note that the Red Line project as a whole carried out gross ongoing work amounting to €98 million with an allowance for impairment of around €35 million allocated following assessment of the risk deriving from the existing contractual termination dispute.

**UNITED KINGDOM:**

In the UK, design and procurement of technological systems continued in relation to the Glasgow metro, and installations began despite delays in the work plan.

With regard to the project for the technological upgrade of the signalling system on the Ferriby-Gilberdyke railway line, design activities are continuing, though they have been delayed as relates to the updated work plan.

**BELGIUM:**

In Belgium, work is continuing on the design and procurement of technological systems relating to the project for the technological upgrade of the signalling system on Lines 1 to 5 of the Brussels metro, despite delays in the work plan.

**FRANCE:**

In May, the PAI-NG Interlocking system at Rennes station became operational.

Work on developing the on-board system for the Bi-Standard project is continuing, behind schedule.

## NORTH AFRICA AND MIDDLE EAST

### SAUDI ARABIA:

In Saudi Arabia, work is progressing on the Riyadh Metro Line 3 project despite delays in the completion of civil works in comparison to timeframes in the updated work plan. In August, CBTC driverless dynamic testing began on the operational section.

### LIBYA:

The project with the local railways has been suspended and it is difficult at the moment to hypothesise a possible recovery of activities.

### MOROCCO:

In Morocco, work is progressing on the High Speed project on the Kenitra-Tangier line.

Kenitra station became operational in May.

In July and August, the Kenitra and Tangier stations were put into operation, interfacing with the Bombardier Interlocking systems.

## AMERICA

### USA:

In the state of Hawaii, activities related to the Honolulu metro construction advanced in terms of design, production and installation. Delays connected to civil works have been reported.

In particular the client is considering a Public Private Partnership (P3) for the completion of construction of the final of three phases of the project as well as for the long term operations and maintenance. The company is in continual contact with the client regarding the project and to preserve its rights and interests.

Relating to the MBTA PTC (Positive Train Control System) project in Boston the installation and of the 15 lines and trains were completed and finalized the tests activities on pilot lines. As consequence contractual relations with the customer had a significant improvement. A discussion regarding the redefinition of elements of the work is under way.

### PERU:

The design of phase 1B for the construction of line 2 and a section of line 4 of the Lima metro is currently being approved; at the same time, civil works continue to be affected by significant delays generated by the difficulty in acquiring the areas to be expropriated, with a consequent impact on activities relating to Ansaldo STS's scope of work.

An arbitration proceeding was initiated by the Licensee against the assignor, before the ICSID (International Centre for Settlement of Investment Disputes) in Washington, in order to obtain recognition of the costs relating to the aforementioned delays and changes in the construction sequence, as well as works not included in the technical proposal.

Negotiations on the Adenda 2 variation are in progress. The definition of Adenda 2, which also reviews the timetable for implementation of works, is relevant for the recalculation of the complex financing mechanism for the project.

## ASIA-PACIFIC

### TAIWAN:

Activities continued for the construction of the Taipei Metro Circular Line. Delays recorded by the parties responsible for carrying out civil works heavily impacted the schedule of works, and this lapse is currently being discussed with the customer. Installation activities have almost been completed and dynamic tests are underway along the line.

Engineering and procurement activities are under way in Taipei, related to the project for the construction of the new San-Ying metro line.

### CHINA:

The updating of the CBTC lines continue with the installation of the new software version, improved in terms of performance, in comparison to the currently installed one.

**INDIA:**

With regard to the Calcutta metro project, design and production activities are progressing according to plan. During the period, the installation of signalling systems in the depot and in the first six stations was completed; the on-board equipment for the first three trains in the fleet was also delivered.

Detailed design and production activities for the Noida metro project are also nearing completion; installation activities along the line were completed during the period, while preparatory testing for the roll-out of the first ATP phase of the project is proceeding with difficulty.

Finally, the detailed design of Line 1 of the Navi Mumbai metro has been completed and is in the process of being approved by the customer, despite delays in access to sites whose impact on the work plan is currently being discussed with the customer; procurement and on-site delivery of materials are ongoing.

**MALAYSIA:**

In Malaysia, design and material procurement activities for the Klang Valley Double Track (KVDT) project continue, although there were delays in the approval of area design and release.

**AUSTRALIA:**

In Australia, production focused mainly on the AutoHaul project, part of the Framework Agreement with Rio Tinto (RAFA), in which work continued on upgrading the software and installing it on the locomotives and testing the system on the line, and where the first driverless journeys were carried out.

The project is scheduled to be completed in the first half of 2019 and negotiations around the maintenance contract are ongoing.

Ansaldo STS has signed a new contract with the customer Rio Tinto for the installation and commissioning of 29 new locomotives.

## Key events of and after the reporting period as at 30 September 2018

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

The project is part of the "Metro 2030" strategic plan launched by RATP for the modernisation of metropolitan operating systems with the development of digital technologies on the Paris metro network. Operational since the end of 2012 on Line 3, the Ansaldo STS CBTC provides maximum performance by significantly reducing routes and increasing operational efficiency.

In September, Ansaldo STS, as leader of the FLOW consortium (a consortium formed by Ansaldo STS S.p.A., Ferrovie Dello Stato Italiane S.p.A. and Alstom Transport S.A.), received a letter of award from the ArRiyadh Development Authority (ADA) for the Operation & Maintenance contract for Lines 3, 4, 5 and 6 of the Riyadh metro. The contract has a term of 12 years, including the mobilisation period and has a total value for the FLOW consortium of 10.9 billion Saudi rials, equal to 2.9 billion dollars. Ansaldo STS's share is approximately USD 1 billion.

In early October, Ansaldo STS, through its subsidiary Ansaldo STS Malaysia Sdn Bhd, a partner of the Ansaldo STS-Pestech consortium (a consortium formed by Ansaldo STS Malaysia Sdn Bhd and Pestech Technology Sdn Bhd), was awarded a contract for the signalling of the 198 km railway section between Gemas and Johor Bahru in southern Malaysia. Ansaldo STS's share of the contract is approximately 264 million MYR, which is approximately €55 million. The scope of Ansaldo STS's work includes the supply of the main signalling system based on MicroLok II interlocking, automatic train protection (ATP) and train control systems for the operations centre at KL Sentral and control centre at Gemas.

With reference to the "System Delivery Agreement" signed on 3 November 2010 between Ansaldo STS Sweden and AB Storstockholms Lokaltrafik (SL) regarding the upgrade of the signalling system on the line of the Stockholm

metro known as the “Red Line”, following the unilateral termination of the contract by SL on 7 November 2017, at the beginning of April 2018 Ansaldo STS Sweden filed a request for arbitration against SL with the SCC Arbitration Institute, appointing its own arbitrator.

To summarise, with this action, Ansaldo STS Sweden requested the arbitration tribunal to establish that the unilateral termination of the contract was unfounded, that it constitutes a breach of the contract and that Ansaldo STS is entitled to compensation.

