Interim Financial Report as of 31 December 2018

Ansaldo STS A Hitachi Group Company

Interim Financial Report
as of 31 December 2018

Company Bodies and Committees

BOARD OF DIRECTORS
(Elected by the Shareholders' Meeting on 13 May 2016 for three-year period ending March 31st, 2019)

ALISTAIR DORMER (1)
President

ALBERTO DE BENEDICTIS (2) (3) (4)
Vice President

ANDREW THOMAS BARR (1)
Managing Director and General Manager

BARBARA BIASSONI * (4)

FILIPPO CORSI *

MARIO GARRAFFO (2) (3) (4)

KATHERINE JANE MINGAY (1)

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

RICCARDO TISCINI *(4)

FRANCESCO GIANNI
Board Secretary

BOARD OF STATUTORY AUDITORS
(Elected by the Shareholders' Meeting on 11 May for the 2017/2019 three-year period)

ANTONIO ZECCA
President

GIOVANNI NACCARATO

ALESSANDRA STABILINI

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

VALERIA GALARDI

CRISTIANO PROSERPIO

ALESSANDRO SPERANZA

INDEPENDENT AUDITORS
(for the 2016/2024 period)

EY S.p.A.

(1) Member of the Executive Committee (i.e. Bid Committee)

(2) Member of the Control and Risk Committee

(3) Member of the Appointment and Remuneration Committee

(4) Member in possession of the requirements of independence

* Following the resignations of the Directors Cipriotti, Crisostomo and Labruna on 29 October 2018 and, effective from 2 November 2018, the company's Board of Directors, pursuant to art. 2386 of the Italian Civil Code, appointed the Directors Biassoni, Corsi and Tiscini on 16 November 2018. These Directors will remain in office until the next Shareholders' Meeting of the company.

Directors' Report
as of 31 December 2018

Directors' Report as of 31 December 2018

Introduction

The recent developments as regards the composition of the shareholding structure, already well-known to the market as they were detailed in the appropriate company communications, according to the applicable regulations from the individual entities, originated from the agreement reached at the end of October 2018 between the majority shareholder Hitachi Rail Italy Investments S.r.l. (following also "HRII") and the US fund Elliott, based on which HRII acquired the entire share package of the US fund, equal to approximately 31.8% of Ansaldo STS' capital, at a price of €12.70.
A voluntary takeover bid was subsequently launched by HRII on the remaining shares, at the same price of €12.70; it became mandatory after the 90% capital threshold was passed, which occurred on 22 November 2018, following the purchases made by HRII on the equity market in the preceding days.
On 11 January 2019, as the 95% threshold of share capital of Ansaldo STS had been exceeded, HRII communicated its intention to exercise the "Purchase Right" on the ordinary shares still outstanding, together with the fulfilment of the above "Purchase Obligation", hence starting a single procedure agreed with CONSOB and Borsa Italiana (the "Joint Procedure"). The consideration paid as part of the "Joint Procedure" was set at €12.70 per share.

On 21 January 2019, HRII communicated the definitive results of the "Purchase Obligation" procedure and outlined that, in compliance with the provisions of art. 2.5.1, paragraph 6 of the Stock Market Regulation, Borsa Italiana would suspend Ansaldo STS shares from listing and trading on the MTA (screen-based equities market) in the sessions of 28 and 29 January 2019 and revoked their listing and trading from the session of 30 January 2019.

At the end of the procedure described above, the company exited the equity market.

The economic-financial results as of 31 December 2018 are positive and summarised below:

Key performance Indicators of the Ansaldo STS Group

(K€)	**31.12.2018**	31.12.2017	Change
New Orders	**1,889,116**	1,500,823	388,293
Orders Backlog	**6,883,382**	6,457,458	425,924
Revenues from contracts with customers	**1,437,059**	1,360,967	76,092
Operating profit (EBIT)	**118,469**	100,827	17,642
Net profit/loss	**88,338**	64,868	23,470
Net working capital	**126,500**	127,168	(668)
Net invested capital	**388,841**	371,458	17,383
Net Financial Position (receivables)	**(398,918)**	(357,535)	(41,383)
Free Operating Cash Flow	**42,022**	30,570	11,452
R.O.S.	**8.2%**	7.4%	+0.8 p.p.
R.O.E.	**11.6%**	9.0%	+2.6 p.p.
E.V.A.	**53,376**	34,002	19,374
Research and development	**43,860**	41,344	2,516
Headcount (no.)	**4,327**	4,228	99

Ansaldo STS Group recorded a net profit of €88.3 million in 2018 (€64.9 million in 2017), revenue of €1,437.1 million (€1,361.0 million in 2017), an operating profitability (ROS) of 8.2% (7.4% in 2017) and a positive net financial position of €398.9 million (€357.5 million in 2017).
It should be noted that starting from 1 January 2018, the Group applied the new IFRS 15 accounting standard to the recognition of revenues from contracts with customers. Of particular note, the overall difference in terms of revenues from contracts with customers and EBIT in 2018 would have amounted to approximately €10.4 million, respect the same period of the previous year. In absence of this effect, the ROS would attest approximately to 8.9%, respect the effective value of 8,2%, up considerably compared to the previous year, which was adversely impacted by the provisions relating to the Stockholm Metro project (€35.2 million).

The Group achieved significant and very satisfactory results, in line with the 2018 forecasts provided to the market; these were achieved in a complex and increasingly more competitive market, in which the political and economic conditions throughout the world have become more unpredictable such as, for example, the constant commercial tensions between the US and China, the UK's decision to leave the European Union and the slow economic growth in various countries. During this transition period, the Group was able to record significant results thanks to the professional and personal attributes of its workforce.

The orders taken during the year, increasing the Orders Backlog (see note 2.4 *Composition of "non-GAAP" alternative performance indicators and other indicators* for a definition of "Orders Backlog") came to €1,889.1 million (€1,500.8 million in 2017); in particular, note should be taken of the acquisitions of the projects relating, in Saudi Arabia, to the "*Operation & Maintenance*" of lines 3, 4, 5 and 6 of the Riyadh Metro, as leader of the Flow consortium with the French company Alstom and Ferrovie dello Stato italiane; in Italy, the assignment, as a result of the contract signed with the CEPAV Due consortium, the General Contractor entrusted with the design and construction of the AV/AC Brescia Est-Verona railway line, of the engagement to carry out part of the technological works relating to the aforementioned Functional Lot; also in Italy, the award by RFI of an assignment procedure regarding a framework agreement relating to a technological upgrade of systems and installations; in Australia, mainly relating to variations on mining and freight transport railway lines (Rio Tinto); in the US, the contract stipulated with LIRR (Long Island Railroad) for the addition of the third track on the Floral Park - Farmingdale line.

The operating performance can be viewed essentially in a positive light; in fact important targets were reached during the year relating to a number of projects, as described below.

In particular:
Orders totalled €1,889.1 million compared to €1,500.8 million as of 31 December 2017; the order backlog amounted to €6,883.4 million (€6,457.5 million as of 31 December 2017).
Revenues from contracts with customers totalled €1,437.1 million compared to €1,361.0 million recorded in 2017 (+5.6%); in particular, the increase is mainly attributable to the greater progress of projects in Italy.

The operating profit (EBIT) amounted to €118.5 million, with a ROS of 8.2% compared with €100.8 million recorded as of 31 December 2017 with an ROS of 7.4%.
The net profit amounted to €88.3 million (€64.9 million as of 31 December 2017).

The Group's net financial position (credit) amounts to -€398.9 million, compared to a value of -€357.5 million (credit) registered in December 2017, also due to the collections received in the last few days of the year.

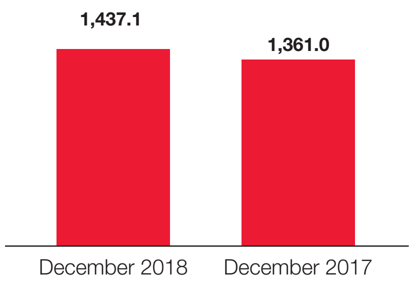
R&D expenses directly attributable to the income statement amount to €43.9 million, compared to €41.3 million as of 31 December 2017.

The Group's headcount staff as of 31 December 2018 amounted to 4,327 units, marking an increase of 99 units compared with 4,228 units as of 31 December 2017.

The average headcount amounted to 4,209 units, compared to the value of 4,081 units as of 31 December 2017.

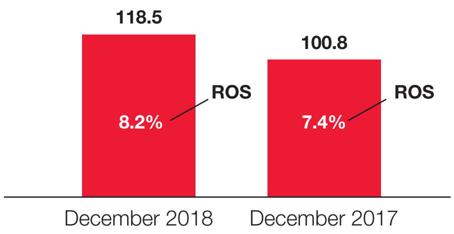
Revenues from contracts with customers as of 31 December 2018 – 2017 (€m)

Revenues from contracts with customers



EBIT and ROS as of 31 December 2018 and 2017 (€M)

EBIT



The process of updating and preparing a new Strategic Framework, called Strategic Business Overview, was completed in 2018. 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 organisational structure was completed; 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 which however does not consists in to revisit of sectors composition subject to disclosure since, it's reasonable to assume the "highest operational decision-making level of the entity", which is interested in periodically reviewing the operating results and to assume decision with regard to the allocation of resources to sector, has not been significantly modified.

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. For this reason, the present financial statement is a interim report of the Group as of December 31, 2018.

In order to provide further information on the Group's economic and financial position, the reclassified "Consolidated Income Statement", "Consolidated Statement of Financial Position", "Consolidated net financial position", and "Consolidated cash flow statement" are outlined below.

Consolidated income statement (K€)

Consolidated income statement (K€)	31.12.2018	31.12.2017
Revenues from contracts with customers	**1,437,059**	**1,360,967**
Purchase and personnel cost (*)	(1,306,252)	(1,247,217)
Amortisation, depreciation and write-downs	(22,952)	(19,010)
Other net operating income (costs) (**)	3,619	5,822
Change in work in progress, semi-finished, and finished producrs	6,995	265
Operating profit (EBIT)	**118,469**	**100,827**
Net financial income (charges)	1,508	(1,750)
Income taxes	(31,639)	(34,209)
Net profit (Loss)	**88,338**	**64,868**
attributable to the owners of the parent	88,349	*64,975*
attributable to non-controlling interests	(11)	*(107)*
Earnings per share		
Basic and Diluted	0.44	*0.32*

Linked entries between the reclassified consolidated income statement and consolidated income statement:
(*) Includes the item "Purchase Costs", "Purchases of services, "Staff Costs" (net of restructuring costs) and "Accruals for loss on orders", net of "Capitalized costs for internal production".
(**) Includes the net amount of "Other operating income" and "Other operating costs" (net of restructuring, write-downs and write-offs) for loss on orders.

In short, the value of the operating profit, despite the negative impact of € 10.4 million due to the application of the new IFRS 15 standard, increased when compared to the previous year's figure, due essentially to the higher production volumes in 2018 and the provision set aside in 2017 to cover problems connected with the Swedish project.
The combined effect of the improvement in the operating profit and the net financial income and expense, together with the lower tax burden and the different mix of pre-tax profits of the individual companies, determined the change in net profit (+€23.5 million).

Consolidated statement of financial position (K€)

Consolidated statement of financial position (K€)	31.12.2018	31.12.2017
Non-current assets	324,375	305,070
Non-current liabilities	(62,034)	(60,780)
	262,341	**244,290**
Inventories	119,328	110,995
Contract Assets	449,487	379,590
Trade receivables	680,373	736,664
Trade payables	(391,599)	(413,639)
Contract Liabilities	(677,218)	(683,036)
Working capital	**180,371**	**130,574**
Provisions for risks and charges	(39,567)	(15,967)
Other net assets/(liabilities) (*)	(14,304)	12,561
Net working capital	**126,500**	**127,168**
Net invested capital	**388,841**	**371,458**
Group Equity	787,759	728,892
Minority Interests	-	101
Shareholders' equity	**787,759**	**728,993**
Net financial position (cash)	**(398,918)**	**(357,535)**

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

The consolidated net invested capital amounts to €388.8 million, up by €17.4 million compared to €371.5 million recorded as of 31 December 2017.
The other net non-current assets and liabilities rose (€18.1 million), essentially due to the recognition of deferred tax assets following the adoption of new accounting standard IFRS 15.
The net working capital in the two periods subject to comparison was essentially in line; in particular, the working capital increased by €49.8 million, based on the increase in total net inventories, the reduction in trade payables and receivables, offset by the increase in the value of the provision for risks and charges (€23.6 million), due mainly to the reclassification to said item of the provision for losses to complete contracts as a result of the application of the new accounting standard IFRS 15 and higher payables for taxes and other liabilities.

The net financial position (cash) as of 31 December 2018 compared with the figures as of 31 December 2017 is shown in the following table:

Consolidated financial position

(K€)	**31.12.2018**	31.12.2017
Short-term debts	279	424
Medium/long-term loans and borrowings	-	-
Cash and cash equivalents	(364,667)	(327,326)
BANK LOANS AND BORROWINGS	**(364,388)**	**(326,902)**
Financial receivables from related parties	-	(232)
Other financial receivables	(35,288)	(30,401)
FINANCIAL RECEIVABLES	**(35,288)**	**(30,633)**
Financial liabilities towards related parties	-	-
Other short-term financial debts	-	-
Other medium/long-term loans and borrowings	758	-
OTHER DEBTS	**758**	**-**
NET FINANCIAL POSITION (CASH)	**(398,918)**	**(357,535)**

As of 31 December 2018, the Group's net financial position, i.e. greater financial receivables and cash and cash equivalents than loans and borrowings) was -€398.9 million compared to -€357.5 million registered as of 31 December 2017.

Financial receivables include the euro equivalent amount of the Libyan dinar advance in Libya and deposited in a local bank pending the resumption of activities (€28.4 million).

The consolidated statement of cash flows as of 31 December 2018 is composed as follows:

(K€)	**31.12.2018**		31.12.2017	
Opening cash and cash equivalents	**327,326**		**305,586**	
Profit for the period	88,338		64,868	
Share of profits (losses) of equity-accounted investees	(3,322)		(5,798)	
Income taxes	31,639		34,209	
Italian post-employment and other employee benefits	1,058		932	
Stock grant plans	(156)		1,621	
Gains (losses) on the sale of assets	7		160	
Net financial income	1,816		7,558	
Amortisation, depreciation and write-downs	22,952		19,010	
Changes in provisions for risks and charges	10,227		4,212	
Other net operating income/expense	(12,623)		(20,205)	
Write-downs/write-backs of inventories and contract assets and liabilities	12,056		27,306	
Gross cash flows from operating activities	**151,992**		**133,873**	
Net change in other operating assets and liabilities	(30,262)		(38,178)	
Funds From Operations		**121,730**		**95,695**
Changes from (used in) working capital	(64,799)		(45,569)	
Cash flows from (used in) operating activities	**56,931**		**50,126**	
Cash flow from regular investing activities	(14,909)		(19,556)	
Free Operating Cash Flow		**42,022**		**30,570**
Strategic investments	-		(3,128)	
Other changes in investing activities	71		3,840	
Cash flows from (used in) investing activities	**(14,838)**		**(18,844)**	
Dividends paid	-		-	
Cash flow from financing activities	(4,190)		(1,596)	
Cash flow from (used in) financing activities	**(4,190)**		**(1,596)**	
Net exchange rate gains (losses)	**(562)**		**(7,946)**	
Closing cash and cash equivalents	**364,667**		**327,326**	

Cash and cash equivalents equalled €364.7 million as of 31 December 2018, up by €37.3 million over 2017.
The Free Operating Cash Flow (FOCF) before strategic investments indicates a cash flow generated of €42.0 million, up from the flow of €30.6 million as of 31 December 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, plus VAT for €5,9 million plus interest (for about €1.7 million) were repaid. It should be noted that, advances and interest respectively of €34.5 million plus VAT (€8,6 million subsequently recovered) and €2.1 million were repaid in October 2017.