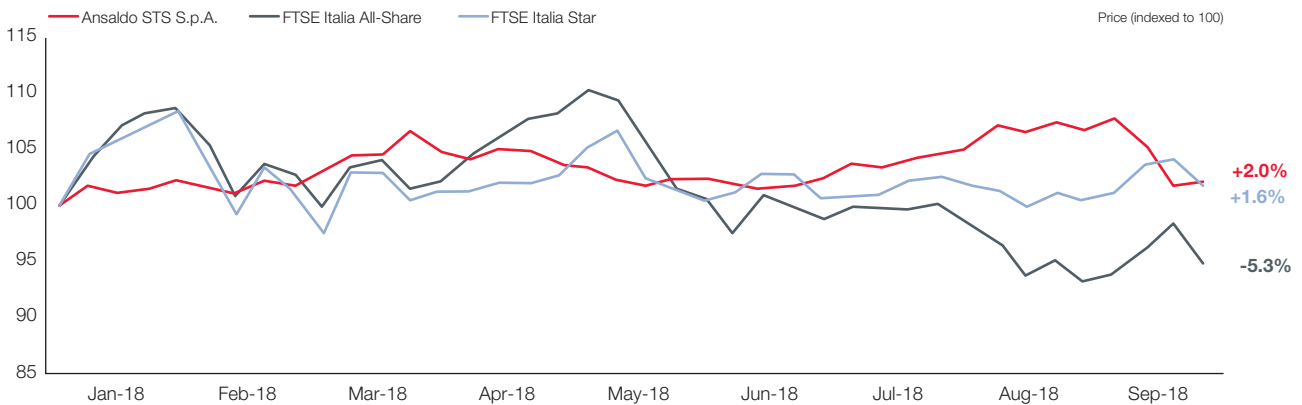
## Financial disclosure

The official share price in the 31 December 2017 to 30 September 2018 period rose from €12.00 to € 12.24, up 2.0%.

The share's period high of € 12.92 was recorded on 07 September 2018 and its low of € 12.01 on 02 January 2018. An average 121,216 shares were traded daily in the period, compared to 104,586 shares traded in the corresponding period of 2017.

During the period under consideration, the FTSE Italia All Share index fell by 5.3% and the FTSE Italia STAR rose by 1.6%.

### Performance of the share in relation to the main indexes (base 100)





**Condensed Interim Consolidated Financial  
Statements and for the nine months  
ended 30 September 2018**

# 1 Consolidated financial statements

## 1.1 Consolidated income statement

(€K)	First nine months of			
	2018	of which, related parties	2017	of which, related parties
Revenues from contracts with customers	983,887	53,604	945,035	52,136
Other operating income	22,785	1,354	16,106	669
Costs for purchases	(230,715)	(11,941)	(240,465)	(12,383)
Services	(413,915)	(50,954)	(361,331)	(43,783)
Personnel costs	(255,948)	-	(253,330)	-
Amortisation, depreciation and write-downs	(17,161)	-	(12,630)	-
Other operating expenses	(17,842)	(14)	(14,730)	-
Changes in work in progress, semi-finished and finished products	9,429	-	3,049	-
(-) Internal work capitalised	322	-	2,838	-
<b>Operating profit (EBIT)</b>	<b>80,842</b>		<b>84,542</b>	
Financial income	13,794	-	15,454	-
Financial charges	(15,318)	-	(19,264)	-
Share of profits (losses) of equity-accounted investees	3,266	-	5,808	-
<b>Pre-tax profit</b>	<b>82,584</b>		<b>86,540</b>	
Income taxes	(21,524)	-	(24,966)	-
Profit/(loss) for the period from non-current assets held for sale	-	-	-	-
<b>Profit for the period</b>	<b>61,060</b>		<b>61,574</b>	
<i>attributable to the owners of the parent</i>	<i>61,071</i>		<i>61,582</i>	
<i>attributable to non-controlling interests</i>	<i>(11)</i>		<i>(8)</i>	
<b>Earnings per share</b>				
<i>Basic and diluted</i>	<i>0.31</i>		<i>0.31</i>	

## 1.2 Consolidated statement of other comprehensive income

Consolidated statement of other comprehensive income	For the first nine months of	
	2018	2017
<b>Profit for the period</b>	<b>61,060</b>	<b>61,574</b>
<b>Items that will not be reclassified to profit or loss:</b>		
- Net actuarial gains (losses) on defined benefit plans	295	(289)
- Tax effect on net actuarial gains (losses) on defined plans	(84)	82
	<b>211</b>	<b>(207)</b>
<b>Items that will or may be reclassified to profit or loss:</b>		
- Net change in fair value of cash flow hedges	(13,900)	378
- Translation adjustment	(3,621)	(31,443)
- Tax effect	3,674	(120)
	<b>(13,846)</b>	<b>(31,185)</b>
<b>Other comprehensive income, net of taxes</b>	<b>(13,635)</b>	<b>(31,392)</b>
<b>Total comprehensive income for the period</b>	<b>47,425</b>	<b>30,182</b>
Attributable to:		
- Owners of the parent	47,520	30,203
- Non-controlling interests	(95)	(21)

## 1.3 Consolidated statement of financial position

(€K)	30.09.2018	of which, related parties	31.12.2017	of which, related parties
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	45,264	-	47,505	-
Property, plant and equipment	84,917	-	85,349	-
Equity investments	74,055	-	78,753	-
Receivables	50,756	32,727	43,456	25,627
Deferred tax assets	57,542	-	36,213	-
Other non-current assets	11,066	-	13,794	-
	<b>323,600</b>		<b>305,070</b>	
<b>Current assets</b>				
Inventories	128,760	-	110,995	-
Contract Assets	461,464	-	379,590	-
Trade receivables	652,609	35,712	736,664	55,208
Financial assets at fair value	-	-	-	-
Tax receivables	26,864	-	35,782	-
Financial receivables	33,130	-	30,633	232
Other current assets	108,678	21	84,386	21
Cash and cash equivalents	282,968	-	327,326	-
	<b>1,694,473</b>		<b>1,705,376</b>	
Non-current assets held for sale	-	-	-	-
<b>Total assets</b>	<b>2,018,073</b>		<b>2,010,446</b>	
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	100,000	-	100,000	-
Reserves	655,892	-	628,892	-
<i>Equity attributable to the owners of the parent</i>	755,892		728,892	
<i>Equity attributable to non-controlling interests</i>	6	-	101	-
<b>Total shareholders' equity</b>	<b>755,898</b>		<b>728,993</b>	
<b>Non-current liabilities</b>				
Financial payables	-	-	-	-
Employee benefits	38,171	-	37,572	-
Deferred tax liabilities	8,458	-	8,830	-
Other non-current liabilities	14,427	-	14,378	-
	<b>61,056</b>		<b>60,780</b>	
<b>Current liabilities</b>				
Contract Liabilities	674,050	-	683,036	-
Trade payables	365,246	24,220	413,639	29,873
Financial payables	278	-	424	-
Tax payables	21,266	-	6,021	-
Provisions for risks and charges	37,235	-	15,967	-
Other current liabilities	103,044	410	101,586	410
	<b>1,201,119</b>		<b>1,220,673</b>	
<b>Total liabilities</b>	<b>1,262,175</b>		<b>1,281,453</b>	
<b>Total liabilities and equity</b>	<b>2,018,073</b>		<b>2,010,446</b>	