Reconciliation between the profit for the period and the shareholders' equity of the Parent Company and the Group

(K€)	Shareholders' equity	of which: Profit for the period
Net Equity and results of the Parent Company as of 31.12.2018	**558,096**	**62,650**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	157,055	33,282
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in equity-accounted investees	9,051	3,246
Goodwill	34,569	-
Consolidated adjustments for:		
- Dividends from consolidated companies	-	(16,960)
- Net exchange rate gains (losses)	15,243	
- Impairment losses (gains) on consolidated companies and loan assets of subsidiaries	13,745	6,131
- Other adjustments	-	-
Total attributable to the owners of the parent	**787,759**	**88,349**
- Non-controlling interests	-	(11)
Total equity as of December 2018 and profit for the period than ended.	**787,759**	**88,338**

Composition of "non-GAAP" alternative performance indicators and other indicators

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.

Below are described, as required by the CESR/05-178 b Communication, and taking into account the guidelines outlined in the ESMA Communication of 30 June 2015 Guidelines on Alternative Performance Measures, the components of each of these indicators:

- ***EBIT:*** represents an indicator for the valuation of the operating performance and it is equal to the pre-tax result and before-tax income and financial charges, without any adjustment. 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 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).
- ***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. The research costs sold are those commissioned by the customer in respect of which there is a specific sales order and which are treated from an accounting and management perspective identical to an ordinary supply (sales order, profitability, billing, advances, etc.).

Other non-GAAP indicators

- ***Orders intake:*** 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 orders intake 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.

Related-party transactions

Related-party transactions are attributable to ordinary day-to-day operations and are governed by normal market conditions, unless regulated under specific contractual terms, as in the case of interest-bearing debt and receivables. These relate mainly to the exchange of goods, the supply of services and the provision and use of financial means to and from the parent company, associated companies, held jointly (joint venture), consortia, as well as unconsolidated subsidiaries.
The relevant section of the "Interim financial report as of 31 December 2018" provides a summary of the income statement and balance sheet items with related parties, as well as the percentage of such relations on their respective overall balances.
No atypical and/or unusual transactions[1] occurred during the period.

Report on operations

Market and business scenario

New orders acquired as of 31 December 2018 amounted to around €1,889 million (31 December 2017: €1,501 million).
The main information by geographic area is shown below:

ITALY

Orders intake in the period amounted to roughly €435 million, which include the contract acquired as part of the Saturno consortium for the design, construction, installation and roll-out of signalling and automation systems on the AV Brescia – Verona line for a value of around €98 million and the framework agreement stipulated with RFI (€65 million) relating to initiatives involving the reconfiguration and technological upgrade of systems and installations. Note should also be taken of 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).

[1] as defined in the CONSOB Communication no. DEM/6064293 of 28.07.2006

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 €155 million, mainly in France (€76 million) and in Denmark (€42 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 €38 million was recorded for the Copenaghen project, of which approximately €8 million was for Hitachi Rail Italy train operations.

MIDDLE EAST

Orders intake in the period totalled approximately €901 million.
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, then signed in November, which has a term of 12 years, including the mobilisation period and has a total value, for the FLOW consortium, of 10.9 billion Saudi riyals, equal to about 2.9 billion dollars. Ansaldo STS's share is approximately €840 million.
Also in Saudi Arabia, a new JV O&M contract was signed for the metro serving Princess Noura University in Riyadh for €34 million; 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 Metro of Riyadh project.

AMERICAS

Orders received during the period amounted to approximately €156 million, of which approximately €51 million relates to the sale of components, maintenance and modernisation of freight lines.
It is also worth mentioning that approximately €39 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, €16 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

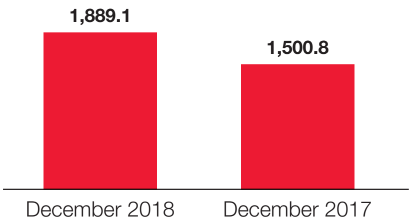
Orders intake come to approximately €244 million, including roughly €106 million acquired in Australia and mainly relating to variations on mining and freight transport railway lines (Rio Tinto).
As regards the Far East, orders amounted to roughly €111 million, including the contract for signalling on the 198km railway section that stretches 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.
As far as China is concerned, around €7 million relates 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 Insigma for systems and components on lines 6 and 11 of the Cheng Du metro.

Key orders acquired in 2018 are as follows:

Country	Project	Customer	Value (€m)
Saudi Arabia	O&M ON Metro lines 3,4,5,6	Riyadh Development Authority (ADA)	840
Italy	AV Brescia - Verona	Saturno consortium	98
Australia	Rio Tinto – Order change	Rio Tinto	85
Italy	AQ RFI	RFI	65
Malaysia	SDT – Upgrade for the dual KTMB track	KTMB	55
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
Italy	Northern Italy corridor ERTMS LIV.2	RFI	29
Various EU / Asia	*Service & Maintenance*	Various	66
Various EU / Asia	Components	Various	88
U.S.A.	Components	Various	50

Orders as of 31 December 2018-2017 (€m)

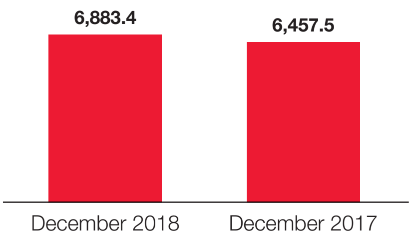
New Orders



Order Backlog as of 31 December 2018 - 2017 (€m)

The order backlog as of 31 December 2018 amounted to €6,883.4 million, compared to €6,457.5 million as of 31 December 2017.

Order Backlog



The order Backlog in December 2018 includes the residual value of the currently-suspended contract in Libya for €425.3 million.

Business Performance

The total value of production in the year amounted to €1,437.1 million (€1,361.0 million as of 31 December 2017). The main information by geographic area is shown below:

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.
The activations of phase 2, in August, and of phase 3, in December, of the new Brescia Centrale Central Automated System (ACC - Apparato Centrale Computerizzato) were successfully completed, as per the work plan.
The activation of phase 2 was completed in October, as part of the ACC Ventimiglia projects.
The activations of the Central Automated Systems of Chiavari, Piscina, Pinerolo and Casoria (Aversa – Naples section) and of Palermo Centrale – Doppio Bivio Orleans were also completed successfully.

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 suspension of the works for construction of the ventilation chambers and the failure of the operator ANM to authorise access to sites on the Mostra Mergellina section.

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.
A new ATC maintenance contract is also in the process of being defined with ATAC.

MILAN METRO LINE 5:

The Milan Metro line 5 project has been completed, and the entire line is currently operating.

FLORENCE TRAM LINE

In July, line 3 of the Florence tram line entered into service.
Works on line 2 were essentially completed, pending the operational start-up by the customer.

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.
In order to allow the planned tests, the first version of the CBTC system software was released in October. Lastly, December saw the powering up of the first electrical substation Forlanini Tangenziale.

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 and for Multistation 06 to 08 in October.
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. The safety documents relating to the CBTC system to be used for the final line tests were issued in December.
With regard to the construction of the tram line in the city of Aarhus, the Odderbane non-urban section went into service in August and all preliminary safety documents for the placement into operation of the last Grenaabane non-urban section were issued.

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, the system was put into operation in the last few months of the year.

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. Installation activities and testing of the interfacing of the traffic management system commenced, despite the presence of delays on 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.
In July and August, the Kenitra and Tangier stations were put into operation, interfacing with the Bombardier

Interlocking systems. The ERTMS L2 high-speed line from Kenitra to Tangier became operational in the final part of the year, and the safety documents were also issued prior to the activation of the ERTMS L1 system and the depot.

AMERICA

USA:

In the state of Hawaii, activities related to the Honolulu metro construction advanced in terms of design, production, installation and testing. The first tests in driverless mode were conducted in December. Delays connected to civil works have been reported. In particular the client is considering a Public Private Partnership (P3) for the completion of the third phase of the construction project as well as for the long-term operations and maintenance. The company is in continual contact with the client regarding the project to preserve its rights and interests as well as negotiations on variations in the process of being defined.

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

With regard to the project for the technological upgrade of the signalling system on the Media Sharon Hill line in Philadelphia, design activities are continuing as is the procurement of materials, despite the presence of delays on the work plan.

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

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.

The variation to the project Adenda 2 was approved in December, which also reviews the timetable for implementation of works, and 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 underway 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.

Line 5 of the Tianjin metro was put into operation in October.

Test activities relating to the project CBTC Wenzhou line S1 phase 1 are at the completion phase, prior to the placement into operation of the first section of the line at the start of 2019.

INDIA:

With regard to the Calcutta metro project, design and production activities are progressing according to plan. During the period, dynamic tests commenced and the installations of signalling systems in the depot and in the first six stations were completed; the on-board equipment for the first six trains in the fleet was also delivered.
The approvals of detailed design and production activities for the Noida metro project are instead at the completion phase; during the period, installation activities along the line and preparatory testing for the roll-out of the first ATP phase of the project were completed.
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.
More than 1 million km was travelled by trains between July and December operating in driverless mode; only a small number of the fleet’s trains continue to operate, as of today, in manual mode or with train driver on-board.
The project is scheduled to be completed in the first half of 2019 and negotiations over the maintenance contract are ongoing.
Activities connected to the new contract are continuing, signed with the customer Rio Tinto for the installation and commissioning of 29 new locomotives.

Key events of and after the reporting period as of 31 December 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 previously reported, for its role of 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, signed on 11 November, has a term of 12 years, including the mobilisation period and has a total value for the FLOW consortium of 10.9 billion Saudi riyals, equal to 2.9 billion dollars. Ansaldo STS's share is approximately USD 1 billion (€ 840 million).
FLOW will provide the entire range of O&M services for lines 3, 4, 5 and 6 on a total stretch of 113 km, and for 50 stations, of which 2 principal stations and 5 interchange stations, 3 depots and 3 OCCs. The services include the operation of the metro, passenger safety and assistance, system management, building maintenance (stations, car parks, depots etc.) and the transport system that includes trains, signalling, telecommunications, power supply, passenger information and other services. The O&M contract was conceived on the basis of best practice at global level and global KPIs in metro management and maintenance, in particular in the following sectors: passenger services, system management, transport system, health and safety, as well as local services.

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.

On 6 December 2018 "the Saturno consortium for the performance of high technology content railway works for the Italian high-speed rail system" - following the signing of the contract with the CEPAV Due consortium, the General Contractor that was assigned the design and construction of the Brescia Est-Verona AV/AC (high speed and high capacity) railway line - conferred on the consortium company Ansaldo STS S.p.A. the assignment of carrying out part of the technological works relating to the aforementioned Functional Lot.
The total amount of the works awarded to Ansaldo STS came to around €98 million, out of a total, for the Saturno consortium, of approximately €272 million.
Ansaldo STS is responsible for the design, construction, installation and roll-out of the signalling systems (ERTMS/ETCS level 2 and IXL Multi-station) and automation systems (SCCM-AV), over a 48 km long line, interconnections included.
Ansaldo STS is also directly responsible for the design, construction, installation and roll-out of the electrical substations, parallel locations and data management systems for electric traction. Finally, it will handle fire prevention, air conditioning, ventilation and heating systems for the new technological buildings, as well as the tunnel safety system.
With this award, Ansaldo STS will contribute to the construction of another section of the Mediterranean Core Corridor, defined as a priority by the European Union.

Again in December, Ansaldo STS was the winner of an award procedure regarding a framework agreement worth a total of €65 million. The agreement relates to reconfiguration and technological upgrade works on the Ansaldo STS systems and supply facilities relating primarily to the technologies RBC, SCC/SCCM, ACC/ACCM, SSA, SCMT-T and CTC EVO.

The systems subject to works are today active on the main routes of national traffic via the conventional line (SCC/SCCM of the hubs of Turin, Milan, Verona, Venice, Genoa, Naples, Palermo and on the Tyrrhenian and Adriatic lines), as well as on all AV/AC sections (involving the technologies RBC/ERTMS II, ACC/ACCM, SCC/SCCM).

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. The first draft of the calendar of meetings is currently being discussed.
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.

Research and development

As of 31 December 2018, costs for research and development in the income statement net of contributions are equal to €43.9 million (€41.3 million in the same period of 2017).
The total costs for research and development came to €47.7 million (€43.6 million during the same period of 2017), against which income for contributions equal to approximately €3.8 million were recorded (€2.3 million in the same period of 2017).

In relation to the projects financed by the Ministry of Research, note should be taken of the Tesys Rail project, whose objective is to define the appropriate strategies for railway traffic energy optimisation.

Highlighted among the projects funded by the European Commission are:

- MANTIS, funded by the Joint Undertaking ECSEL (public-private subject issuing loans from the European Commission for the innovation of embedded systems) and by the Ministry of Research, having the objective of increasing knowledge with regard to the decision taking process for maintaining railway systems; the project ended in April 2018;
- IN2RAIL, in association with the Shift2Rail initiative, is aimed at optimising railway infrastructure reducing the construction and maintenance costs and increasing capacity. The project ended in April 2018.

As part of the SHIFT2RAIL programme, the following projects finished in 2018:
- CONNECTA, CONtributing to *Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes*;
- PLASA, *Smart Planning and Safety for a safer and more robust European railway sector*;
- IMPACT1, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains – Phase 1*;

By contrast, activities regarding the following projects are in progress:
- X2RAIL1, *Start-up activities for Advanced Signalling and Automation System*;
- IN2SMART, *Intelligent maintenance systems and strategies*;
- ATTRACTIVE, *Advanced Travel Companion & Tracking Services*;
- FR8RAIL, *Development of functional requirements for sustainable and attractive European rail freight*;
- ARCC, *Start-up activities for freight automation*;
- IN2STEMPO, *Innovative Solutions in Future Stations, Energy Metering and Power Supply*;
- CONNECTIVE, *Connecting and Analysing the Digital Transport Ecosystem*;
- FR8HUB, *Real-time information applications and energy efficient solutions for rail freight*;
- IMPACT-2, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains– Phase 2*;
- X2RAIL-2, *Enhancing railway signalling systems based on train satellite positioning; on-board safe train Integrity; formal methods approach and standard interfaces, enhancing Traffic Management System functions*;
- FR8RAIL II, *Digitalisation and Automation of Freight Rail*;
- IN2TRACK 2, *Research into enhanced track and switch and crossing system 2*;
- X2RAIL 3, *Advanced Signalling, Automation and Communication System (IP2 and IP5) – Prototyping the future by means of capacity increase, autonomy and flexible communication*.

As regards satellite systems, activities were completed in November 2018 concerning the STARS project, which is part of the Research Programme of the European Agency, GSA Horizon H2020. In particular, the methodologies and tools were defined for the calculation of the Ground Truth. Furthermore, at the trial site in Sardinia and Pontremolese, measurements activities were carried out with the objective of acquiring Signals In Space (RF signal) and Observational data related to GPS, EGNOS. The definition of the development of EGNSS services was also carried out in order to meet performance and safety requirements in the railway environment and identify any impact on ERTMS / ETCS systems.

The project ERSAT GGC, also financed by the GSA, aims to design the integration platform of satellite technologies in the ERTMS environment and is a natural continuation of the ERSAT EAV project. The ERTMS functional architecture based on public GNSS and TLC was strengthened and a Hazard Analysis was conducted on the new architecture. A toolset for the creation, validation and certification of a "track database" is also in the process of being developed, whose demonstrator will be in Sardinia. Lastly, an assessment is being carried out by the Notify Bodies of the architecture and toolset, which will make it possible to support the certification of satellite systems based on CENELEC standards.

Again as regards satellite systems but financed by ESA (European Space Agency), the following projects are in progress:
- DB4RAIL (Digital Beamforming for RAIL), which will develop a digital beamforming platform in the ERTMS environment and implement an advanced GNSS antenna and signal processing techniques to increase the immunity from intentional electromagnetic interference (IEMI);
- SAT4TRAIN, targeted at designing and developing a multi-bearer communication platform (Multi Link Communication Platform - MLCP), based on the use of public ground-based and satellite networks which will satisfy the requirements of rail applications. The project is especially synergic with Shift2Rail (TD2.1), able to guarantee interoperability of MLCP with future communication standards for rail applications and, in particular, for railway signalling (in the ERTMS ecosystem). Both the phase of analysis of the requirements, including the definition of the KPIs and the business plan, and the definition of the architecture of the complete solution were successfully concluded;
- SIM4RAIL has the objective of specifying and developing highly controllable laboratory instruments for a test bench able to simulate actual operating conditions, included degraded, and difficult to replicate through tests in the field. Therefore, it will be possible to test and support the development of PNT technologies for rail signalling applications, also functioning under conditions of interference or problems with the GNSS signal;
- SBS 2 ("SBS RailS Phase 2.1- Technology Demonstrator for the certification of a satellite-based ERTMS L2 Regional Line Solution)" whose objective consists of the design, development and testing (both in the laboratory and in the field, on the Pinerolo-Sangone line) of a level 2 Regional ERTMS solution. This is based on both the satellite location of the train and the ground-train communications implemented through IP-based protocols and by using the services of public networks, employing the MLCP platform developed in the SAT4Train environment.

Further development activities not backed by external funding involved:
- Ansaldo STS S.p.A.
  - MacroLok Interlocking platform
    - RBC
    - "FAST" suite of tools
  - Automazione v2.0
  - OnBoard (ALA)

- Ansaldo STS France S.A.S.
  - CBTC (Communication-Based Train Control)
  - OnBoard (DIVA)
- Ansaldo STS USA Inc.
  - Automatic Train Supervision (ATS) – Metro applications
  - Automazione V2.0
  - MicroLok Interlocking

Specifically:
- CBTC development activities in order to integrate the generic functions required by recent acquisitions as well as inspection and testing activities regarding safety for projects already at the realisation stage continue;
- evolutionary developments in the ATS Metro continue at an equal pace with the CBTC roadmap;
- the activities of the new multiyear "Automazione v2.0" programme are continuing, which employs resources both in Italy and the USA. The main activities of this year were: drafting of the specifications and definition of interfaces, prototyping of the new graphical interfaces and implementation of demonstrators on the main functionalities offered by the new platform;
- evolutionary development activities are continuing on the Interlocking MacroLok platform, which focus on the expansion of the functionalities and improvement in diagnostics, in order to satisfy the requirements of the global market;

- note should be taken of RBC developments (on the MacroLok platform), aimed at adapting the Generic Application to ERTMS standards of development;
- the development of the new “FAST” tools suite (on the MacroLok platform), dedicated to the design and configuration of the plant for Interlocking and RBC applications;
- as regards the Interlocking MicroLok platform, developments of the new CPU (Vi-Pro) have been completed, and testing and integration activities are continuing in the laboratory;
- as regards Onboard, activities have been successfully completed for the resolution of the obsolescence and performance issues of the Italian platform (ALA). By contrast, on the SW side, Baseline 3 testing and delivery activities are continuing;
  In addition, the evolutionary developments on the French on-board platform (DIVA) continued in 2018. The initiatives aim to standardise the HW configurations, primarily for ERTMS applications, and target the overall improvement of the performances of the DIVA platform.

Research and development costs net of contributions are formed for the Group Companies as follows:
- Ansaldo STS S.p.A.: €18.7 million;
- Ansaldo STS France S.A.S.: €10.3 million;
- Ansaldo STS USA Inc.: €14.9 million.

Human resources and organisation

Ansaldo STS

The top management positions of the company underwent changes in 2018.

In office to date, therefore, are:
Chairman of the Board of Directors: Mr. Alistair Dormer;
Vice-Chairman of the Board of Directors: Mr. Alberto de Benedictis;
Managing Director and General Manager: Mr. Andrew Thomas Barr.
It is specified, which following to resignations by directors Cipriotti, Cristomo e Labruna on October 29, 2018 effective on November 2, 2018,the Board of director pursuant to art. 2386 c.c., on November 16, 2018 has appointed the directors Biassioni, Corsi e Tiscini. These directors will remain in office until the next shareholders' meeting.

On 9 May 2018, the Board of Directors approved the Privacy Organisational Model, operational as of said date.
On the same date, the BOD approved the establishment of the Data Protection Committee, appointing the temporary managers of the following functions as members: General Counsel & Compliance, Hr & Organisation, IT Security and IT Infrastructure & Services.

Again on the same date, the BOD also appointed Rosario Imperiali, as the Data Protection Officer (DPO) of Ansaldo STS S.p.A., attributing him all the functions set forth in art. 39 of EU Regulation 679/2016.

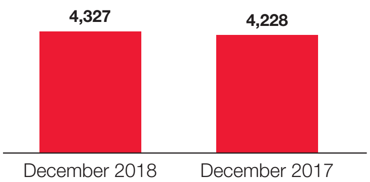
As already outlined previously, on 13 June 2018, the Board of Directors approved the draft of the new organisation of Ansaldo STS S.p.A., with the objective of finalising the future organisation by the first half of 2019.

Headcount as of 31 December 2018

The headcount registered on 31 December 2018 is equal to 4,327 resources, marking a net increase of 99 units (2.3%) compared to 4,228 resources registered at the end of the previous year.

Headcount as of 31 December 2018 - 2017 (number)

Headcount



The Group's average workforce for 2018 numbered 4,209 units, compared to an average of 4,081 in the previous year.

Financial disclosure

Relations with the financial market

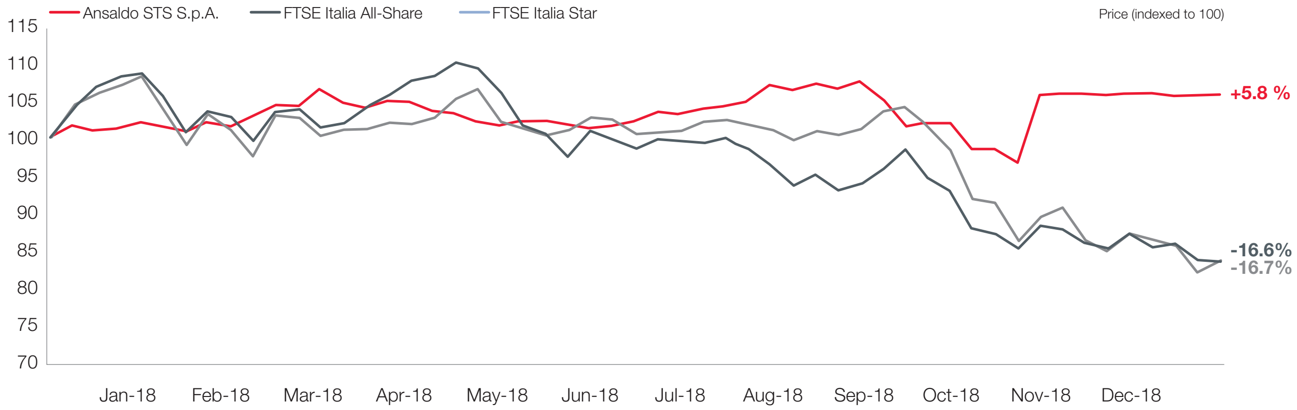
The primary objective pursued by Ansaldo STS over the years has been to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information for the market in a timely and transparent manner and ensuring that the company is presented properly.
For this purpose, the Investor Relations function, which reports directly to the Chief Financial Officer, constantly interacts with the financial community, in order to understand the disclosure requirements and assist the Top Management with communication decisions.
From surveys repeatedly requested from its stakeholders, the generally positive impression of the work of the Investor Relations team has always been confirmed, recognised as the main point of contact between the company and the financial community.
Total actual coverage remained essentially unchanged from the previous year, at 5 investment banks.
Some investment banks provide periodic sector-specific research and competitor analyses, which the Investor Relations Function collects, studies and circulates internally, together with the official communications from the market.
On a quarterly basis before the financial results are issued, the Investor Relations department requests brokers assigned to the parent's share for their latest forecasts on its key financial indicators, then calculating their average values. This is an accurate update of sell-side analysts' perception, which is discussed and considered by management.
With regard to communication activities, the annual communication plan is used to plan and develop Investor Relations activities. The aim is to disseminate and communicate the company's market analyses, policies and strategies.

Share Performance

The official share price in the **31 December 2017 to 31 December 2018** period rose from €12.00 to €12.70, up 5.8%.
The share performance, as reported before, was shaped by recent developments as regards the composition of the shareholding structure, in particular by the agreement reached at the end of October 2018 between the majority shareholder Hitachi Rail Italy Investments S.r.l. and the US fund Elliott, based on which the entire share package of the US fund, equal to approximately 31.8% of Ansaldo STS' capital, was sold to HRII at a price of €12.70. As a result, a voluntary takeover bid was subsequently launched by HRII on the remaining shares, at the same price of €12.70, which went mandatory after the 90% capital threshold was passed, which took place on 22 November 2018, following the purchases made by Hitachi on the equity market in the preceding days. On 11 January 2019, Hitachi, as the 95% threshold of share capital of Ansaldo STS had been exceeded, communicated its intention to exercise the "Purchase Right" on the ordinary shares still outstanding, together with the fulfilment of the above "Purchase Obligation", hence starting a single agreed procedure between CONSOB and Borsa Italiana (the "Joint Procedure"). The consideration paid as part of the "Joint Procedure" was equal to €12.70 per share.

The share's high for the year and all-time company record of €12.92 was recorded on 7 September 2018 and its low for the year of €11.60 on 26 October 2018.
An average 164,807 shares were traded daily in the year, compared to 112,750 shares traded in the corresponding period of 2017.
The FTSE Italia All-Share index lost 16.7% in the period considered, while the FTSE Italia STAR index dropped 16.6%..

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



Key Shareholders as of 31 December 2018

Considering the communications sent to CONSOB and received by the company pursuant to Legislative Decree no. 25 of 15 February 2016, which came into force on 18 March 2016, in implementation of directive 2013/50/EU of the European Parliament and Council of 22 October 2013 which amended art. 120, paragraph 2 of the TUF (Consolidated Finance Act), as of 31 December 2018, there were no subjects holding a relevant shareholding of more than 3% of the share capital of Ansaldo STS S.p.A..

Corporate governance and ownership structures pursuant to article 123-bis of legislative decree no. 58 Of 24 february 1998 and subsequent amendments and additions (consolidated finance law)

On 29 October 2018, Hitachi Ltd. and Hitachi Rail Italy Investments S.r.l. ("HRII"), on the one side, and Elliott Management Corporation, Elliott International, L.P., Elliott Associates, L.P. and The Liverpool Limited Partnership, on the other, signed an agreement for HRII's purchase of all shareholdings held by Elliott International, L.P., Elliott Associates, L.P. and The Liverpool Limited Partnership in Ansaldo STS S.p.A., equal to around 31.794% of the share capital of Ansaldo STS S.p.A., effective from 2 November 2018 (the agreement).
Therefore, as a result of the agreement, HRII holds a 82.567% stake in the company.
On the same date, Hitachi Rail Italy Investments S.r.l. communicated its decision to launch a voluntary takeover bid on all the remaining ordinary shares of Ansaldo STS S.p.A..
Subsequently, on 22 November 2018, HRII disclosed that, due to the purchases made on the market from 30 October 2018 to 21 November 2018, as well as taking account of the shareholding already held, it held a stake of more than 90% in Ansaldo STS S.p.A., and simultaneously announced its intention not to restore a sufficient float for ensuring normal negotiations, but instead comply with the obligation to purchase, from the shareholders that request it, all remaining company ordinary shares outstanding, as set forth in art. 108, paragraph 2, of the Consolidated Finance Act ("Purchase Obligation").
In addition, HRII communicated, in the event it held a total shareholding of at least 95% of the Issuer's share capital, due to the share sale requests presented as part of the Purchase Obligation procedure, i.e. of the purchases made on the market, its intention to exercise the right to acquire the remaining ordinary shares pursuant to art. 111 of the Consolidated Finance Act ("Purchase Right"), jointly triggering both the procedure relating to the right to acquire the remaining ordinary shares and that concerning the obligation to purchase the shares of shareholders that request it, giving rise to a single procedure, agreed with CONSOB and Borsa Italiana ("Joint Procedure").
The stated objective of HRII is to acquire the entire share capital of the Issuer and ensure the revocation of the company's ordinary shares from listing and trading on the MTA- screen-based equities market - so-called delisting.
Subsequently, on 11 January 2019, HRII communicated that, due to the share sale requests presented as part of the Purchase Obligation procedure, as well as the purchases made on the market, it held a stake of 95.05% in the Issuer.
At the same time, HRII reiterated its intention to exercise the Purchase Right and therefore initiate the Joint Procedure.
Subsequently, following the Joint Procedure and the purchases made on the market, HRII owned the entire share capital of Ansaldo STS S.p.A. and the company's shares were therefore revoked from listing and trading on the MTA - screen-based equities market - (so-called delisting).
As from 29 March 2006, Ansaldo STS shares are listed on the Star segment of the markets organised and managed by Borsa Italiana S.p.A.
The company's 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, until the delisting, the company's shares have again been included in the FTSE Italia Mid Cap index.
By contrast, as regards the structure and composition of the current Board of Directors, note that the company Shareholder's Meeting held on 13 May 2016, having established that there would be nine Directors, appointed the new Board of Directors of the company for financial years 2016-2018. In particular, the Shareholder's Meeting appointed Mr. Alistair Dormer (Chairman), Ms. Katherine Jane Mingay, Mr. Andrew Thomas Barr, Mr. Giuseppe Bivona, Ms. Rosa Cipriotti, Mr. Mario Garraffo, Mr. Alberto de Benedictis, Mr. Fabio Labruna and Ms. Katharine Rosalind Painter as new Directors of Ansaldo STS S.p.A..
Thereafter, in the meeting held on 16 May 2016, the Board of Directors appointed Ms. Katherine Jane Mingay as Vice Chairperson of the Board of Directors and appointed Mr. Francesco Gianni as Secretary of said Board.
During the meeting held on 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Managing Director and General Manager of Ansaldo STS S.p.A. Furthermore, after the resignation on 21 October 2016 of