## 1.4 Consolidated statement of cash flows

(€K)	30.09.2018	of which, related parties	30.09.2017	of which, related parties
<b><i>Cash flows from operating activities:</i></b>				
Profit for the period	61,060	-	61,574	-
Share of profits (losses) of equity-accounted investees	(3,266)	-	(5,808)	-
Income taxes	21,524	-	24,966	-
Italian post-employment and other employee benefits	783	-	705	-
Stock grant plans	1,619	-	1,612	-
Gains (losses) on the sale of assets	(3)	-	(6)	-
Net financial income	1,524	-	3,810	-
Amortisation, depreciation and write-downs	17,161	-	12,630	-
Accruals to/reversals of provisions for risks	(637)	-	(3,218)	-
Other operating income/expense	(8,288)	-	(9,881)	-
Write-downs/write-backs of inventories and work in progress	20,340	-	11,600	-
<b>Gross cash flows from operating activities</b>	<b>111,817</b>		<b>97,984</b>	
Inventories	(17,763)	-	2,900	-
Contract Assets and Contract Liabilities	(103,590)	-	(11,866)	-
Trade receivables and payables	18,974	(13,843)	(62,949)	19,776
<b>Changes from (used in) working capital</b>	<b>(102,379)</b>		<b>(71,915)</b>	
Net change in other operating assets and liabilities	(37,162)	-	(22,545)	-
Net interest paid	5,766	-	(2,331)	-
Income taxes paid	(9,494)	-	(22,524)	-
<b>Total other operating assets and liabilities</b>	<b>(40,890)</b>		<b>(47,400)</b>	
<b>Cash flows from (used in) operating activities</b>	<b>(31,452)</b>		<b>(21,331)</b>	
<b><i>Cash flows from investing activities:</i></b>				
Cash flow used for strategic transactions	-	-	(3,128)	-
Investments in property, plant and equipment, intangible assets and others	(8,447)	-	(10,241)	-
Disposal of equity investments and financial activities	358	-	-	-
Disposal of property, plant and equipment and intangible assets and others	13	-	50	-
Other investing activities	(21)	-	(69)	-
<b>Cash flows from (used in) investing activities</b>	<b>(8,097)</b>		<b>(13,388)</b>	
<b><i>Cash flow from financing activities:</i></b>				
Net change from other financing activities	(2,874)	(232)	(1,606)	(35)
Dividends paid	-	-	-	-
<b>Cash flow from (used in) financing activities</b>	<b>(2,874)</b>		<b>(1,606)</b>	
Net increase (decrease) in cash and cash equivalents	(42,423)	-	(36,325)	-
Net exchange rate gains (losses)	(1,935)	-	(3,995)	-
Opening cash and cash equivalents	327,326	-	305,586	-
<b>Closing cash and cash equivalents</b>	<b>282,968</b>		<b>265,266</b>	

## 1.5 Consolidated statement of changes in equity

	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 shareholders' equity
<b>Equity at 1 January 2017</b>	<b>100,000</b>	<b>544,451</b>	<b>3,042</b>	<b>8,115</b>	<b>36,755</b>	<b>15,263</b>	<b>707,626</b>	<b>220</b>	<b>707,846</b>
Change in scope of consolidation and equity-accounted investees	-	(4,092)	-	-	674	-	<b>(3,418)</b>	-	<b>(3,418)</b>
Net change in stock grant reserve	-	-	-	(386)	-	-	<b>(386)</b>	-	<b>(386)</b>
Other comprehensive income (expense), net of taxes	-	-	378	-	(31,430)	(327)	<b>(31,379)</b>	(13)	<b>(31,392)</b>
Dividends	-	-	-	-	-	-	-	-	-
Net change in treasury shares	-	-	-	-	-	-	-	-	-
Profit (loss) for the period ended 30 September 2017	-	61,582	-	-	-	-	<b>61,582</b>	(8)	<b>61,574</b>
<b>Shareholders' equity as at 30 September 2017</b>	<b>100,000</b>	<b>601,941</b>	<b>3,420</b>	<b>7,729</b>	<b>5,999</b>	<b>14,936</b>	<b>734,024</b>	<b>199</b>	<b>734,223</b>
<b>Equity at 1 January 2018</b>	<b>100,000</b>	<b>605,335</b>	<b>1,432</b>	<b>7,698</b>	<b>(83)</b>	<b>14,510</b>	<b>728,892</b>	<b>101</b>	<b>728,993</b>
<b>Effect of applying new IFRS 15 and IFRS 9 standards</b>	<b>-</b>	<b>(31,993)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,353</b>	<b>(22,640)</b>	<b>-</b>	<b>(22,640)</b>
<b>Shareholders' equity as at 1 January 2018 restated</b>	<b>100,000</b>	<b>573,342</b>	<b>1,432</b>	<b>7,698</b>	<b>(83)</b>	<b>23,863</b>	<b>706,252</b>	<b>101</b>	<b>706,353</b>
Change in scope of consolidation and equity-accounted investees	-	4,914	-	-	(2,083)	-	<b>2,831</b>	-	<b>2,831</b>
Net change in stock grant reserve	-	-	-	(711)	-	-	<b>(711)</b>	-	<b>(711)</b>
Other changes	-	-	-	-	-	-	-	-	-
Other comprehensive income (expense), net of taxes	-	-	(13,900)	-	(3,537)	3,886	<b>(13,551)</b>	(84)	<b>(13,635)</b>
Dividends	-	-	-	-	-	-	-	-	-
Net change in treasury shares	-	-	-	-	-	-	-	-	-
Profit (loss) for the period ended 30 September 2018	-	61,071	-	-	-	-	<b>61,071</b>	(11)	<b>61,060</b>
<b>Shareholders' equity as at 30 September 2018</b>	<b>100,000</b>	<b>639,327</b>	<b>(12,468)</b>	<b>6,987</b>	<b>(5,703)</b>	<b>27,749</b>	<b>755,892</b>	<b>6</b>	<b>755,898</b>

## 2 Notes to the condensed interim consolidated financial statements as at 30 September 2018

### 2.1 General information

The registered offices of Ansaldo STS S.p.A., the parent company, are at Via Paolo Mantovani 3-5, Genoa, while its secondary and administrative offices are at Via Argine 425, Naples. The company has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006. Its shares were included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and then in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They were moved back to the FTSE MIB index between 7 April 2015 and 20 December 2015. Since 21 December 2015, the Company's shares have again been included in the FTSE Italia Mid Cap index.

The issued and fully-paid share capital amounts to €100,000,000.00 and is represented by 200,000,000 ordinary shares, with a nominal value of €0.50 each.

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

Hitachi Ltd. manages and coordinates the activities of Ansaldo STS S.p.A. pursuant to Article 2497 et seq. of the Italian Civil Code.

The Ansaldo STS Group operates internationally in the design, construction and operation of signalling and transport systems for above-ground and underground railways, serving both freight and passengers. The Group operates worldwide as a main contractor and supplier of turnkey systems. As the parent company, Ansaldo STS S.p.A. also provides industrial and strategic direction and control, coordinating the activities of its operating subsidiaries (together, the "Ansaldo STS Group" or the "Group").

### 2.2 Basis of preparation

Ansaldo STS Group's condensed interim consolidated financial statements as at 30 September 2018 is drafted in accordance with article 154-ter, paragraph 5 of Legislative Decree no. 58/98 (the Consolidated Finance Act) - and subsequent amendments and integrations - and in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

This condensed interim consolidated financial statements as at 30 September 2018 was approved and authorised for publication by the Board of Directors in accordance with applicable legislation in the meeting held on 30 October 2018. As allowed by IAS 34, the explanatory notes are presented in condensed form. They do not include all the disclosures required for annual financial statements, as they refer only to those items that are essential for an understanding of the economic and financial position of the Group, given their amount, composition or changes. Accordingly, these condensed interim consolidated financial statements should be read together with the consolidated financial statements as at 31 December 2017.

The accounting policies used for the condensed interim consolidated financial statements are unchanged from those of the consolidated financial statements as at 31 December 2017, with the exception of the following.

Specifically, in the "New IFRS and interpretations of the IFRIC" section of the consolidated financial statements as at 31 December 2017, it can be seen that the Group adopted IFRS 15 and IFRS 9 from 1 January 2018.

IFRS 15 replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and applies to all revenues from customer contracts, unless these contracts fall within the scope of other standards. The new standard introduces a new five-step model that will apply to revenues from customer contracts. IFRS 15 provides for the recognition of revenues from customer contracts for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer.

The standard involves the exercise of an opinion by the entities, which takes into account all the facts and circumstances relevant to the application of each stage of the model to contracts with its customers. The standard also specifies the recognition of incremental costs associated with obtaining a contract and costs directly associated with the completion of a contract.

The new IFRS 15 standard has been applied by the Group since 2018 and the Cumulative Effect Method has been used to measure past impacts. Therefore, revenues from customer contracts for 2017 recognised on the basis of IAS 11 and IAS 18 were not restated but an adjustment was made to Contract work in progress and progress payments and advances from customers (now Assets and Liabilities from contracts) with a matching entry in a profit or loss reserve, therefore with a direct impact on shareholders' equity as at 01 January 2018 restated.

In this way, the differential in revenues from customer contracts, for contracts in place as at 31 December 2017, calculated as if the new IFRS 15 standard had always been applied, was recognised at 1 January 2018 in a reserve for retained earnings (losses) due to the change of standard for a total value of approximately -€32 million (as a reduction in Shareholders' Equity), with a matching entry for a reduction in Contract work in progress, progress payments and advances from customers (now Assets and Liabilities from contracts).

As regards this impact, deferred tax assets and/or liabilities have been reported, with a matching entry in Shareholders' Equity of approximately €9 million (as an increase in other reserves of Shareholders' Equity).

For the sake of completeness, it should be noted that if the Group had also applied IAS 11 in the first nine months of 2018, the positive impact on revenues from customer contracts and Operating profit would have been approximately €5.8 million.

In addition, following the adoption of the IFRS 15, the provision for loss contracts was reclassified, for a total amount of -€21 million, to the provisions for risks and charges.

IFRS 9 - Financial Instruments, on the other hand, replaces IAS 39 - Financial Instruments: Recognition and measurement for financial years beginning on or after 01 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

As regards the application of IFRS 9, the Group carried out an assessment, as a result of which no impact emerged, except for the adjustment for the value of the equity investment in Intermetro Spa in liquidation at fair value with the recognition of a decrease in value of €0.1 million.

With particular reference to receivables and the application of the expected credit losses method, following the assessment carried out, the allowance for doubtful accounts recorded as at 30 September 2018 was also adjusted following the application of the new standard.

Additional information is provided in the "New IFRS and IFRIC interpretations" section of the consolidated financial statements as at 31 December 2017.

A number of other amendments and interpretations apply for the first time in 2018, but have not had an impact on the Group's condensed interim consolidated financial statement.

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 as at 30 September 2018 include the interim financial statements of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the accounting principles *IFRS-EU* of the Ansaldo STS Group. The consolidated entities are listed below, showing the Group's related direct or indirect interest therein:

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

NAME	DIRECT/ INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL ('000)	CURRENCY	% HELD
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EURO	100
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EURO	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Toronto (Canada)	-	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	5,612,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EURO	100
ANSALDO RAILWAY SIGNALING TECHNOLOGY (BEIJING) COMPANY LTD	Direct	Beijing (China)	10,250	CNY	100
ANSALDO STS SOUTHERN AFRICA PTY LTD (in liq.)	Indirect	Gaborone (Botswana)	0.1	BWP	100

### Companies measured using the equity method

NAME	DIRECT/ INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL ('000)	CURRENCY	% HELD
ALIFANA SCARL (in liq.)	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 (in liq.)	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40



## Companies measured using the cost method

NAME	DIRECT/ INDIRECT CONTROL	LOCATION	SHARE/ QUOTA CAPITAL (‘000)	CURRENCY	% HELD
Metro C S.c.p.A.	Direct	Rome (Italy)	150,000	EUR	14.00
I.M. Intermetro S.p.A. (in liq.)	Direct	Rome (Italy)	2,461	EUR	16.67
Società Tram di Firenze S.p.A.	Direct	Florence (Italy)	12,000	EUR	2.217
Iricav Uno consortium	Direct	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Direct	Rome (Italy)	510	EUR	17.05
Ferroviano Vesuviano consortium	Direct	Naples (Italy)	153	EUR	33.34
San Giorgio Volla consortium	Direct	Naples (Italy)	71	EUR	25.00
San Giorgio Volla2 consortium	Direct	Naples (Italy)	71	EUR	25.00
Ascosa Quattro consortium	Direct	Rome (Italy)	57	EUR	25.00
Siit S.C.p.A.	Direct	Genoa (Italy)	600	EUR	2.30
Saturno consortium	Direct	Rome (Italy)	31	EUR	33.34
Train consortium	Direct	Rome (Italy)	120	EUR	4.68
Sesamo S.c.a.r.l. (in liq.)	Direct	Naples (Italy)	100	EUR	2.00
ISICT consortium	Direct	Genoa (Italy)	43	EUR	14.29
Cosila consortium (in liq.)	Direct	Naples (Italy)	100	EUR	1.11
MM4 consortium	Direct	Milan (Italy)	200	EUR	17.68
Radiolabs consortium	Direct	Rome (Italy)	103	EUR	20.02
SPV M4 S.p.A.	Direct	Milan (Italy)	49,345	EUR	5.603
Hitachi Ansaldo Baltimore Rail Partners LLC*	Indirect	Wilmington (Delaware USA)	0.5	USD	50.00
Metro de Lima Linea 2 S.A.	Direct	Lima (Peru)	368,808	PEN	16.90
TOP IN S.ca.r.l.	Direct	Naples (Italy)	87	EUR	4.84
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Direct	Rome (Italy)	40	EUR	12.00
Dattilo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	14.00
MetroB S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47

\* The company was incorporated at the tender phase and will be used as a vehicle for the billing of the recent contract acquired in Baltimore. Given joint control is defined, the balances of the associated financial statements will be consolidated directly by the respective partners.

During the period, the process of liquidation and striking off from the local registers of Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA and Ansaldo STS Beijing was completed, as the conditions that made these markets attractive to the Group no longer existed and, in the latter case, because all activities relating to the existing contracts were also completed.

In September, the process began for the liquidation of the Balfour Beatty Ansaldo SYSTEMS JV Sdn Bhd Joint Venture company, as the project for which the joint venture between Balfour Beatty and Ansaldo STS Malaysia was set up was completed.

## 2.4 Exchange rates adopted

The following exchange rates were adopted to translate the foreign currency financial statements and balances as at 30 September 2018 and 2017:

	Spot rate at 30/09/2018	Average rate for the nine months at 30/09/2018	Spot rate at 30/09/2017	Average rate for the nine months at 30/09/2017
USD	1.17370	1.19499	1.17410	1.11300
CAD	1.52140	1.53808	1.45540	1.45309
GBP	0.89080	0.88377	0.87565	0.87246
HKD	9.16760	9.36857	9.17140	8.66864
SEK	10.37630	10.23778	9.58850	9.58189
AUD	1.62020	1.57690	1.49540	1.45266
INR	85.21900	80.22278	77.15300	72.58175
MYR	4.86030	4.76592	4.94650	4.83454
BRL	4.79850	4.29617	3.73570	3.53117
CNY	8.06850	7.77912	7.79840	7.57114
VEB	12,363.50000	12,170.07000	11,726.30000	11,116.06667
BWP	12.47290	11.97434	12.10330	11.50560
ZAR	16.78270	15.38835	15.90620	14.69289
KZT	420.55000	401.74976	399.08200	360.13340
AED	4.31040	4.38859	4.31188	4.08586
KRW	1,309.19000	1,303.62686	1,341.10000	1,266.79250
JPY	132.61000	130.95986	132.60000	124.52922

## 3 Segment reporting

Group revenues are analysed by geographical area below:

(€K)	30.09.2018	30.09.2017
Italy	235,910	183,123
Rest of Europe	274,070	286,853
North Africa and the Middle East	74,805	89,338
Americas	236,375	234,732
Asia-Pacific	162,727	150,989
<b>Total</b>	<b>983,887</b>	<b>945,035</b>

Property, plant and equipment and intangible assets are analysed by geographical segment below:

(€K)	30.09.2018	31.12.2017
Italy	102,360	104,149
Rest of Europe	14,097	14,620
North Africa and Middle East	1,262	1,584
Americas	10,364	10,530
Asia-Pacific	2,098	1,971
<b>Total</b>	<b>130,181</b>	<b>132,854</b>

# 4 Notes to the interim consolidated financial statements as at 30 September 2018

## Related-party transactions

Commercial related-party 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 transaction on cash flows.