Katherine Jane Mingay from the office of Vice Chairman of Ansaldo STS S.p.A. with immediate effect, the Board of Directors appointed Alberto de Benedictis as Vice Chairman of the Board of Directors on 28 October 2016.
During the meeting held on 28 October 2016, the Board of Directors resolved to establish an Executive Committee (i.e. Bid Committee). Such committee was conferred powers, amongst others, to appraise and approve bids aimed at acquiring tender contracts for clients in the public and private sector exceeding €150 million and within the limit of €350 million per single transaction. The Executive Committee is formed of the Chairman, Alistair Dormer, Managing Director, Andrew Thomas Barr and the Director, Katherine Jane Mingay.
The Shareholder's Meeting of 19 January 2017 resolved to bring corporate liability action as per art. 2393 of the Italian Civil Code against Giuseppe Bivona who, by effect thereof, was revoked from office with immediate effect. The same Shareholder's Meeting proceeded to appoint Mr. Michele Alberto Fabiano Crisostomo as a new company Director, replacing Giuseppe Bivona.
Subsequently, based on the above agreement signed on 29 October 2018, the Directors Ms. Rosa Cipriotti, Mr. Michele Alberto Fabiano Crisostomo and Mr. Fabio Labruna tendered their irrevocable resignations from the office of Director, effective from 2 November 2018.
On 16 November 2018, the company's Board of Directors therefore appointed, pursuant to art. 2386 of the Italian Civil Code, Mr. Filippo Corsi (General Counsel and Chief Compliance Officer of Ansaldo STS) as new company non-executive director, as well as Ms. Barbara Biassoni and Mr. Riccardo Tiscini as new non-executive and independent Directors, replacing the outgoing Directors. It should be noted that these new Directors will remain in office until the next Shareholders' Meeting of the company.
The company's Board of Statutory Auditors, appointed by the Shareholder's Meeting of 11 May 2017 for financial years 2017-2019, is composed of Antonio Zecca (Chairman) and Statutory Auditors Giovanni Naccarato and Alessandra Stabilini, as well as Substitute Auditors, Valeria Galardi, Cristiano Proserpio and Alessandro Speranza.
As regards Board Committees, the Board of Directors meeting of 16 May 2016 appointed the members of the Control and Risks Committee (Alberto de Benedictis – Chairman, Mario Garraffo and Katharine Rosalind Painter) and the Appointment and Remuneration Committee (Katharine Rosalind Painter – Chairperson, Alberto de Benedictis and Mario Garraffo).
On 27 February 2017, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors, effective from 1 March 2017, appointed Mr. Renato Gallo as Director assigned to drawing up the corporate accounting documents pursuant to art. 154-bis of Legislative Decree no. 58/1998, as well as the company's temporary Chief Financial Officer. Subsequently, on 28 March 2017, the company confirmed Renato Gallo as Chief Financial Officer of Ansaldo STS.
At the meeting on 13 June 2018, the Board of Directors acknowledged the declarations issued by the independent Directors (Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis, Mario Garraffo and Michele Alberto Fabiano Crisostomo) and confirmed that said individuals continued to meet the independence requirements set forth in the applicable legislation and Corporate Governance Code.
It should be noted that, on 16 November 2018, following the appointment via co-optation of the Directors Biassoni and Tiscini, the company's Board of Directors evaluated whether said individuals met the independence requirements set forth in the applicable legislation and Corporate Governance Code.
On 24 May 2016, the company's Board of Directors, in compliance with the provisions of Principle 7.P.3 of the Corporate Governance Code, also appointed the Managing Director, Andrew Thomas Barr, as Director in charge of the internal control and risk management system. During said meeting, the Board of Directors also confirmed the assignment of the role of Internal Audit function to the external company Protiviti S.r.l. and Mr. Giacomo Galli, Managing Director and Country Leader of said company, as the Internal Audit manager. Subsequently, on 24 March 2017, the Board resolved to confirm, on a temporary basis, Protiviti as the entity responsible for the Internal Audit function, effective until 30 September 2017. Lastly, it should be noted that, on 28 July 2017, the Board of Directors resolved to appoint Andrea Crespi, already a Protiviti advisor, as the new manager of the Internal Audit function, effective from 1 October 2017.
It should also be noted that, on 24 January 2016, the Board of Directors confirmed Ms. Nicoletta Garaventa and Mr. Alberto Quagli as Chairman and external member of the company's Supervisory Body respectively as well as Mr. Filippo Corsi, General Counsel of Ansaldo STS, as internal member of the company's Supervisory Body.
Pursuant to the provisions of the Corporate Governance Code, the members of the Board of Statutory Auditors, Antonio Zecca, Giovanni Naccarato and Alessandra Stabilini also confirmed that they met the independence requirements set forth in the applicable legislation and declared by the latter upon their appointment, during the first meeting of the Board, held on 5 July 2017. With reference to the company assigned with the statutory audit of Ansaldo STS S.p.A. financial statements, the company Shareholder's Meeting of 19 January 2017 assigned the audit engagement to the auditors EY S.p.A. for the financial years 2016-2024.
We also point out that the Board of Directors meeting of 14 March 2018 approved the company Remuneration Policy

for financial year 2018, in compliance with the recommendations of art. 6 of the Corporate Governance Code, based on the proposal formulated by the Appointment and Remuneration Committee of 13 March 2018.
On 14 March 2018, the Board of Directors, having consulted with the Appointment and Remuneration Committee, also approved the Remuneration Report drawn up by the company pursuant to article 123-ter of the TUF and 84-quater of the Issuer's Regulation.
Lastly, in compliance with the provisions under paragraph 6 of art. 123-ter TUF, the Shareholder's Meeting of 10 May 2018 favourably resolved on the first section of said report as provided under paragraph 3 of art. 123-ter TUF which explains the company policy on the matter of remunerating members of management boards, general managers and executives having strategic responsibilities, as well as the procedures used for adopting and explaining such policy.
In compliance with the provisions under articles 70, paragraph 8 and 71, paragraph 1-bis of the Issuer's Regulation, we report that the Board of Directors of the Parent Company, which met on 28 January 2013, had resolved to adhere to the "opt-out" regime pursuant to article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuer's Regulation, thereby availing of the right of derogation from the obligations to publish the information documents prescribed at the time of significant transactions involving mergers, demergers, increases in capital by means of contribution of assets in kind, acquisitions and transfers.
Lastly, it should be noted that the Shareholders' Meeting held on 10 May 2018 modified the date of the close of the financial year from 31 December to 31 March of each year, and, therefore, the current financial year will have a duration of 15 months, i.e. will run from 1 January 2018 to 31 March 2019.
The main Governance tools Ansaldo STS S.p.A. is equipped with are shown below, also in observance of the most recent legislative and regulatory provisions, the provisions of the Corporate Governance Code, national and international best practices and which will be subject to analysis following the delisting of the company's shares:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01;
- Regulation for the Shareholder's Meeting;
- Regulation for the Board of Directors Meeting;
- Regulation for the Executive Committee (i.e. Bid Committee);
- Regulation for the Control and Risks Committee;
- Regulation for the Appointment and Remuneration Committee;
- Operations with related parties - Procedure adopted pursuant to art. 4 of CONSOB Regulation 17221 of 12 March 2010 as amended;
- Procedure for the management and communication of privileged and relevant information and for the establishment and updating of the Insider List;
- Internal Dealing Code;
- Anti-Corruption Policy

Reference is made to the "Report on Corporate Governance" for more information on Corporate Governance, which also contains the information required under art. 123-bis of TUF, located in the company website www.ansaldo-sts.com.

Outlook for operations

The closing volumes and profitability for the current company year are expected to be in line with the pre-established objectives, in continuation with the results reported up until today.

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.

For a more detailed analysis of the strategies adopted by the Ansaldo STS Group with reference to the management of these types of risk, please refer to the note 8.

Rome, 5 February 2019

For the Board of Directors
The Chairman

Alistair Dormer

Condensed interim consolidated financial statements as of and for the twelve months ended 31 December 2018

1 Financial statements

1.1 Consolidated income statement

(K€)	Notes	31.12.2018	of which. related parties	31.12.2017	of which. related parties
Revenues from contracts with customers	5.2	1,437,059	76,954	1,360,967	77,690
Other operating income	5.3	30,224	1,863	26,448	1,488
Costs for purchases	5.4	(396,879)	(39,618)	(388,973)	(25,862)
Services	5.4	(566,126)	(71,492)	(527,908)	(63,629)
Personnel costs	5.5	(344,419)	-	(334,220)	-
Amortisation, depreciation and write-downs	5.6	(22,952)	-	(19,010)	-
Other operating expenses	5.7	(26,605)	(14)	(20,132)	-
Changes in work in progress, semi-finished and finished products		6,995	-	265	-
(-) Internal work capitalised	5.8	1,172	-	3,390	-
Operating profit (EBIT)		**118,469**		**100,827**	
Financial income	5.9	17,784	-	22,986	10
Financial charges	5.9	(19,598)	-	(30,534)	-
Share of profits of equity-accounted investees	5.10	3,322	-	5,798	-
Pre-tax profit (loss)		***119,977***		***99,077***	
Income taxes	5.11	(31,639)	-	(34,209)	-
Net profit (Loss)		***88,338***		***64,868***	
attributable to the owners of the parent		*88,349*		*64,975*	
attributable to non-controlling interests		*(11)*		*(107)*	
Earnings per share					
Basic and diluted		*0.44*		*0.32*	

1.2 Consolidated statement of other comprehensive income

(K€)	31.12.2018	31.12.2017
Net profit for the period	88,338	64,868
Items that will not be reclassified to profit or loss:		
- Net actuarial gains (losses) on defined benefit plans	417	(1,062)
- Tax effect on net actuarial gains (losses) on defined plans	(121)	(87)
	296	**(1,149)**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	(12,552)	(1,610)
- Translation adjustment	2,358	(37,524)
- Tax effect	3,142	396
	(7,052)	**(38,738)**
Other comprehensive income (expense), net of taxes	**(6,756)**	**(39,887)**
Total comprehensive income for the period	**81,582**	**24,981**
Attributable to:		
- Owners of the parent	81,683	25,100
- Non-controlling interests	(101)	(119)

1.3 Consolidated statement of financial position

(K€)	Note	31.12.2018	of which. related parties	31.12.2017	of which. related parties
ASSETS					
Non-current assets					
Intangible assets	4.2	45,023	-	47,505	-
Property, plant and equipment	4.3	88,116	-	85,349	-
Equity investments	4.4	73,602	-	78,753	-
Receivables	4.5	51,265	32,206	43,456	26,415
Deferred tax assets	5.11	56,052	-	36,213	-
Other non-current assets	4.5	10,317	-	13,794	-
		324,375		**305,070**	
Current assets					
Inventories	4.6	119,328	-	110,995	-
Contract assets	4.7	449,487	-	379,590	-
Trade receivables	4.8	680,373	46,566	736,664	55,208
Tax receivables	4.9	22,320	-	35,782	-
Financial receivables	4.8	35,288	-	30,633	232
Other current assets	4.10	93,417	4	84,386	21
Cash and cash equivalents	4.11	364,667	-	327,326	-
		1,764,880		**1,705,376**	
Total assets		**2,089,255**		**2,010,446**	
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	4.12	100,000	-	100,000	-
Reserves	4.13-4.14	687,759	-	628,892	-
Equity attributable to the owners of the parent		787,759		728,892	
Equity attributable to non-controlling interests	4.15	-	-	101	-
Total shareholders' equity		**787,759**		**728,993**	
Non-current liabilities					
Non-current financial payables	4.16	758	-	-	-
Employee benefits	4.18	38,423	-	37,572	-
Deferred tax liabilities	5.11	8,749	-	8,830	-
Other non-current liabilities	4.19	14,862	-	14,378	-
		62,792		**60,780**	
Current liabilities					
Contract liabilities	4.7	677,218	-	683,036	-
Trade payables	4.20	391,599	41,785	413,639	29,873
Financial payables	4.16	279	-	424	-
Tax payables	4.9	15,620	-	6,021	-
Provisions for risks and charges	4.17	39,567	-	15,967	-
Other current liabilities	4.19	114,421	407	101,586	410
		1,238,704		**1,220,673**	
Total liabilities		**1,301,496**		**1,281,453**	
Total equity and liabilities		**2,089,255**		**2,010,446**	

1.4 Consolidated statement of cash flows

(K€)	Notes	31.12.2018	of which, related parties	31.12.2017	of which, related parties
Cash flows from operating activities:					
Profit for the period		88,338	-	64,868	-
Share of profits (losses) of equity-accounted investees		(3,322)	-	(5,798)	-
Income taxes		31,639	-	34,209	-
Italian post-employment and other employee benefits		1,058	-	932	-
Stock grant plans		(156)	-	1,621	-
Gains (losses) on the sale of assets		7	-	160	-
Net financial income		1,816	-	7,558	-
Amortisation, depreciation and write-downs		22,952	-	19,010	-
Changes in provisions for risks and charges		10,227	-	4,212	-
Other net operating income/expense		(12,623)	-	(20,205)	-
Write-downs/write-backs of inventories and work in progress		12,056	-	27,306	-
Gross cash flows from operating activities	**7**	**151,992**	**-**	**133,873**	**-**
Inventories		(7,345)	-	9,271	-
Contract Assets and Contract Liabilities		(67,052)	-	(56,265)	-
Trade receivables/payables		9,598	(20,554)	1,425	(17,370)
Changes from (used in) working capital	**7**	**(64,799)**	**(60,554)**	**(45,569)**	
Net change in other operating assets and liabilities	7	(20,175)	(14)	(15,098)	17
Net interest paid	7	3,203	-	3,810	-
Income taxes paid	7	(13,290)	-	(26,890)	-
Cash flows from (used in) operating activities		**56,931**		**50,126**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets and others		(15,287)	-	(19,927)	-
Disposal of property, plant and equipment and intangible assets and others		194	-	4,049	-
Disposal of equity investments		(107)	-	92	-
Dividends received		3	-	10	-
Other investing activities		359	-	60	-
Strategic investments		-	-	(3,128)	-
Cash flows from (used in) investing activities		**(14,838)**		**(18,844)**	
Cash flow from financing activities:					
Net change in other financing activities		(4,190)	(232)	(1,596)	(35)
Dividends paid		-	-	-	-
Cash flows used in financing activities		**(4,190)**		**(1,596)**	
Net increase (decrease) in cash and cash equivalents		37,903	-	29,686	-
Translation adjustment		(562)	-	(7,946)	-
Opening cash and cash equivalents		327,326	-	305,586	-
Closing cash and cash equivalents		**364,667**		**327,326**	

1.5 Consolidated statement of changes in equity

The changes in equity are detailed in the following table:

	Share capital	Retained earnings and consolidation reserves	Cash flow hedging reserve	Stock grant reserve	Translation reserve	Other reserves	Total shareholders' equity for the Group	Equity attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity as of 1 January 2017	**100,000**	**544,451**	**3,042**	**8,115**	**36,755**	**15,263**	**707,626**	**220**	**707,846**
Change in scope of consolidation and equity-accounted investees	-	(4,091)	-	-	674	-	**(3,417)**	-	**(3,417)**
Net change in stock grant reserve	-	-	-	(417)	-	-	**(417)**	-	**(417)**
Other comprehensive income (expense), net of taxes	-	-	(1,610)	-	(37,512)	(753)	**(39,875)**	(12)	**(39,887)**
Dividends	-	-	-	-	-	-	**-**	-	**-**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit (loss) as of 31 December 2017	-	64,975	-	-	-	-	**64,975**	(107)	**64,868**
Shareholders' equity as of 31 December 2017	**100,000**	**605,335**	**1,432**	**7,698**	**(83)**	**14,510**	**728,892**	**101**	**728,993**
Shareholders' equity as of 1 January 2018	**100,000**	**605,335**	**1,432**	**7,698**	**(83)**	**14,510**	**728,892**	**101**	**728,993**
Effect of applying new IFRS 15 and IFRS 9 standards	**-**	**(31,993)**	**-**	**-**	**-**	**9,353**	**(22,640)**	**-**	**(22,640)**
Shareholders' equity as of 1 January 2018 restated	**100,000**	**573,342**	**1,432**	**7,698**	**(83)**	**23,863**	**706,252**	**101**	**706,353**
Change in scope of consolidation and equity-accounted investees	-	3,614	-	-	(2,083)	-	**1,531**	-	**1,531**
Net change in stock grant reserve	-	-	-	(1,707)	-	-	**(1,707)**	-	**(1,707)**
Other comprehensive income (expense), net of taxes	-	-	(12,552)	-	2,449	3,437	**(6,666)**	(90)	**(6,756)**
Dividends	-	-	-	-	-	-	**-**	-	**-**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit (loss) as of 31 December 2018	-	88,349	-	-	-	-	**88,349**	(11)	**88,338**
Shareholders' equity as of 31 December 2018	**100,000**	**665,305**	**(11,120)**	**5,991**	**283**	**27,300**	**787,759**	**-**	**787,759**

2 Notes to the condensed interim consolidated financial statements as of 31 December 2018

2.1 General information

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").
The Parent Company Ansaldo STS is a joint-stock company with its registered office in Via Paolo Mantovani 3-5, Genoa, and its secondary and administrative offices in Via Argine 425, Naples, with share capital of €100,000,000.00, fully subscribed and paid-up, represented by 200,000,000 ordinary shares with a nominal value of €0.50 each.
It should be noted that Hitachi Ltd. manages and coordinates the activities of Ansaldo STS S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.
For more information on the company's corporate governance and ownership structures, please refer to the specific section of the Interim Financial Report.
As reported into Director's Report, following the approval of Shareholders' Meetings of May 10, 2018 the financial year-end has been changed from December 31 to March 31 of each year,
this financial statement represents an interim financial report of the Group which variations were commented essentially on the basis of the results of the group at December 31 of the previous year and last June 30.
The interim financial report of Ansaldo STS Group as of 31 December 2018 were approved by the Board of Directors on 5 February 2019, which authorised their dissemination in accordance with the terms and methods set out in the applicable legislation.

All amounts are presented in thousands of euro unless stated otherwise.
The interim consolidated financial statements have been subjected to a limited audit by EY S.p.A..

Seasonality of business

Although the activities of the Group are not greatly influenced by the effects of seasonality, revenues from contracts with customers and operating profits are usually higher in the second half of the year than in the first. This is principally due to the technical and economic structure of the most significant projects carried out by the Group. This information is provided for a better understanding of the results, although management has concluded that this effect does not mean the "business is highly seasonal", for the purposes specified in IAS 34.

2.2 Basis of consolidation

The Interim Financial Report of Ansaldo STS Group as of 31 December 2018, prepared for the 12-month period ended as of said date, were drafted in accordance with IAS 34 "Interim Financial Reporting", issued by the IASB and comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes.
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 interim financial report must be read together with the consolidated financial statements as of 31 December 2017.
The consolidated statement of financial position and the consolidated income statement are likewise presented in a format that is condensed with respect to the annual consolidated financial statements. The notes include a reconciliation

with annual consolidated financial statements for the items that have been combined in the condensed interim consolidated financial statements.
The accounting policies used for these interim financial report are unchanged from those of the consolidated financial statements as of 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 of 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 contracts with customers, 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 contracts with customers. IFRS 15 provides for the recognition of revenues from contracts with customers 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 contracts with customers 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, 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 of 01 January 2018 restated.
In this way, the differential in revenues from contracts with customers, for contracts in place as of 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 twelve months of 2018, the positive impact on revenues from contracts with customer and Operating profit would have been approximately €10.4 million, since the individuation of *Performance Obligation* relative to the O&M is distinct from construction and it determines a temporal extension in the recognition of revenues.

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: the new framework differently to IAS 11 does not analyse the contract for which the expected costs are higher to expected benefits (e.g. loss contracts). Consequently the case has been framed to the onerous contracts and so booked as a provision for risks.

IFRS 9 - Financial Instruments, on the other hand, replaces IAS 39 - Financial Instruments: Recognition and measurement and introduces new instructions for the recognition and measurement of financial assets and liabilities for financial years beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.
The framework significantly amended the treatment of financial assets, introducing a new classification based on the business model and on the company financial flow and contemplates for the application of a structured impairment model for financial assets, based on the expected losses.
At last, new general hedge accounting criteria have been introduced that allow more flexibility and greater alignment with risk management. The main change, however, is represented by the definition of a new impairment model for loans, to take into account the specific features of the reference client.
The group has adopted the standard starting to 1th January 2018.
During the first application, no resulting impact emerged except for the adjustment of the value of the investment in Intermetro Spa in liquidation at fair value with the recognition of a decrease in value equal to € 0.1 million.

A 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 of 31 December 2018 was also adjusted following the application of the new standard. In particular the Group has adopted the simplified impairment model,

in which the value of the financial assets also reflects a theoretical default forecast of the counterparty (the so-called "Probability of Default", "PD") and the ability to recover the activity in the case where this default occurs (the so-called "Loss Given Default", "LGD").
Additional information is provided in the "New IFRS and interpretations of IFRIC" section of the consolidated financial statements as of 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 interim consolidated financial statements.

IFRS subject to future application

The main changes and potential impacts on the Group are summarised below:

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases) which is intended to replace the current IAS 17, as well as the interpretations IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC 15 (Operating Leases – Incentives) and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard provides a new definition of lease and introduces a control-based criterion (so-called "right of use") of an asset to distinguish leases from service contracts, identifying the following as distinguishing features: identification of the asset, right to replace the asset, right to obtain substantially all economic benefits from use of the asset and the right to direct the use of the asset underlying the contract. The objective is to ensure greater comparability between financial statements due to the different accounting applied to operating and finance leases. The standard establishes a single model for the recognition and evaluation of leases for the lessee which involves the recognition of the asset forming the object of the lease, including operating lease, under assets with a contra-item in borrowings, also providing the possibility of not recognising as leases contracts for "low-value assets" and leases with a term of equal to or less than 12 months. On the contrary, the new standard does not provide significant changes for lessors.
In view of the changes introduced by IFRS 16, which the Group will apply from 1 April 2019, the management of Ansaldo STS deemed it appropriate to launch a project in 2018 to identify the potential impact of adopting the new standard.
In this context, the management of Ansaldo STS established a specific working party which focused its activities on the following aspects:

- comparison of the accounting policies adopted by the Group for the recognition of leases with the requirements of the new international accounting standard;
- recognition of the principal differences in approach that might have a significant accounting, organisation or systems-related impact;
- identification of the principal leases with customers entered into by Group companies and analysis of the related contractual structure, in order to identify the potential effects of applying the new accounting standard.

Following the analyses described above, the company will assess the impacts of first-time application at the close of the reporting period as of 31 March 2019. However, in order to verify the impacts in terms of initial application of the standard, the Group, also at the request of the parent company Hitachi Ltd, carried out a preliminary analysis of the contracts in place as at 1 April 2018, using a discount rate for the contracts defined at the Group level.
Naturally, the analysis, at present, cannnot be considered completed and will be subject to assessment for the purpose of preparing the consolidated financial statements as of March 31, 2019.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim financial report as of 31 December 2018.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim financial report as of 31 December 2018.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim financial statement.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity (both associate or joint venture) in the measurement of the own (both associate or joint venture) investments. This election is made separately of every associates or joint venture that is an investment entity at the last (in terms of event) of the following dates: (a) of initial recognition of the investment in the associated company or joint venture which is an investment entity; (b) in which the associate or joint venture becomes an investment entity; and (c) in which the associate or joint venture which is an investment entity becomes for the first time the parent company. These changes did not have a significant impact on the Group's Interim Financial Report.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim financial report.

Preparation of the interim financial report required management to make estimates. These estimates are based on past experience and assumptions deemed reasonable and realistic on the basis of the information known at the moment of the estimate.
The use of these accounting estimates impacts the value at which assets and liabilities are recognised and the disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference year. The actual results may differ from those estimated due to the uncertainty characterising the assumptions and conditions on which the estimates are based.

The most significant accounting policies which require that directors prepare estimates based on a greater degree of subjectivity and for which a change in one of the underlying conditions would have a significant impact on the consolidated financial statements are described below.

- Revenue recognition and work in progress valuation
  The Group operates in a kind of business in which complex contractual agreements are common, these are recognised using the percentage of completion method. Revenue and related margin are recognised in profit or loss reflecting project progress and the profitability which will be expected for the entire contract once it is completed, consequently, for the purposes of correctly recognising work in progress and revanue related to projects yet to be completed, management is required to make an accurate estimate of expected losses, expected increases and delays, additional costs and penalties which could have an impact on both the expected margin and the project progress and, consequently, project revenues. More specifically, the expected loss estimate procedure requires

estimates of the cost of materials, the number of hours required to carry out the works set forth in the contract, the financial expense incurred to cover guarantees issued by financial institutions and the possible outcome of disputes with contractual counterparties, partners and suppliers. The valuation of work in progress consider the estimations of the possible impacts arising from disputes with customers; in cases where there are disputes for risk of probable future liabilities, management sets aside special bad debt provision of the work in progress. In order to better assist management's estimates, the group has adopted contract risk management and analysis procedures which identify, monitor and quantify the risks related to contract performance. Carrying amounts reflect management's best estimate at that time, assisted by the above procedural tools.

- Bad debt provision for receivables
  The Group has a credit analysis procedures aimed to identify, monitor and quantify the risks reflected in the provision for doubtful receivables, which therefore represents the best estimate at the time of preparation of the interim financial report.

- Hedging construction contracts against currency risk
  To avoid the risk of fluctuations in foreign currency cash inflows and outflows on construction contracts, the group specifically hedges the individual cash flows expected on the contract. Hedges are agreed when commercial contracts are signed. Currency risk is usually hedged using plain vanilla (forward) instruments. If the hedge is not deemed effective, fair value gains or losses on these instruments are immediately expensed as financial items and the related underlying item is measured as if it were not hedged, hence it is exposed to the currency risk. The effects of this accounting treatment are described in the note on "financial income and expense". Hedges which fall under the first case are recognised as cash flow hedges, considering the premium or the discount as the ineffective part in the case of forwards, or time value in the case of options. The ineffective part is recognised under financial items.

- Income taxes
  Current taxes for the year are calculated on the basis of estimated taxable income and the tax rates in force at the reporting date. As described above, deferred tax assets are recognised if their recovery is deemed probable; this probability depends on the effective existence of taxable income in the future, which can be used to offset the deductible temporary differences, the determination of which requires conducting a significant estimation process. In determining future taxable income, the results set forth in budgets and plans consistent with those used for impairment testing were taken into consideration, also considering the fact that deferred tax assets refer to temporary differences/tax losses that may be recovered over a long period of time, therefore theoretically even beyond the implicit time horizon of the plans noted above.

2.3 Consolidation Scope

Basis and scope of consolidation

These interim consolidated financial statements of the Ansaldo STS Group as of 31 December 2018 comprise the interim financial statements as of 31 December 2018 of the companies/entities included within the scope of consolidation (the "consolidated entities"), prepared under the EU-IFRS adopted by 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 STS 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 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 at fair value

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)	10,000	EUR	2.217
Iricav Uno consortium	Direct	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Direct	Rome (Italy)	510	EUR	17.05
Ferroviario Vesuviano consortium	Direct	Naples (Italy)	153	EUR	33.34
San Giorgio Volla consortium (in liq.)	Direct	Naples (Italy)	71	EUR	25.00
San Giorgio Volla2 consortium	Direct	Naples (Italy)	71	EUR	33.33
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)	258	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 is used as a vehicle for the billing of the recent contract acquired in Baltimore. Given it is defined as joint control, the balances of the associated financial statements are 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.
December also saw the conclusion of the process of liquidation and striking off from the Business and Trade Registry of the consortium company Alifana Scrl, having completed the coordination of all assigned works.

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.

Note that the liquidation process of Ansaldo STS Southern Africa LTD is in progress, and it is expected to be completed in the first quarter of 2019.

2.4 Exchange rates adopted

The following exchange rates were adopted to translate the non-euro financial statements and balances as of 31 December 2018 and 31 December 2017:

	Spot rate at 31.12.2018	**Average rate for the twelve months at 31.12.2018**	Spot rate at 31.12.2017	Average rate for the twelve months at 31.12.2017
USD	1.14500	1.18151	1.19930	1.12922
CAD	1.56050	1.53046	1.50390	1.46385
GBP	0.89453	0.88457	0.88723	0.87626
HKD	8.96750	9.26004	9.37200	8.80069
SEK	10.25480	10.25759	9.84380	9.63651
AUD	1.62200	1.58042	1.53460	1.47256
INR	79.72980	80.72384	76.60550	73.49575
MYR	4.73170	4.76421	4.85360	4.85013
BRL	4.44400	4.30847	3.97290	3.60462
CNY	7.87510	7.80729	7.80440	7.62615
VEB	12,363.50000	12,170.07000	11,978.00000	11,278.04250
BWP	12.25910	12.02713	11.81580	11.67698
ZAR	16.45940	15.61582	14.80540	15.03626
KZT	437.52000	406.86319	397.96000	368.57722
JPY	125.85000	130.39290	135.01000	126.64153
AED	4.20500	4.33910	4.40440	4.14582
KRW	1,277.93000	1,299.37138	1,279.61000	1,275.64007

3 Segment reporting

Following an internal reorganisation and business restructuring, the business segments identified previously (Signalling and Transportation Solutions) were merged in 2014, due to the similarities of their products and services, production processes and types of customer; as a result, the Group has just one operating segment pursuant to IFRS 8 Operating Segments.
The information required by IFRS 8 therefore corresponds to that presented in the consolidated income statement.
The consolidated accounting information provided below is analysed on a geographical basis, which represents the main way in which business performance is monitored by management.

Group revenues are analysed by geographical area below:

(K€)	**31.12.2018**	31.12.2017
Italy	340,143	273,513
Rest of Europe	416,157	398,549
North Africa and the Middle East	113,226	135,697
Americas	325,729	325,577
Asia-Pacific	241,804	227,631
Total	**1,437,059**	**1,360,967**

It should be noted that the revenues originated from Performance Obligation satisfied over time in consideration of the signing of typically multi-year contracts.
Non-current property, plant and equipment and intangible assets are analysed by geographical segment below:

(K€)	**31.12.2018**	31.12.2017
Italy	103,536	104,149
Rest of Europe	15,221	14,620
North Africa and the Middle East	1,567	1,584
Americas	10,604	10,530
Asia-Pacific	2,211	1,971
Total	**133,139**	**132,854**

4 Notes on the consolidated statement of financial position

4.1 Related-party transactions

Commercial related-party transactions generally take place on an arm's-length basis. The resulting balances reported in the statement of financial position are shown below. The statement of cash flows identifies the impact of related-party transactions on cash flows.

FINANCIAL ASSETS AS OF 31.12.2018 (K€)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Parent Company						
Hitachi Ltd (Rail)	-	-	-	213	-	**213**
Hitachi Rail Europe Ltd	-	-	-	37	-	**37**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	993	-	**993**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	19,954	-	972	-	**20,926**
Metro Service A.S.	-	-	-	1,565	-	**1,565**
Tram di Firenze S.p.A.	-	788	-	-	-	**788**
Metro Brescia S.r.l.	-	-	-	12	-	**12**
SPV Linea M4 S.p.A.	-	11,464	-	-	-	**11,464**
Consortia						
Saturno consortium	-	-	-	11,678	-	**11,678**
Ascosa Quattro consortium	-	-	-	1,275	-	**1,275**
Ferroviario Vesuviano consortium	-	-	-	63	-	**63**
MM4 consortium	-	-	-	20,713	-	**20,713**
San Giorgio Volla Due consortium	-	-	-	1,051	4	**1,055**
San Giorgio Volla consortium	-	-	-	803	-	**803**
Fellow subsidiaries						
Hitachi Rail Inc.	-	-	-	329	-	**329**
Hitachi Rail Italy S.p.A.		-	-	6,475	-	**6,475**
Total	**-**	**32,206**	**-**	**46,566**	**4**	**78,776**
Related parties as percentage of total		**63%**		**7%**	**0.004%**	

FINANCIAL ASSETS AS OF 31.12.2017 (K€)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	**Total**
Parent Company						
Hitachi Ltd (Rail)	-	-	-	114	17	**131**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	341	-	**341**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	19,285	-	5,937	-	**25,222**
Metro Service A.S.	-	-	-	1,705	-	**1,705**
SP M4 S.C.p.A. (in liq.)	-	-	232	-	-	**232**
Tram di Firenze S.p.A.	-	788	-	-	-	**788**
Metro Brescia S.r.l.	-	-	-	522	-	**522**
SPV Linea M4 S.p.A.	-	6,160	-	-	-	**6,160**
Consortia						
Saturno consortium	-	-	-	11,903	-	**11,903**
Ascosa Quattro consortium	-	-	-	1,280	-	**1,280**
Ferroviario Vesuviano consortium	-	-	-	2,085	-	**2,085**
MM4 consortium	-	182	-	23,924	-	**24,106**
San Giorgio Volla Due consortium	-	-	-	786	4	**790**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Fellow subsidiaries						
Hitachi Rail Inc.	-	-	-	997	-	**997**
Hitachi India Pvt	-	-	-	1,042	-	**1,042**
Hitachi Rail Italy S.p.A.		-	-	2,764	-	**2,764**
Total	**-**	**26,415**	**232**	**55,208**	**21**	**81,876**
Related parties as percentage of total		**60%**	**1%**	**7%**	**0.02%**	