<b>FINANCIAL ASSETS AS AT 30.09.2018 (€K)</b>	<b>Non-current financial receivables</b>	<b>Other non-current receivables</b>	<b>Current financial receivables</b>	<b>Trade receivables</b>	<b>Other current receivables</b>	<b>Total</b>
<b>Parent company</b>						
Hitachi Ltd (rail)	-	-	-	315	-	<b>315</b>
Hitachi Rail Europe Ltd	-	-	-	14	-	<b>14</b>
<b>Subsidiaries</b>						
Alifana Due S.c.r.l.	-	-	-	1,659	-	<b>1,659</b>
<b>Associates</b>						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	<b>387</b>
Metro 5 S.p.A.	-	19,671	-	938	-	<b>20,609</b>
SPV M4 S.p.A.	-	11,298	-	-	17	<b>11,315</b>
Metro Service A.S.	-	-	-	5,490	-	<b>5,490</b>
<b>Consortia</b>						
Saturno consortium	-	-	-	9,867	-	<b>9,867</b>
Ascosa Quattro consortium	-	-	-	1,275	-	<b>1,275</b>
Ferrovio Vesuviano consortium	-	-	-	63	-	<b>63</b>
MM4 consortium	-	182	-	7,732	-	<b>7,914</b>
San Giorgio Volla Due consortium	-	-	-	1,984	4	<b>1,988</b>
San Giorgio Volla consortium	-	-	-	1,391	-	<b>1,391</b>
EPC Lima consortium	-	1,576	-	-	-	<b>1,576</b>
<b>Fellow subsidiaries</b>						
Hitachi Rail Italy S.p.A.	-	-	-	3,211	-	<b>3,211</b>
Hitachi Rail Inc.	-	-	-	1,244	-	<b>1,244</b>
Hitachi India Pvt Ltd Rail Systems Co.	-	-	-	140	-	<b>140</b>
Hitachi Consulting Australia Pty Ltd	-	-	-	2	-	<b>2</b>
<b>Total</b>	<b>-</b>	<b>32,727</b>	<b>-</b>	<b>35,712</b>	<b>21</b>	<b>68,460</b>
<b>Related parties as percentage of total</b>		<b>64%</b>		<b>5%</b>	<b>0.02%</b>	

FINANCIAL ASSETS AS AT 31.12.2017 (€k)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
<b>Parent company</b>						
Hitachi Ltd (Rail)	-	-	-	114	17	<b>131</b>
<b>Subsidiaries</b>						
Alifana Due S.c.r.l.	-	-	-	341	-	<b>341</b>
<b>Associates</b>						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	<b>387</b>
Metro 5 S.p.A.	-	19,285	-	5,937	-	<b>25,222</b>
Metro Service A.S.	-	-	-	1,705	-	<b>1,705</b>
SP M4 S.C.p.A. (in liq.)	-	-	232	-	-	<b>232</b>
SPV Linea M4 S.p.A.	-	6,160	-	-	-	<b>6,160</b>
Metro Brescia S.r.l.	-	-	-	522	-	<b>522</b>
<b>Consortia</b>						
Saturno consortium	-	-	-	11,903	-	<b>11,903</b>
Ascosa Quattro consortium	-	-	-	1,280	-	<b>1,280</b>
Ferroviano Vesuviano consortium	-	-	-	2,085	-	<b>2,085</b>
MM4 consortium	-	182	-	23,924	-	<b>24,106</b>
San Giorgio Volla Due consortium	-	-	-	786	4	<b>790</b>
San Giorgio Volla consortium	-	-	-	1,421	-	<b>1,421</b>
<b>Fellow subsidiaries</b>						
Hitachi Rail Inc.	-	-	-	997	-	<b>997</b>
Hitachi India Pvt Ltd Rail Systems Co.	-	-	-	1,042	-	<b>1,042</b>
Hitachi Rail Italy S.p.A.	-	-	-	2,764	-	<b>2,764</b>
<b>Total</b>	<b>-</b>	<b>25,627</b>	<b>232</b>	<b>55,208</b>	<b>21</b>	<b>81,088</b>
<b>Related parties as percentage of total</b>		<b>59%</b>	<b>1%</b>	<b>7%</b>	<b>0.02%</b>	

FINANCIAL LIABILITIES AS AT 30.09.2018 (€K)	Non-current financial payables	Other non-current payables	Current financial payables	Trade payables	Other current payables	Total
<b>Parent company</b>						
Hitachi Ltd (Rail)	-	-	-	-	-	-
<b>Subsidiaries</b>						
Alifana S.c.r.l. (in liq.)	-	-	-	-	3	3
Alifana Due S.c.r.l.	-	-	-	1,315	-	1,315
<b>Associates</b>						
Metro Service S.A.	-	-	-	10,751	-	10,751
Pegaso S.c.a.r.l. (in liq.)	-	-	-	185	-	185
MetroB S.r.l.	-	-	-	-	370	370
SPV M4 S.p.A.	-	-	-	192	-	192
<b>Consortia</b>						
Saturno consortium	-	-	-	1,304	-	1,304
Ascosa Quattro consortium	-	-	-	938	8	946
Ferroviano Vesuviano consortium	-	-	-	84	21	105
San Giorgio Volla consortium	-	-	-	242	8	250
MM4 consortium	-	-	-	198	-	198
<b>Fellow subsidiaries</b>						
Hitachi Australia Pty Ltd	-	-	-	12	-	12
Hitachi Rail Italy S.p.A.	-	-	-	8,259	-	8,259
Hitachi Systems CBT S.p.A.	-	-	-	740	-	740
<b>Total</b>	-	-	-	24,220	410	24,630
<b>Related parties as percentage of total</b>				7%	0.4%	

FINANCIAL LIABILITIES AS AT 31.12.2017 (€K)	Non-current financial payables	Other non-current payables	Current financial payables	Trade payables	Other current payables	Total
<b>Parent company</b>						
Hitachi Rail Europe Ltd	-	-	-	51	-	51
<b>Subsidiaries</b>						
Alifana S.c.r.l.	-	-	-	134	3	137
Alifana Due S.c.r.l.	-	-	-	157	-	157
<b>Associates</b>						
Metro Service A.S.	-	-	-	6,842	-	6,842
SPV Linea M4 S.p.A.	-	-	-	157	-	157
MetroB S.r.l.	-	-	-	-	370	370
Pegaso S.c.a.r.l. (in liq.)	-	-	-	83	-	83
<b>Consortia</b>						
Saturno consortium	-	-	-	968	-	968
Ascosa Quattro consortium	-	-	-	885	8	893
Ferroviano Vesuviano consortium	-	-	-	64	21	85
San Giorgio Volla consortium	-	-	-	5	8	13
MM4 consortium	-	-	-	161	-	161
<b>Fellow subsidiaries</b>						
Hitachi Systems CBT S.p.A.	-	-	-	937	-	937
Hitachi Rail Italy S.p.A.	-	-	-	19,429	-	19,429
<b>Total</b>	-	-	-	29,873	410	30,283
<b>Related parties as percentage of total</b>				7%	0.4%	

As at 30 September 2018, trade receivables from related parties amounted to €35,712 thousand, down by €19,496 thousand compared to 31 December 2017, mainly due to positions with the MM4 consortium.