FINANCIAL LIABILITIES AS OF 31.12.2018 (K€)	Non-current financial payables	Other non-current financial liabilities	Current financial payables	Trade payables	Other current payables	Total
Parent Company						
Hitachi Ltd (Rail)	-	-	-	18	-	**18**
Hitachi Rail Europe Ltd	-	-	-	2	-	**2**
Subsidiaries						
Alifana Due S.c.r.l.	-	-	-	1,204	-	**1,204**
Associates						
Metro Service A.S.	-	-	-	5,725	-	**5,725**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	113	-	**113**
Consortia						
Saturno consortium	-	-	-	174	-	**174**
Ascosa Quattro consortium	-	-	-	938	8	**946**
Ferroviario Vesuviano consortium	-	-	-	41	21	**62**
San Giorgio Volla consortium	-	-	-	257	8	**265**
San Giorgio Volla Due consortium	-	-	-	219	-	**219**
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	-	-	-	33,094	-	**33,094**
Total	**-**	**-**	**-**	**41,785**	**407**	**42,192**
Related parties as percentage of total				**11%**	**0.4%**	

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

4.2 Intangible assets

Intangible assets amount to €45,023 thousand as of 31 December 2018, as analysed below:

(K€)	Goodwill	Other development costs	Patents and similar rights	Concessions, licences and trademarks	Intangible assets under development	Other	Total
Value as of 31 December 2016	**34,569**	**5,378**	**6,370**	**545**	**408**	**1,992**	**49,262**
Additions	-	-	955	504	239	417	2,115
Capitalisations	-	1,936	-	-	71	-	2,007
Amortisation, depreciation and write-downs	-	(2,245)	(1,895)	(373)	-	(755)	(5,268)
Difference between opening/ average exchange rates	-	-	-	(18)	(9)	(24)	(51)
Reclassification from assets under development	-	-	-	-	(250)	250	-
Reclassifications	-	-	-	-	(117)	117	-
Grants	-	(560)	-	-	-	-	(560)
Value as of 31 December 2017	**34,569**	**4,509**	**5,430**	**658**	**342**	**1,997**	**47,505**
Additions	-	-	739	848	129	736	2,452
Capitalisations	-	74	-	-	84	51	209
Amortisation, depreciation and write-downs	-	(1,972)	(1,983)	(500)	-	(707)	(5,162)
Difference between opening/ average exchange rates	-	(34)	-	(2)	5	50	19
Reclassification from assets under development	-	-	-	-	(252)	252	-
Grants	-	-	-	-	-	-	-
Value as of 31 December 2018	**34,569**	**2,577**	**4,186**	**1,004**	**308**	**2,379**	**45,023**

Investments during the period of €2,661 thousand were mainly attributable to the Parent Company Ansaldo STS S.p.A. (€1,889 thousand) and relate in particular to the purchase of software, licences and trademarks.

The amortisation charge for the period amounted to €5,162 thousand (€5,268 thousand recorded in December 2017).

As regards goodwill, please make full reference to the disclosure presented in the consolidated financial statements as of 31 December 2017.

In line with Group procedures, impairment tests are carried out when preparing the financial statements, unless trigger events provide evidence of possible impairment losses. There was no such indication during the first twelve months.

4.3 Property, plant and equipment

Property, plant and equipment amounted to €88,116 thousand as of 31 December 2018, as analysed below:

(K€)	Land and buildings	Plant and machinery	Equipment	Tangible assets under development	Other	Total
Value as of 31 December 2016	**58,731**	**6,508**	**6,633**	**2,374**	**10,952**	**85,198**
Additions	165	963	1,625	3,226	5,315	11,294
Capitalisations	-	-	1,040	343	-	1,383
Disposals	(89)	(44)	-	(310)	(77)	(520)
Amortisation, depreciation and write-downs	(2,305)	(2,124)	(2,191)	-	(3,853)	(10,473)
Difference between opening/average exchange rates	(472)	(359)	(23)	(210)	(469)	(1,533)
Reclassification from tangible assets under development	85	75	511	(750)	79	-
Reclassifications	256	500	30	(1,781)	995	-
Value as of 31 December 2017	**56,371**	**5,519**	**7,625**	**2,892**	**12,942**	**85,349**
Additions	265	3,530	1,432	2,418	4,019	11,664
Capitalisations	-	-	605	359	(1)	963
Disposals	-	-	(10)	(9)	(4)	(23)
Amortisation, depreciation and write-downs	(2,298)	(1,780)	(2,220)	-	(3,986)	(10,284)
Difference between opening/average exchange rates	154	54	6	66	190	470
Reclassifications	191	1,434	198	(3,180)	1,334	(23)
Value as of 31 December 2018	**54,683**	**8,757**	**7,636**	**2,546**	**14,494**	**88,116**

Investments during the period amounted to €12,627 thousand and mainly related to the purchase of assets by the Parent Company Ansaldo STS S.p.A., Ansaldo STS USA Inc. and Ansaldo STS France for the maintenance of their production facilities.

The depreciation charge for the period totalled €10,284 thousand (€10,473 thousand as of 31 December 2017). No events indicative of possible impairment occurred in the twelve-month period.

4.4 Equity investments

Equity investments amount to €73,602 thousand as of 31 December 2018, as analysed below:

Equity investments in non-consolidated companies measured at fair value: (K€)	
Value as of 31 December 2017	**50,578**
Acquisitions/subscriptions and capital increases	(293)
Disposals/redemptions	(210)
Value as of 31 December 2018	**50,075**
Equity-accounted investees	**23,527**
Total equity investments	**73,602**

List of equity investments held by Ansaldo STS (amounts in thousands of euro):

Name	Location	Type of activity	Reporting date	Accounting standards	Shareholders' equity	Total assets	Total liabilities	Currency	% held	% of voting rights	Holding type >50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	Value (€m)
Metro 5 S.p.A.	Milan (Italy)	Transport	31.12.2017	IT GAAP	82,472	812,145	729,673	Euro	24.60%	24.60%	N/A	N/A	N/A	N/A	20,288
International Metro Service S.r.l.	Milan (Italy)	Transport	30.06.2018	IT GAAP	4,767	4,847	80	Euro	49.00%	49.00%	N/A	N/A	N/A	N/A	1,387
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2017	IT GAAP	260	3,674	3,414	Euro	46.87%	46.87%	N/A	N/A	N/A	N/A	122
Alifana Due S.c.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	26	838	812	Euro	53.34%	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transport	30.06.2018	IT GAAP	9,041	110,373	101,332	Euro	19.80%	19.80%	N/A	N/A	N/A	✓	1,626
Balfour Beatty Ansaldo Systems JV SDN BHD (in liq.)	Kuala Lumpur (Malaysia)	Transport	31.12.2017	IFRS	19,963	28,858	8,895	MYR	40.00%	40.00%	N/A	N/A	N/A	N/A	90
Total equity-accounted investees															**23,527**
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2017	IT GAAP	149,518	360,099	210,581	Euro	14.00%	14.00%	N/A	N/A	N/A	✓	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transport	31.12.2017	IT GAAP	1,781	3,613	1,832	Euro	21.26%	16.67%	N/A	N/A	N/A	✓	380
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31.12.2017	IT GAAP	1,538	414,457	412,919	Euro	2.418%	2.66%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	520	3,698	3,178	Euro	17.44%	17.44%	N/A	N/A	N/A	✓	91
Iricav Due consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	516	96,745	96,229	Euro	17.05%	17.05%	N/A	N/A	N/A	✓	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transport	31.12.2016	IT GAAP	155	223,137	222,982	Euro	33.34%	33.34%	N/A	N/A	N/A	N/A	51
S. Giorgio Volla consortium	Naples (Italy)	Transport	31.12.2017	IT GAAP	72	6,149	6,077	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transport	31.12.2017	IT GAAP	72	78,585	78,513	Euro	25.00%	25.00%	N/A	N/A	✓	N/A	18
Ascosa Quattro consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	57	62,169	62,112	Euro	24.92%	25.00%	N/A	N/A	✓	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2017	IT GAAP	619	1,843	1,224	Euro	2.33%	2.30%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	31	1,758,015	1,757,984	Euro	33.34%	33.34%	N/A	✓	N/A	N/A	10
Train consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	1,180	20,033	18,853	Euro	4.68%	4.68%	N/A	N/A	N/A	✓	5
Sesamo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	100	325	225	Euro	2.00%	2.00%	N/A	N/A	N/A	N/A	2
Isict consortium	Genoa (Italy)	Research	31.12.2016	IT GAAP	53	172	119	Euro	14.29%	14.29%	N/A	N/A	N/A	✓	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31.12.2016	IT GAAP	93	115	22	Euro	1.11%	0.92%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transport	31.12.2017	IT GAAP	200	31,950	31,750	Euro	17.68%	18.20%	N/A	N/A	N/A	✓	35
Radiolabs consortium	Rome (Italy)	Research	31.12.2016	IT GAAP	239	1,794	1,555	Euro	20.02%	20.02%	N/A	N/A	✓	N/A	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transport	31.12.2017	IT GAAP	185,474	394,917	209,443	Euro	5.55%	5.55%	N/A	N/A	N/A	✓	10,868
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transport	31.12.2017	IFRS	139,294	379,740	240,446	USD	16.90%	16.90%	N/A	N/A	N/A	✓	16,639
TOP IN S.ca.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	101	116	15	Euro	5.29%	5.29%	N/A	N/A	N/A	✓	4
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2016	IT GAAP	89	198	109	Euro	12.00%	12.00%	N/A	N/A	N/A	✓	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2016	IT GAAP	100	353	253	Euro	14.00%	14.00%	N/A	N/A	N/A	✓	14
MetroB S.r.l.	Rome (Italy)	Transport	31.12.2017	IT GAAP	19,844	19,902	58	Euro	2.47%	2.47%	N/A	N/A	N/A	✓	494
Total equity investments measured at cost															**50,075**
Total equity investments															**73,602**

Equity investments amount to €73,602 thousand as of 31 December 2018, of which €23,527 thousand measured using the equity method and €50,075 thousand measured at cost as approximation of fair value, in application of the new accounting standard IFRS 9. IFRS 9 sets forth the fair value as the only measurement criteria for investments in equity instruments. The value of the residual equity investments in unlisted companies, whose fair value is not essentially measurable, was determined by approximating it to the value of shareholders' equity pertaining to the Group, in accordance with the framework defined by IFRS 13. This modification, as outlined previously, determined the impairment of the equity investment of I.M. Intermetro S.p.A. (in liquidation) by an amount of €144 thousand.
The arrangements of IFRS 9 regarding the classification and measurement of financial assets provide the following categories: (i) financial assets measured at amortized cost; (ii) financial assets valued at fair value with attribution of the effects among the other components of comprehensive income (OCI); (iii) financial assets measured at fair value with recognition of the effects on the income statement. Valuation at the cost of a minority shareholding is permitted in the limited cases in which the cost represents an adequate estimate of the fair value. The cost has been considered as a good approximation of the relative fair value as the current value of future margins is close to zero.
The decrease recognized in the income statement of €5,151 thousand relates mainly to the equity-accounted investees (€4,649 thousand); it is attributable to the negative change in the equity of Beatty System JV SDN BHD (€7,895 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 of Metro Brescia S.r.l. (€328 thousand). The liquidation process of the consortium company Alifana was completed in December with the repayment of the associated capital (€17 thousand).
Equity investments measured at fair value include the closure of Ansaldo STS Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA (€334 thousand).

4.5 Non-current receivables and other assets

Non-current receivables and other assets as of 31 December 2018 are analysed below:

(K€)	**31.12.2018**	31.12.2017
Guarantee deposits	3,309	3,245
Other	15,750	13,796
Non-current receivables due from related parties	32,206	26,415
Non-current receivables	**51,265**	**43,456**
Prepaid expenses	10,317	13,794
Other non-current assets	**10,317**	**13,794**

Non-current receivables amount to €51,265 thousand as of 31 December 2018, up €7,809 thousand compared to 31 December 2017, while prepaid expenses have totalled €10,317 thousand, compare to €13,794 in the previous year. Specifically:

- guarantee deposits include advances to lessors;
- the item "other" includes the Pittsburgh facility lease in the US of €11,790 thousand;
- non-current receivables due from related parties include an advance of €19,954 thousand to Metro 5 S.p.A. and another of €11,464 thousand to SPV M4 SpA e, at last another of € 788 thousand provided to Tram di Firenze, related party of the Group;
- prepaid expenses include the residual non-current portion, €9,647 thousand, of the licence fee paid to Finmeccanica S.p.A. (now Leonardo S.p.A.) for the right to use the "Ansaldo" trademark for a period of 20 years.

4.6 Inventories

Inventories amount to €119,328 thousand as of 31 December 2018, as analysed below:

(K€)	31.12.2018	31.12.2017
Raw and consumable materials	25,469	22,720
Work in progress and semi-finished products	17,945	11,799
Finished products and goods for resale	10,867	9,915
Advances to suppliers	65,047	66,561
Total	**119,328**	**110,995**

An increase of €8,333 thousand was registered during the year, mainly due to the increase in the inventories of raw materials (€2,749 thousand) and work in progress and semi-finished products (€6,146 thousand) not relating to contracts with customers.
Inventories are stated net of an allowance for write-downs totalling €3,072 thousand (€3,802 thousand as of 31 December 2017).

4.7 Contract Assets and Contract Liabilities

Contract assets and contract liabilities presented a negative balance of €227,731 thousand as of 31 December 2018. This balance is analysed below:

(K€)	31.12.2018	31.12.2017
Advances from customers	(23,693)	(63,090)
Progress payments	(1,246,121)	(1,238,554)
Work in progress	1,768,377	1,719,784
Provision for loss contracts	-	(10,597)
Allowance for write-down	(49,076)	(27,953)
Contract Assets	**449,487**	**379,590**
Advances from customers	(237,435)	(266,885)
Progress payments	(2,796,315)	(2,610,525)
Work in progress	2,374,482	2,231,603
Provision for loss contracts	-	(10,079)
Allowance for write-down	(17,950)	(27,150)
Contract Liabilities	**(677,218)**	**(683,036)**
Contract Assets/(Liabilities)	**(227,731)**	**(303,446)**

Contract assets / liabilities, in accordance with IFRS 15, which in the calculation method does not substantially differ from IAS 11, are determined for each individual Performance Obligation deriving from a contract signed with a customer: as set out in the previous table the contract assets / liabilities are determined on the basis of the amounts to be received from customers for the activities performed (“work in progress”) net of the advances paid for the work performed (so-called “installment sales”), the advances received and any allowance for write downs.
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 (see paragraph 4.17).

The total value of assets and liabilities from contracts increased by €75,715 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 standard 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.

4.8 Trade and financial receivables

Trade and financial receivables as of 31 December 2018 are analysed below:

	31.12.2018		31.12.2017	
(K€)	**Trade**	**Financial**	Trade	Financial
Receivables due from third parties	633,807	35,288	681,456	30,401
Total due from third parties	**633,807**	**35,288**	**681,456**	**30,401**
Receivables due from related parties	46,566	-	55,208	232
Total	**680,373**	**35,288**	**736,664**	**30,633**

It should be noted that, despite relating to trade receivables, for ease of data comparison, the item was stated by distinguishing between receivables due from third parties and those due from related parties. More specifically, trade receivables amounted to €680,373 thousand as of 31 December 2018 (of which €46,566 thousand relating to related parties) and registered a decrease of €56,291 thousand compared to 31 December 2017, mainly owing to the reduction in the positions of the Parent Company and the US subsidiaries of the Group. Trade receivables due from related parties amount to €46,566 thousand, marking a reduction of €8,642 thousand, primarily due to the positions vis-à-vis the MM4 consortium and Metro 5 S.p.A..
Financial receivables as of 31 December 2018 amount to €35,288 thousand. They mainly reflect the euro equivalent of the Libyan dinar advance (€28,443 thousand) received by the Parent Company against the first of two contracts in Libya and deposited with a local bank. They also include short-term deposits with leading banks made by Ansaldo STS India (€4,013 thousand) and Ansaldo STS Malaysia Sdn Bhd (€2,832 thousand).
Pursuant to CONSOB Communication DAC/RM/97003369 dated 9 April 1997, it is confirmed that, as of 31 December 2018, the Group has benefitted from the factoring of receivables without recourse for an amount of €10,407 thousand.

4.9 Tax receivables and payables

Direct tax receivables and payables are analysed below:

	31.12.2018		31.12.2017	
(K€)	**Assets**	**Liabilities**	Assets	Liabilities
Direct taxes	22,320	15,620	35,782	6,021
Total	**22,320**	**15,620**	**35,782**	**6,021**

Direct tax receivables amount to €22,320 thousand, down by €13,462 thousand compared to 31 December 2017. The variation is primarily attributable to the French subsidiary of the Group, due to higher tax advances paid last year and now recovered.
Direct tax receivables include €16,772 thousand due to Parent Company Ansaldo STS S.p.A., mainly for taxes paid abroad by the branches, €2,924 thousand to Ansaldo STS France S.A.S., €1,270 thousand to the Ansaldo STS Australia Group, €1,213 to companies in the Ansaldo STS USA Group and €141 thousand to Ansaldo STS Sweden.
Direct tax payables amount to €15,620 thousand as of 31 December 2018, an increase over 31 December 2017 (€6,021 thousand).

4.10 Other current assets

Other current assets of a financial and non-financial nature as of 31 December 2018 are analysed below:

(K€)	**31.12.2018**	31.12.2017
Prepaid expenses - current portion	8,240	9,040
Research grants	17,393	18,130
Receivables due from employees	3,486	2,361
Receivables due from social security and pension institutions	98	32
Receivables for indirect taxes and other tax credits	45,895	33,906
Derivatives	5,274	10,715
Other assets	13,027	10,181
Total other assets	**93,413**	**84,365**
Other assets - related parties	4	21
Total	**93,417**	**84,386**

Other current assets amount to €93,417 thousand as of 31 December 2018, up by €9,031 thousand compared to 31 December 2017 (€84,386 thousand). This increase was mainly due to the rise in the Parent Company's VAT.
During 2018, at the time of the presentation of the 2017 VAT return, the company requested a refund for the VAT credit accrued in the last few years for an amount of €19.1 million. Subsequently, given it was unable to apply the ceiling mechanism in the current year, as it had done in the previous year, owing to the fact that the regulatory requirements were not satisfied for an equal amount, the company decided to assign to a leading factoring institution, on a without-recourse basis, the receivable for which the refund was requested from the Italian Revenue Agency. The collection deriving from the aforementioned assignment was accounted for in December.

Derivative assets and liabilities are analysed in the following table:

	31.12.2018		31.12.2017	
(K€)	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges	1,605	1,366	1,712	864
Cash flow hedges	3,669	3,283	9,003	1,876
Currency hedges	**5,274**	**4,649**	**10,715**	**2,740**

Derivative assets decreased by €5,441 thousand, mainly reflecting the positions of Ansaldo STS S.p.A..
The increase in derivative liabilities by €1,909 thousand was mainly a result of the cash flow hedges arranged by the Parent Company. The overall effect on the cash flow hedging reserve is described in note 4.14 "Other reserves".
See section 8 "Financial risk management" for information on the notional amounts of the derivatives outstanding as of 31 December 2018.

Fair value measurement

The Ansaldo STS Group does not hold any listed derivatives as of 31 December 2018. The fair value of unlisted derivatives is measured on the basis of level 2 inputs or by making reference to financial valuation techniques; specifically, the fair value of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies. The fair value of swaps is calculated by discounting the future cash flows at market rates.
It should be noted that the input calculation techniques did not change with respect to the evaluations performed as of 31 December 2017.

4.11 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2018 are analysed below:

(K€)	**31.12.2018**	31.12.2017
Cash	132	115
Bank deposits	364,535	327,211
Total	**364,667**	**327,326**

Cash and cash equivalents amount to €364,667 thousand as of 31 December 2018. The increase of €37,341 thousand since 31 December 2017 is due to the higher balances held by the Parent Company due to collections in the second half of December.
See the note on the consolidated financial position for a discussion of the changes.

4.12 Share capital

		In euro		
	Number of shares	**Nominal value**	**Treasury shares**	**Total**
Outstanding shares	200,000,000	100,000,000	-	100,000,000
31-Dec-17	**200,000,000**	**100,000,000**	**-**	**100,000,000**
Use of treasury shares for SGP	-	-	-	-
31-Dec-18	**200,000,000**	**100,000,000**	**-**	**100,000,000**

Fully-paid share capital totals €100,000,000.00, represented by 200,000,000 ordinary shares with a nominal amount of €0.50 each.

4.13 Retained earnings

(K€)	
Value as of 31 December 2017	**605.335**
Changes in scope of consolidation and equity-accounted investees	3,614
Profit for the period	88,349
Reserve from first-time application of IFRS 15 and IFRS 9	(31,993)
Value as of 31 December 2018	**665,305**

Retained earnings/(accumulated losses), including profit for the period and consolidation reserves as of 31 December 2018, amount to €665,305 thousand, marking an increase of €59,970 thousand attributable primarily to the net effect generated by the Group accrued in the period amounting to €88,349 thousand and the impact of the adoption of the new accounting standards IFRS 15 and IFRS 9 (€31,993 thousand). As outlined in the paragraph "2.2 Basis of preparation", the Group used the Cumulative Effect Method to recognise the previous impacts deriving from application of IFRS 15 and IFRS 9.

4.14 Other reserves

The changes in other reserves as of 31 December 2018 are analysed below:

(K€)	Legal reserve	Cash flow hedging reserve	Stock grant reserve	Deferred tax reserve	Translation reserve	Other	Total
31 December 2017	**20,000**	**1,432**	**7,698**	**1,008**	**(83)**	**(6,498)**	**23,557**
Effect of application of IFRS 15	-	-	-	9,349	-	-	**9,349**
1 January 2018 restated	**20,000**	**1,432**	**7,698**	**10,357**	**(83)**	**(6,498)**	**32,906**
Change in scope of consolidation	-	-	-	-	(2,083)	-	**(2,083)**
Transfers to the income statement	-	(7,108)	-	-	-	-	**(7,108)**
Translation adjustments	-	-	-	-	2,449	-	**2,449**
Increase/decrease	-	(94)	(1,707)	-	-	416	**(1,385)**
Fair value gains (losses)	-	(5,350)	-	3,025	-	-	**(2,325)**
Other changes	-	-	-	-	-	-	**-**
31 December 2018	**20,000**	**(11,120)**	**5,991**	**13,382**	**283**	**(6,082)**	**22,454**

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

Cash flow hedging reserve
This reserve, -€11,120 thousand reflects the fair value adjustment of the derivatives used by the Group to hedge its foreign currency exposure, net of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this event takes place, the reserve is released to the income statement to offset the economic effects of the hedged transaction.

Stock grant reserve
The stock grant reserve amounts to €5,991 thousand. The decrease of €1,707 thousand since 31 December 2017 reflects the vesting of shares granted in 2015, as offset by the allocation for the period.

Deferred tax reserve
The deferred tax reserve amounts to €13,382 thousand. The change reflects the recognition of deferred taxes on actuarial gains/losses, following adoption of the equity method for the recognition of defined benefit plans, as well as on changes in the fair value of cash flow hedges.
Lastly, due to the application of IFRS 15, deferred tax assets of €9,349 thousand were recognised on 1 January 2018, due to the recognition at equity of a profit reserve owing to the aforementioned change of standard.

Translation reserve
This reserve recognises the exchange differences arising on translation of the financial statements of consolidated companies. The largest amounts are generated on consolidation of the American and Asia-Pacific subsidiaries.

Other
The other reserves comprise the revaluation reserves, the reserve for defined benefit plans and the reserves established following the award of research grants to Ansaldo STS S.p.A.
The overall increase of €416 thousand in 2018 was due to actuarial gains on the defined benefit plans.

4.15 Equity attributable to non-controlling interests

The changes in the equity attributable to non-controlling interests during the period ended 31 December 2018 are analysed below:

(K€)	
Value as of 31 December 2017	**101**
Change in scope of consolidation	(6)
Profit (loss) for the period attributable to non-controlling interests	(11)
Other changes	(84)
Value as of 31 December 2018	**-**

The value of Equity attributable to non-controlling interests as of 31 December 2018 is zero given the completion, in the final quarter of the year, of the liquidation and final distribution of the profits of Ansaldo STS Beijing LTD, in which the subsidiary Ansaldo STS France held 80% of shares.

4.16 Financial payables

Financial payables as of 31 December 2018 are analysed below:

	31.12.2018			31.12.2017		
(K€)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Banks	6	-	6	10	-	10
Other financial payables	273	758	1,031	414	-	414
Other Financial payables - Related parties	-	-	-	-	-	-
Total	**279**	**758**	**1,037**	**424**	**-**	**424**

The changes during the period are analysed below:

(K€)	31.12.2017	**Increases**	**Repayments**	**Reclassifications**	**Other changes**	**31.12.2018**
Banks	10	-	(4)	-	-	6
Other financial payables	414	758	(141)	-	-	1,031
Other Financial payables - Related parties	-	-	-	-	-	-
Total	**424**	**758**	**(145)**	**-**	**-**	**1,037**

Financial payables amount to €1,037 thousand. The increase of €613 thousand mainly reflects the Parent Company's obtainment of a long-term low-interest loan envisaged for participation in the Argento research project.

Financial liabilities

The repayment schedules for the financial liabilities of the Group and the exposures to interest-rate fluctuations are analysed below:

	Payables to banks		Other		Total	
31 December 2018 (K€)	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	6	-	273	-	279	-
2-5 years	-	-	758	-	758	-
Beyond 5 years	-	-	-	-	-	-
Total	**6**	**-**	**1,031**	**-**	**1,037**	**-**

	Payables to banks		Other		Total	
31 December 2017 (K€)	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	10	-	414	-	424	-
2-5 years	-	-	-	-	-	-
Beyond 5 years	-	-	-	-	-	-
Total	**10**	**-**	**414**	**-**	**424**	**-**

The following financial disclosures are presented in the format required by CONSOB Communication DEM/6064293 dated 28 July 2006:

(K€)		**31.12.2018**	31.12.2017
A	Cash	132	115
B	Other cash and cash equivalents (bank current accounts)	364,535	327,211
C	Securities held for trading	-	-
D	**LIQUIDITY (A+B+C)**	**364,667**	**327,326**
E	**CURRENT FINANCIAL RECEIVABLES**	**35,288**	**30,633**
F	Current bank loans and borrowings	6	10
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	273	414
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**279**	**424**
J	**NET CURRENT DEBT (LIQUIDITY) (I-E-D)**	**(399,676)**	**(357,535)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	758	-
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**758**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(398,918)**	**(357,535)**

The Group's net financial position increased by € 41,383K, in consideration of the greater liquidity obtained as result of the invoicing and collection process developed during the period.

4.17 Provisions for risks, charges and contingent liabilities

The provisions for risks, charges and contingent liabilities as of 31 December 2018 are analysed below:

(K€)	Product warranties	Disputes with employees	Provisions for loss contracts	Other	Total
Balance as of 31 December 2017	**12,644**	**2,427**	**-**	**896**	**15,967**
Accruals	985	100	9,309	400	10,794
Released	(3,924)	(126)	(1,262)	-	(5,312)
Utilisations	(1,228)	(520)	(374)	(436)	(2,558)
Effect for adoption of IFRS 15	-	-	20,676	-	20,676
Balance as of 31 December 2018	**8,477**	**1,881**	**28,349**	**860**	**39,567**
Current	*12,644*	*2,427*	-	*896*	*15,967*
Non-current	-	-	-	-	-
Balance as of 31 December 2017	**12,644**	**2,427**	**-**	**896**	**15,967**
Current	*8,477*	*1,881*	*28,349*	*860*	*39,567*
Non-current	-	-	-	-	-
Balance as of 31 December 2018	**8,477**	**1,881**	**28,349**	**860**	**39,567**

In relation to the provisions for risks, Ansaldo STS Group companies are active in segments and markets where many disputes are only settled after significant time has elapsed, especially when the counterparty is a public body.
Based on current information, specific provisions have not been recorded for various disputes in which the Group is defendant, as they are expected to be resolved satisfactorily and without significant impact on its financial position and results of operations.
Provisions have been recorded for risks that are deemed probable and quantifiable.

The provisions for risks amounts to €39,567 thousand as of 31 December 2018, an increase of €23,600 thousand since 31 December 2017 (€15,967 thousand), due primarily to the adoption of IFRS 15 which generated a reclassification off the provision for loss contracts (€20,676 thousand as of 31 December 2017), previously stated under assets and liabilities from contracts, and the relevant change in the period (€7,673 thousand), partially offset by the uses of the provisions for product warranties, recorded primarily by the subsidiary Ansaldo STS France.

Except as stated above, there have not been any particular changes in the other disputes described in the annual financial statements as of 31 December 2017, to which reference should be made for more complete information.

4.18 Employee benefits

Post-employment benefits and defined benefit plans are analysed below:

(K€)	**31.12.2018**	31.12.2017
Italian post-employment benefits	19,624	19,497
Defined benefit pension plans	18,799	18,075
Total	**38,423**	**37,572**

(K€)	**Italian post-employment benefits**		**Defined benefit plans**	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
Present value of obligations	19,624	19,497	18,799	18,075
Fair value of plan assets	-	-	-	-
Actuarial gain/(loss) not recognised	-	-	-	-
Total	**19,624**	**19,497**	**18,799**	**18,075**

(K€)	31.12.2018 Italian post-employment benefits	Defined benefit plans
Value as of 31 December 2017	**19,497**	**18,075**
Change in scope of consolidation	-	-
Period costs	1,058	1,183
		-
Contributions paid	(503)	(454)
Other changes	-	(5)
		-
Actuarial gains (losses) taken to equity	(428)	-
of which:		
Actuarial (gains) losses taken to equity following changes in demographic assumptions	-	-
Actuarial (gains) losses taken to equity following changes in financial assumptions	(471)	-
Actuarial (gains) losses taken to equity following experience-based adjustments	43	-
Actuarial (gains) losses taken to equity - other	-	-
Value as of 31 December 2018	**19,624**	**18,799**

The amount recognised in the income statement was determined as follows:

	Italian post-employment benefits		**Defined benefit plans**	
(K€)	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Current service costs	772	657	923	920
Interest expense	286	275	260	250
Total	**1,058**	**932**	**1,183**	**1,170**

The main actuarial assumptions are indicated below:

	Italian post-employment benefits		**Defined benefit plans**	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
Discount rate (p.a.)	1.50%	1.50%	1.4%	1.4%
Salary increase rate	N.A.	N.A.	2.5%	2.5%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.26%	0.91% - 3.26%

	Italian post-employment benefits		**Defined benefit plans**	
	-0.25%	**0.25%**	**-0.25%**	**0.25%**
Discount rate (p.a.)	20,001	19,263	18,779	17,014
Inflation rate	19,334	19,922	17,019	18,768
Turnover rate	19,640	19,609	17,569	18,169

4.19 Other current and non-current liabilities

Other current and non-current liabilities of a financial and non-financial are analysed below:

	31.12.2018		31.12.2017	
(K€)	**Current**	**Non-current**	Current	Non-current
Employees	38,751	8,271	34,777	8,295
Indirect taxes and other tax payables	17,264	-	13,563	-
Social security and pension institutions	18,800	-	16,032	-
Derivatives	4,649	-	2,740	-
Other amounts due to third parties	34,550	6,591	34,064	6,083
Total other liabilities to third parties	**114,014**	**14,862**	**101,176**	**14,378**
Other liabilities to related parties	407	-	410	-
Total	**114,421**	**14,862**	**101,586**	**14,378**

Other current and non-current liabilities to third parties amount to €128,876 thousand, up by €13,322 thousand since 31 December 2017 (€115,554 thousand). This is due mainly to the increase in the value of payables due to employees, primarily for the deferred salary and indirect taxes (totalling €7,675 thousand) and the increase in the value of derivatives (€1,909 thousand).
Non-current liabilities to third parties are essentially unchanged.