As at 30 September 2018, trade payables to related parties amounted to €24,220 thousand, down by €5,653 thousand compared to 31 December 2017 (€29,873 thousand) mainly due to fewer positions with Hitachi Rail Italy.

## Non-current assets

Non-current assets totalled €323,600 thousand as at 30 September 2018, detailed as follows:

(€K)	30.09.2018	31.12.2017
Intangible assets	45,264	47,505
Property, plant and equipment	84,917	85,349
Equity investments	74,055	78,753
Receivables	50,756	43,456
Deferred tax assets	57,542	36,213
Other non-current assets	11,066	13,794
<b>Total</b>	<b>323,600</b>	<b>305,070</b>

Specifically:

- intangible assets amount to €45,264 thousand and mainly include goodwill (€34,569 thousand). Capitalisations and acquisitions for the period amounted to €1,627 thousand and amortisation totalled €3,859 thousand;
- property, plant and equipment amount to €84,917 thousand and essentially refer to properties owned by the parent company. Capitalisations and acquisitions for the period amounted to €6,995 thousand and depreciation totalled €7,513 thousand;
- equity investments amounted to €74,055 thousand, down €4,698 thousand on 31 December 2017, mainly due to the effect of equity investments measured using the equity method; this reduction is attributable to the negative change in the equity value of Balfour Beatty System JV SDN BHD (€7,459 thousand) and that of International Metro Service S.r.l. (€1,035 thousand), due in both cases to the distribution of a dividend, offset by the positive results of Metro 5 S.p.A. (€3,970 thousand) and Metro Brescia S.r.l. (€328 thousand). Equity investments measured at cost include the closure of Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA (€334 thousand);
- non-current receivables amounted to €50,756 thousand, an increase of €7,300 thousand compared to the balance as at 31 December 2017, mainly due to the shareholders' loan for SPV M4 S.p.A.;
- deferred tax assets amounted to €57,542 thousand, an increase of €21,329 thousand compared to the balance as at 31 December 2017, mainly due to the effect of the application of IFRS 15, determined as €9,349 thousand (with a balancing entry directly in shareholders' equity), and for additional deferred taxes allocated by the parent company;
- other non-current assets of €11,066 thousand show a decrease of €2,728 thousand, mostly due to the reduction of the non-current prepaid trademark licence fees.

## Non-current liabilities

Non-current liabilities of €61,056 thousand as at 30 September 2018 are made up as follows:

(€K)	30.09.2018	31.12.2017
Employee benefits	38,171	37,572
Deferred tax liabilities	8,458	8,830
Other non-current liabilities	14,427	14,378
<b>Total</b>	<b>61,056</b>	<b>60,780</b>

Specifically:

- the employee benefits, which include the Italian post-employment benefits and other employee benefit obligations, rose €599 thousand to €38,171 thousand compared to 31 December 2017;
- deferred tax liabilities decreased by €372 thousand to €8,458 thousand.

## Inventories

Inventories totalled €128,760 thousand as at 30 September 2018, detailed as follows:

(k€)	30.09.2018	31.12.2017
Raw and consumable materials	27,310	22,720
Work in progress and semi-finished products	20,335	11,799
Finished products and goods for resale	10,496	9,915
Advances to suppliers	70,619	66,561
<b>Total</b>	<b>128,760</b>	<b>110,995</b>

In the period under review there was a net increase of €17,765 thousand compared to 31 December 2017, mainly due to the increase in work in progress products and advances to suppliers.

## Assets and Liabilities from contracts

Assets and liabilities from contracts were negative by €212,586 thousand and are detailed as follows:

(€k)	30.09.2018	31.12.2017
Advances from customers	(29,835)	(63,090)
Progress payments	(1,244,837)	(1,238,554)
Work in progress	1,793,201	1,719,784
Provision for loss contracts	-	(10,597)
Allowance for contract Assets	(57,065)	(27,953)
<b>Contract Assets</b>	<b>461,464</b>	<b>379,590</b>
Advances from customers	(246,764)	(266,885)
Progress payments	(2,698,271)	(2,610,525)
Work in progress	2,288,936	2,231,603
Provision for loss contracts	-	(10,079)
Allowance for contract liabilities	(17,951)	(27,150)
<b>Contract Liabilities</b>	<b>(674,050)</b>	<b>(683,036)</b>
<b>Assets and Liabilities from contracts</b>	<b>(212,586)</b>	<b>(303,446)</b>

It should be noted that as a result of the adoption of the new accounting standard IFRS 15, work in progress for several projects at 1 January 2018 has been recalculated with a total impact of -€32 million on the net value of approximately -€303 million recorded at the end of 2017 with a matching entry in the equity reserve for the change in standard. In addition, following the introduction of the new IFRS 15 standard, the provision for loss contracts was reclassified, for a total amount of -€21 million, to the provisions for risks and charges item.

The total value of assets and liabilities from contracts increased by €90,860 thousand due to the higher production in excess of revenue, to the decrease in advances from customers, essentially due to the repayment in January 2018 of the outstanding advance to the Swedish customer AB Storstockholms Lokaltrafik (SL) for approximately €24 million and to the impact of the new accounting principle described above.

Net Assets and Liabilities from contracts includes €112,154 thousand collected in relation to the contract in Libya, which is still suspended given the well-known events affecting that country in recent years, as described in the directors' report on operations. This advance amply covers the work carried out to date but not yet invoiced. As a consequence, no probable risks are known at the reporting date that would require provisions to be recorded.

## Trade receivables and payables

Trade receivables and payables as at 30 September 2018 are made up as follows:

(€K)	30.09.2018		31.12.2017	
	Receivables	Payables	Receivables	Payables
Third parties	616,897	341,026	681,456	383,766
<b>Total due from third parties</b>	<b>616,897</b>	<b>341,026</b>	<b>681,456</b>	<b>383,766</b>
Related parties	35,712	24,220	55,208	29,873
<b>Total</b>	<b>652,609</b>	<b>365,246</b>	<b>736,664</b>	<b>413,639</b>

There was a decrease in both the value of total trade receivables (€84,055 thousand) and total trade payables (€48,393 thousand) compared with the end of the previous year, mainly due to the reduction of positions in the parent company.

## Provisions for risks and charges

Provisions for risks and charges amount to €37,235 thousand as at 30 September 2018, an increase of €21,268 thousand compared to 31 December 2017 (€15,967 thousand). The increase, as mentioned above, is essentially due to the reclassification of the provision for loss contracts from the "Assets and liabilities from contracts" item following the application of the new IFRS 15 standard.

## Other assets/liabilities

The net value of other assets (liabilities) as at 30 September 2018 was a positive €5,634 thousand, broken down as follows:

(€K)	30.09.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
Prepayments - current portion	9,079	-	9,040	-
Research grants	17,031	-	18,130	-
Employees	2,525	37,619	2,361	34,777
Indirect and other tax assets/liabilities	63,703	11,106	33,906	13,563
Social security and pension institutions	-	15,101	-	16,032
Derivatives	5,769	4,694	10,715	2,740
Other	10,550	34,114	10,213	34,064
<b>Total other assets and liabilities</b>	<b>108,657</b>	<b>102,634</b>	<b>84,365</b>	<b>101,176</b>
Related parties	21	410	21	410
<b>Total</b>	<b>108,678</b>	<b>103,044</b>	<b>84,386</b>	<b>101,586</b>

Details of the main items are set out below:

- prepayments of €9,079 thousand are virtually in line with the balance as at 31 December 2017 and relate to prepaid insurance premiums and prepaid commissions on sureties;
- net payables to employees at the end of the period amounted to €35,094 thousand, up €2,678 thousand on 31 December 2017;



- net indirect and other tax assets amount to €52,597 thousand compared to €20,343 thousand as at 31 December 2017 and the increase is mainly due to the rise in parent company VAT credit;
- the net balance of derivatives is positive and amounts to €1,075 thousand, down €6,900 thousand on 31 December 2017;
- other net liabilities of €23,564 thousand dropped by €287 thousand from €23,851 thousand as at 31 December 2017.

## Financial disclosure

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

(€K)	<b>30.09.2018</b>	31.12.2017
A Cash	857	115
B Other cash and cash equivalents (bank current accounts)	282,111	327,211
C Securities held for trading	-	-
<b>D LIQUIDITY (A+B+C)</b>	<b>282,968</b>	<b>327,326</b>
<b>E CURRENT FINANCIAL RECEIVABLES</b>	<b>33,130</b>	<b>30,633</b>
F Current bank loans and borrowings	6	10
G Current portion of non-current loans and borrowings	-	-
H Other current loans and borrowings	272	414
<b>I CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>278</b>	<b>424</b>
<b>J NET CURRENT FINANCIAL POSITION (I-E-D)</b>	<b>(315,820)</b>	<b>(357,535)</b>
K Non-current bank loans and borrowings	-	-
L Bonds issued	-	-
M Other non-current financial liabilities	-	-
<b>N NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>-</b>	<b>-</b>
<b>O NET FINANCIAL POSITION (J+N)</b>	<b>(315,820)</b>	<b>(357,535)</b>

## Analysis of the consolidated income statement

### Impact of related party transactions on profit or loss

Commercial transactions with related parties generally take place on arm's-length terms and conditions. The relevant balances included in the consolidated income statement are shown below.

30.09.2018 (€K)	Revenues	Other operating income	Costs	Financial income	Financial charges	Other operating expenses
<b>Parent company</b>						
Hitachi Rail Europe Ltd	703	-	15	-	-	-
Hitachi Ltd (Rail)	237	-	426	-	-	-
Hitachi Ltd (MITO)	562	-	-	-	-	-
<b>Subsidiaries</b>						
Alifana S.c.r.l.	6	-	(46)	-	-	-
Alifana Due S.c.r.l.	1,301	23	2,911	-	-	-
<b>Associates</b>						
Metro 5 S.p.A.	4,254	888	-	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	102	-	-	-
Metro Service S.A.	4,989	-	41,639	-	-	-
Metro Brescia S.r.l.	10	-	-	-	-	-
<b>Joint ventures</b>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(101)	-	-	-	-	-
<b>Consortia</b>						
Saturno consortium	7,335	113	1,403	-	-	-
Ascosa Quattro consortium	94	-	47	-	-	-
SanGiorgio Volla 2 consortium	1,922	-	37	-	-	-
Ferroviano Vesuviano consortium	53	-	19	-	-	-
MM4 consortium	11,925	330	688	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla consortium	6,100	-	321	-	-	-
<b>Fellow subsidiaries</b>						
Hitachi Rail Italy S.p.A.	12,671	-	13,989	-	-	14
Hitachi Rail Inc.	1,253	-	-	-	-	-
Hitachi India Pvt Rail System Co.	275	-	-	-	-	-
FIAMM Energy Technology S.p.A.	-	-	21	-	-	-
Hitachi High Technologies Europe GmbH	15	-	-	-	-	-
Hitachi Systems CBT S.p.A.	-	-	1,320	-	-	-
<b>Total</b>	<b>53,604</b>	<b>1,354</b>	<b>62,895</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>Related parties as percentage of total</b>	<b>5%</b>	<b>6%</b>	<b>10%</b>			<b>0.1%</b>

30.09.2017 (€K)	Revenues	Other operating income	Costs	Financial income	Financial charges	Other operating expenses
<b>Parent company</b>						
Hitachi Rail Europe Ltd	1	-	4	-	-	-
Hitachi Ltd (Rail)	536	-	493	-	-	-
Hitachi Ltd (Mito)	4	-	1,137	-	-	-
<b>Subsidiaries</b>						
Alifana S.c.r.l.	637	-	21	-	-	-
Alifana Due S.c.r.l.	226	6	637	-	-	-
<b>Associates</b>						
Metro 5 S.p.A.	1,240	652	40	-	-	-
International Metro Service S.r.l. (in liq.)	8	-	-	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	148	-	-	-
Metro Service S.A.	4,761	-	36,556	-	-	-
Metro Brescia S.r.l.	98	11	-	-	-	-
<b>Joint ventures</b>						
Balfour Beatty Ansaldo Syst. JV SDN BHD	9,880	-	9	-	-	-
<b>Consortia</b>						
Saturno consortium	8,687	-	829	-	-	-
Ascosa Quattro consortium	4,849	-	621	-	-	-
SanGiorgio Volla 2 consortium	1,842	-	98	-	-	-
Ferroviano Vesuviano consortium	28	-	(1)	-	-	-
MM4 consortium	10,371	-	350	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla consortium	(23)	-	-	-	-	-
<b>Fellow subsidiaries</b>						
Hitachi Rail Italy S.p.A.	6,562	-	15,210	-	-	-
Hitachi Rail Inc.	1,614	-	-	-	-	-
Hitachi India Pvt Rail System Company	448	-	-	-	-	-
Hitachi High Technologies Europe GmbH	367	-	-	-	-	-
Hitachi High Australia Pty Ltd	-	-	11	-	-	-
<b>Total</b>	<b>52,136</b>	<b>669</b>	<b>56,166</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Related parties as percentage of total</b>	<b>6%</b>	<b>4%</b>	<b>9%</b>			

Revenues from related parties as at 30 September 2018 amounted to €53,604 thousand; the slight increase (€1,468 thousand) compared with the same period of 2017 (€52,136 thousand) is mainly due to the positions with Hitachi Rail Italy.

Related party costs amounted to €62,895 thousand, up €6,729 thousand on the same period of the previous year (€56,166 thousand), mainly due to the positions with Metro Service.

## Revenues from contracts with customers

Revenues totalled €983,887 thousand as at 30 September 2018, compared with €945,035 thousand in the third quarter of 2017, an increase of €38,852 thousand due to the greater progress of projects in Italy.

## Other operating income

(€K)	For the first nine months of	
	2018	2017
R&D grants	2,791	1,408
Disposal gains on PPE and intangible assets	3	6
Provisions for risks and charges	1,760	7,134
Royalties	5	105
Financial income and exchange gains on operating items	12,567	5,072
R&D tax credits	1,594	1,402
Other operating income	2,711	310
<b>Other operating income from third parties</b>	<b>21,431</b>	<b>15,437</b>
<b>Other operating income from related parties</b>	<b>1,354</b>	<b>669</b>
<b>Total other operating income</b>	<b>22,785</b>	<b>16,106</b>

Other operating income amounted to €22,785 thousand, up €6,679 thousand compared to €16,106 thousand in the corresponding period of the previous year, mainly related to Financial income and exchange gains on operating items.

## Purchases and services

(€K)	For the first nine months of	
	2018	2017
Materials	223,168	230,157
Change in inventories	(4,394)	(2,075)
Services	347,747	302,098
Rentals and operating leases	15,214	15,450
<b>Total purchases and services from third parties</b>	<b>581,735</b>	<b>545,630</b>
<b>Total purchases and services from related parties</b>	<b>62,895</b>	<b>56,166</b>
<b>Total purchases and services</b>	<b>644,630</b>	<b>601,796</b>

Purchases and services (€644,630 thousand) increased by €42,834 thousand compared with the previous year, due to greater production volumes developed during the period.

## Personnel costs

(€K)	For the first nine months of	
	2018	2017
Wages and salaries	199,676	195,680
Stock grant plans	1,619	1,612
Social security and pension contributions	48,034	47,366
Italian post-employment benefits	574	487
Other defined benefit plans	692	636
Other defined contribution plans	2,930	2,410
Recovery of personnel costs	(28)	(18)
Restructuring costs	-	-
Other costs	2,451	5,157
<b>Total personnel costs</b>	<b>255,948</b>	<b>253,330</b>

Personnel costs amounted to €255,948 thousand, compared with €253,330 thousand in the same period of the previous year, an increase of €2,618 thousand, mainly due to the higher average number of employees.

The average headcount of 4,181 employees rose by a net 120 employees compared to 4,061 in the same period of the previous year (average of 4,081 in 2017).

## Amortisation, depreciation and write-downs

Specifically:

(€K)	For the first nine months of	
	2018	2017
Depreciation and amortisation:		
- intangible assets	3,859	3,939
- property, plant and equipment	7,513	7,708
	<b>11,372</b>	<b>11,647</b>
Write-downs:		
non-current assets	-	-
current receivables	5,789	983
	<b>5,789</b>	<b>983</b>
<b>Total amortisation, depreciation and write-downs</b>	<b>17,161</b>	<b>12,630</b>

Amortisation, depreciation and write-downs increased by €4,531 thousand to €17,161 thousand from €12,630 thousand in the corresponding period of the previous year, mainly due to the impact of write-downs on current loans.

## Other operating expenses

(€K)	For the first nine months of	
	2018	2017
Provisions for risks and charges	1,123	3,916
Membership fees	634	683
Disposal losses on PPE and intangible assets	4	116
Exchange losses on operating items	5,447	5,116
Provisions for loss contracts	3,908	386
Interest and other operating charges	2,345	382
Indirect taxes	2,585	2,518
Other operating expenses	1,782	1,613
<b>Total other operating expenses - third parties</b>	<b>17,828</b>	<b>14,730</b>
<b>Other operating expenses - related parties</b>	<b>14</b>	<b>-</b>
<b>Total other operating expenses</b>	<b>17,842</b>	<b>14,730</b>

Other operating expenses increased by €3,112 thousand on the corresponding period of the previous year mainly due to the higher provision for risks and charges for loss contracts and for the interest and other operating charges item.

## Internal work capitalised

(€K)	For the first nine months of	
	2018	2017
Internal work capitalised	322	2,838

Internal work capitalised mainly relates to the subsidiary Ansaldo STS France.

## Net financial income (charges)

(€K)	For the first nine months of					
	2018			2017		
	Income	Charges	Net	Income	Charges	Net
Interest and fees	1,392	807	585	764	622	142
Net exchange rate differences	10,652	10,264	388	11,856	13,077	(1,221)
Fair value adjustments	1,750	3,291	(1,541)	2,834	4,605	(1,771)
Interest on Italian post-employment benefits	-	209	(209)	-	218	(218)
Interest on other defined benefit plans	-	195	(195)	-	187	(187)
Other financial income and charges	-	552	(552)	-	555	(555)
<b>Total net financial charges</b>	<b>13,794</b>	<b>15,318</b>	<b>(1,524)</b>	<b>15,454</b>	<b>19,264</b>	<b>(3,810)</b>
<b>Total net financial income and charges - related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>13,794</b>	<b>15,318</b>	<b>(1,524)</b>	<b>15,454</b>	<b>19,264</b>	<b>(3,810)</b>

Net financial charges amounted to €1,524 thousand compared to €3,810 thousand as at 30 September 2017.

The €2,286 thousand improvement over the same period of the previous year is due to exchange rate differences and the fair value results of derivative contracts still outstanding as at 30 September 2018.

(€K)	For the first nine months of					
	2018			2017		
	Income	Charges	Net	Income	Charges	Net
Share of profits of equity-accounted investees	3,266	-	3,266	5,808	-	5,808
<b>Total</b>	<b>3,266</b>	<b>-</b>	<b>3,266</b>	<b>5,808</b>	<b>-</b>	<b>5,808</b>

The share of profits (losses) of equity-accounted investees came to €3,266 thousand and relates to the results of Metro 5 S.p.A. (€1,886 thousand), International Metro Service S.r.l. (€925 thousand), Metro Brescia S.r.l. (€328 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€127 thousand).

## Income taxes

(€K)	For the first nine months of	
	2018	2017
IRES	15,191	10,821
IRAP	2,038	1,295
Other foreign taxes	12,143	15,166
Net deferred taxation	(7,848)	(2,316)
<b>Total</b>	<b>21,524</b>	<b>24,966</b>

Income taxes as at 30 September 2018 amount to €21,524 thousand compared to €24,966 thousand as at 30 September 2017.

The effective tax as at 30 September 2018 is 26.06%, compared with 28.85% in the same period of the prior year. The decrease is mainly due to a different mix of the pre-tax results of the individual companies.

## 5 Earnings per share

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

- dividing the profit for the period attributable to holders of ordinary shares by the average number of ordinary shares outstanding during the period, net of treasury shares (basic EPS);
- dividing the profit for the period 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).

<b>Basic EPS</b>	<b>30.09.2018</b>	30.09.2017
Average shares outstanding during the period	199,987,526	199,994,734
Profit for the period	61,060	61,574
<b>Basic and diluted EPS</b>	<b>0.31</b>	<b>0.31</b>

## 6 Financial risk management

The operations of the Group expose it to the following financial risks:

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

The Group specifically monitors each of these financial risks and acts promptly to minimise them, for example via the use of hedging derivatives. The approach adopted by the Ansaldo STS Group, in line with internal policies, for the management of these risks is described below.

Hedges are mostly arranged with the banking system. As at 30 September 2018, the Group has contracts in place for the following notional foreign currency amounts:

(local currency '000)	<b>Sell 09 18</b>	<b>Buy 09 18</b>	<b>30.09.2018</b>	Sell 09 17	Buy 09 17	30.09.2017
Euro	28,987	36,385	<b>65,372</b>	25,364	43,927	<b>69,291</b>
US dollar	111,327	35,357	<b>146,684</b>	211,445	74,484	<b>285,929</b>
UK pound	49,077	-	<b>49,077</b>	50,862	-	<b>50,862</b>
Swedish krone	51,993	-	<b>51,993</b>	821	3,532	<b>4,353</b>
Australian dollar	-	30,552	<b>30,552</b>	-	11,937	<b>11,937</b>
Hong Kong dollar	122	-	<b>122</b>	181	-	<b>181</b>
Indian rupee	4,338	-	<b>4,338</b>	4,792	-	<b>4,792</b>
UAE dirham	7,424	-	<b>7,424</b>	11,596	-	<b>11,596</b>

The net fair value of the derivatives in place (both fair value and cash flow hedges) as at 30 September 2018 is a positive €1,075 thousand.



## 7 Significant non-recurring events and transactions

In the first nine months of 2018, the Ansaldo STS Group did not record any significant events or transactions that could be classified as non-recurring.

## 8 Atypical and/or unusual transactions

During the first nine months of 2018, no atypical and/or unusual transactions took place.

## 9 Outlook for operations

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

## 10 Disclosure on the opt-out regime

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

Rome, 30 October 2018

For the Board of Directors  
The Chairman  
**Alistair Dormer**

# Annex A: statement pursuant to article 154-bis, paragraph 2 of Legislative Decree no. 58/1998

In accordance with the provisions of article 154-bis, paragraph 2 of the Consolidated Finance Act, the undersigned, Renato Gallo, Chief Reporting Officer of Ansaldo STS S.p.A., states that the condensed interim consolidated financial statements as at 30 September 2018 is consistent with the accounting evidence, ledgers and records.

Rome, 30 October 2018

The Chief Reporting Officer  
**Renato Gallo**



**Ansaldo STS** A Hitachi Group Company

**ANSALDO STS S.p.A.**

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A Hitachi Group Company