4.20 Trade payables

Trade payables are analysed below:

(K€)	**31.12.2018**	31.12.2017
Suppliers	349,814	383,766
Total due to third party suppliers	**349,814**	**383,766**
Related-party suppliers	41,785	29,873
Total	**391,599**	**413,639**

Total trade payables decreased by €22,040 thousand compared to 31 December 2017. This reduction mostly relates to the Parent Company also due to the decrease in back-to-back positions with customers.

4.21 Guarantees

The Group is party to the following guarantees as of 31 December 2018:

Loan guarantees as of 31.12.18

Direct guarantees and hold-harmless agreements for guarantees issued by third parties in the interests of the Group to customers and other third parties (K€)	ASTS Group
Unsecured guarantees issued by Hitachi (parent company guarantees) to clients/customers for commercial transactions	**715,490.1**
Unsecured guarantees issued by Ansaldo STS (parent company guarantees) to clients/customers for commercial transactions	**487,607.3**
Sureties and bonds (advance payment bonds, performance bonds, bid bonds and retention bonds) issued by banks or insurance companies to clients/customers for trading transactions	**1,804,293.3**
of which, counter-guaranteed by Hitachi	*294,132.0*
of which, counter-guaranteed by Ansaldo STS	*338,661.3*
Direct and other guarantees issued by Ansaldo STS, banks or insurance companies to other third parties for non-contractual/commercial guarantees (financial and tax transactions)	**43,851.6**
Total	**3,051,242.2**

5 Notes to the consolidated income statement

5.1 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.

31 December 2018 (K€)	**Revenues**	**Other operating income**	**Costs**	**Financial income**	**Financial charges**	**Other operating expenses**
Parent Company						
Hitachi Rail Europe Ltd	68	-	24	-	-	-
Hitachi Ltd (Rail)	2,591	-	433	-	-	-
Subsidiaries						
Alifana Due S.c.r.l.	1,600	30	4,626	-	-	-
Associates						
Metro 5 S.p.A.	4,452	1,171	2	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	218	-	-	-
Metro Brescia S.r.l.	20	11	-	-	-	-
Metro Service A.S.	6,564	-	57,793	-	-	-
JOINT VENTURES						
Balfour Beatty Ansaldo Syst. JV SDN BHD (in liq.)	(61)	-	-	-	-	-
Consortia						
Ascosa Quattro consortium	94	-	47	-	-	-
Ferroviario Vesuviano consortium	90	-	55	-	-	-
Saturno consortium	10,395	155	1,557	-	-	-
San Giorgio Volla 2 consortium	2,521	-	276	-	-	-
San Giorgio Volla consortium	6,177	-	321	-	-	-
MM4 consortium	25,170	496	715	-	-	-
Cris consortium	-	-	3	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	16,890	-	45,006	-	-	14
Hitachi Rail India Pvt Ltd Rail Systems Company	368	-	-	-	-	-
Hitachi Australia Pvt Ltd	-	-	13	-	-	-
FIAMM Energy Technology S.p.A.	-	-	21	-	-	-
Hitachi High Technologies Europe Gmbh	15	-	-	-	-	-
Total	**76,954**	**1,863**	**111,110**	**-**	**-**	**14**
Related parties as percentage of total	**5%**	**6%**	**12%**			**0.05%**

31 December 2017 (K€)	Revenues	Other operating income	Costs	Financial income	Financial charges	Other operating expenses
Parent Company						
Hitachi Rail Europe Ltd	31	-	8	-	-	-
Hitachi Ltd (Rail)	815	-	504	-	-	-
Subsidiaries						
Alifana S.c.r.l.	755	-	52	-	-	-
Alifana Due S.c.r.l.	294	14	795	-	-	-
Associates						
I.M. Intermetro S.p.A. (in liq.)	8	-	-	-	-	-
Metro 5 S.p.A.	1,696	1,333	44	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	258	-	-	-
SPV M4 S.p.A	-	-	157	-	-	-
SP M4 S.C.p.A (in liq.)	-	-	32	10	-	-
Metro Brescia S.r.l.	225	12	-	-	-	-
Metro Service A.S.	6,433	-	52,227	-	-	-
JOINT VENTURES						
Balfour Beatty Ansaldo Syst. JV SDN BHD (in liq.)	9,850	-	9	-	-	-
Consortia						
Ascosa Quattro consortium	5,104	-	836	-	-	-
Ferroviario Vesuviano consortium	2,026	-	282	-	-	-
Saturno consortium	15,029	39	1,037	-	-	-
San Giorgio Volla 2 consortium	186	-	219	-	-	-
San Giorgio Volla consortium	(7)	-	4	-	-	-
MM4 consortium	22,803	90	320	-	-	-
Cris consortium	-	-	3	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	9,192	-	31,027	-	-	-
Hitachi Rail Inc.	2,260	-	-	-	-	-
Hitachi Rail India Pvt Ltd Rail Systems Company	604	-	-	-	-	-
Hitachi Australia Pvt Ltd	-	-	18	-	-	-
Hitachi Systems CBT S.p.A.	-	-	1,659	-	-	-
Hitachi High Technologies Europe Gmbh	386	-	-	-	-	-
Total	**77,690**	**1,488**	**89,491**	**10**	**-**	**-**
Related parties as percentage of total	**6%**	**6%**	**10%**	**0.04%**		

5.2 Revenues from contracts with customers

(K€)	**31.12.2018**	31.12.2017
Revenues from contracts of “Systems and components”	1,276,763	1,211,692
Revenues from contracts of “Services”	160,296	149,275
	1,437,059	**1,360,967**

Revenues from contracts with customers totalled €1,437,059 thousand during the year, compared to €1,360,967 thousand in the previous year, marking an increase of €76,092 thousand (for more details please see the Directors’ report on operations).

5.3 Other operating income

(K€)	**31.12.2018**	31.12.2017
R&D grants	3,815	2,334
Disposal gains on PPE and intangible assets	5	7
Releases of allowances for doubtful accounts	3,578	2,022
Provisions for risks and charges	346	306
Release of provisions for loss contracts	1,382	3,022
Royalties	-	166
Financial income and exchange gains on operating items	7,973	5,467
R&D tax credits	2,030	2,695
Other operating income	9,232	8,941
Other operating income from third parties	**28,361**	**24,960**
Other operating income from related parties	**1,863**	**1,488**
Total other operating income	**30,224**	**26,448**

Other operating income from third parties amounted to €28,361 thousand, up by €3,401 thousand with respect to the previous year (€24,960 thousand). This increase was mainly due to the higher financial income and exchange gains on operating items.

5.4 Purchases and services

(K€)	**31.12.2018**	31.12.2017
Materials	359,605	362,393
Change in inventories	(2,344)	718
Services	474,621	443,551
Rentals and operating leases	20,013	20,728
Total purchases and services from third parties	**851,895**	**827,390**
Total purchases and services from related parties	**111,110**	**89,491**
Total purchases and services	**963,005**	**916,881**

Total purchases and services as of 31 December 2018 recorded an increase of €46,124 thousand compared to the corresponding period in 2017, due mainly to an increase in production in the period.

5.5 Personnel costs

(K€)	**31.12.2018**	31.12.2017
Wages and salaries	268,447	258,462
Stock grant plans	(156)	1,621
Social security and pension contributions	66,466	63,148
Italian post-employment benefits	772	657
Other defined benefit plans	923	920
Other defined contribution plans	4,243	3,695
Recovery of personnel costs	(611)	(612)
Disputes with employees	100	1,466
Other costs	4,235	4,863
Total personnel costs	**344,419**	**334,220**

The average number of employees on the payroll was 4,209, compared with 4,081 as of 31 December 2017. Personnel costs totalled €344,419 thousand, up by €10,199 thousand compared to the same period in the previous year.
The cost of Italian post-employment benefits and other defined benefit plans comprises solely service costs. The related interest costs are classified among the financial charges.

5.6 Amortisation, depreciation and write-downs

(K€)	**31.12.2018**	31.12.2017
Depreciation and amortisation:		
- intangible assets	5,162	5,268
- property, plant and equipment	10,284	10,473
	15,446	**15,741**
Write-downs:		
- operating receivables	7,506	3,269
- other tangible/intangible assets	-	-
	7,506	**3,269**
Total amortisation, depreciation and write-downs	**22,952**	**19,010**

Amortisation, depreciation and write-downs amounted to €22,952 thousand, an increase of €3,942 thousand compared to the previous year. The variation is attributable to the higher write-downs on receivables subject to doubtful collection.

5.7 Other operating expenses

(K€)	**31.12.2018**	31.12.2017
Provisions for risks and charges	10,573	4,518
Provisions for loss contracts	-	(494)
Membership fees	728	753
Disposal losses on PPE and intangible assets	12	167
Disposal losses on operating receivables	-	102
Exchange losses on operating items	6,702	8,108
Interest and other operating charges	3,684	1,673
Indirect taxes	3,453	3,199
Other operating expenses	1,439	2,106
Total other operating expenses - third parties	**26,591**	**20,132**
Other operating expenses - related parties	**14**	**-**
Total other operating expenses	**26,605**	**20,132**

Other operating expenses amounted to €26,605 thousand, up €6,473 thousand compared to 31 December 2017. Note the greater provision recorded to cover loss contracts in the two periods subject to comparison.

5.8 Internal work capitalised

(K€)	**31.12.2018**	31.12.2017
Internal work capitalised	(1,172)	(3,390)

Internal work capitalised mainly relates to the Parent Company for €678 thousand and the subsidiary Ansaldo STS France for €494 thousand.

5.9 Net financial income (charges)

(K€)	31.12.2018			31.12.2017		
	Income	**Charges**	**Net**	Income	Charges	Net
Interest and fees	2,606	1,087	1,519	898	4,688	(3,790)
Net exchange rate differences	14,314	12,801	1,513	15,793	16,635	(842)
Fair value adjustments	972	4,558	(3,586)	6,123	7,899	(1,776)
Interest on Italian post-employment benefits	-	286	(286)	-	275	(275)
Interest on other defined benefit plans	-	260	(260)	-	250	(250)
Other financial income and charges	(108)	606	(714)	162	787	(625)
Total net financial income and charges	**17,784**	**19,598**	**(1,814)**	**22,976**	**30,534**	**(7,558)**
Total net financial income and charges from related parties	**-**	**-**	**-**	**10**	**-**	**10**
Total	**17,784**	**19,598**	**(1,814)**	**22,986**	**30,534**	**(7,548)**

As of 31 December 2018, net financial charges totalled €1,814 thousand (€7,548 thousand as of 31 December 2017); the improvement of €5,734 thousand compared to the previous year is primarily attributable to the item interest and fees which, in 2017, included interest relating to the dispute with the Swedish customer AB Storstockholms Lokaltrafik (€3,874 thousand).

5.10 Share of profits of equity-accounted investees

(K€)	31.12.2018			31.12.2017		
	Income	**Charges**	**Net**	Income	Charges	Net
Share of profits of equity-accounted investees	3,322	-	3,322	5,798	-	5,798
Total	**3,322**	**-**	**3,322**	**5,798**	**-**	**5,798**

The share of profits of equity-accounted investees, €3,322 thousand (€5,798 thousand as of 31 December 2017), reflects the positive results of the investees Metro5 S.p.A. (€1,886 thousand), International Metro Service S.r.l. (€926 thousand), Metro Brescia S.r.l. (€328 thousand) and Balfour Beatty Ansaldo Systems JV SDN BHD (€182 thousand). See note 4.4 for additional information.

5.11 Income taxes

Income taxes are analysed below:

(K€)	**31.12.2018**	31.12.2017
IRES	18,851	12,679
IRAP	2,713	1,934
Other foreign taxes	16,981	12,510
Prior-year taxation	172	2,438
Net deferred taxation	(7,078)	4,648
Total	**31,639**	**34,209**

Taxes recorded a decrease of €2,570 thousand in absolute terms compared to the same period of the previous year; in particular, the change is attributable to the different mix of pre-tax profits of the individual companies and the reduction in the nominal tax rate in the US.

The theoretical and effective tax rates are reconciled below:

	31.12.2018			31.12.2017		
(K€)	**amount**		**%**	amount		%
Pre-tax profit	**119,977**	**-**		**99,077**	**-**	
Taxes calculated using current tax rates		28,794	24.00%		23,778	24.00%
Permanent differences	(2,832)	(680)	-0.57%	(9,317)	(2,236)	-2.26%
	117,145	**28,115**	**23.43%**	**89,760**	**21,542**	**21.74%**
Different rates on foreign taxes and/or losses for the year	-	442	0.37%	-	8,561	8.64%
IRAP and other taxes not calculated with reference to pre-tax profit	-	2,910	2.43%	-	1,667	1.68%
Prior year taxation	-	172	0.14%	-	2,438	2.46%
Provisions for tax risks	-	-	0.00%	-	-	0.00%
Total effective taxes reported in the income statement		**31,639**	**26.37%**		**34,209**	**34.53%**

The effective tax rate in 2018 is 26.37%, compared with 34.53% in the same period of the prior year. The decrease is mainly due to a different mix of the pre-tax profits of the individual companies and the application of the lower nominal tax rate in the US.

Deferred taxes and the related assets and liabilities as of 31 December 2018 are analysed below:

	Income statement		**Statement of financial position**	
(K€)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Italian post-employment benefits and pension funds	187	-	4,227	-
Remuneration	-	-	424	-
Property, plant and equipment and intangible assets	(365)	(1)	498	886
Provisions for risks and charges	3,023	-	18,535	-
Research grants	-	194	461	1,012
Allowances for WIP and inventories	(66)	-	6,443	-
CFH - defined benefit plans	-	-	1,198	1,275
Tax losses	(65)	-	1,587	-
Other	4,013	(544)	22,679	5,576
Total	**6,727**	**(351)**	**56,052**	**8,749**

The deferred tax assets attributable to Italian post-employment benefits and pension plans mainly relate to Ansaldo STS France S.A.S. (€3,630 thousand).
The deferred tax assets generated by disallowed provisions for risks and charge mainly relate to the Parent Company Ansaldo STS S.p.A. (€14,773 thousand) and the US subsidiaries (€3,648 thousand).
The deferred tax assets attributable to the allowance for WIP and inventories mainly relate to Ansaldo STS France S.A.S. (€5,961 thousand) and the Parent Company Ansaldo STS S.p.A. (€243 thousand).
Finally, the deferred tax assets attributable to tax losses relate to the subsidiaries of the Ansaldo STS USA Group (€1,587 thousand).
Other deferred tax assets mainly relates to the Parent Company Ansaldo STS S.p.A. (€19,059 thousand), the companies in the Ansaldo STS Australia Group (€2,024 thousand) and the US subsidiaries of Ansaldo STS USA Inc. (€1,200 thousand).

Deferred tax assets and liabilities include essentially the effect deriving from the application of IFRS 15 determined at €9,349 thousand and the value of the deferred tax assets allocated with a matching entry directly in equity, on the derivatives recognised as cash flow hedges and on the actuarial gains/losses recognised following adoption of the equity method for defined benefit plans. The changes in this equity item during the period are analysed below:

(K€)	31.12.2017	Effect of application of IFRS 15	1.1.2018 restated	Changes in fair value	31.12.2018
Deferred taxes recognised directly in equity	**1,008**	**9,349**	**10,357**	**3,025**	**13,382**

Deferred tax assets and liabilities are not offset, not least because they are generated in different countries.

6 Earnings Per Share

Earnings per share ("EPS") are calculated by:
- dividing the profit for the period attributable to holders of ordinary shares by the average number of ordinary shares outstanding 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).

Basic EPS	**31.12.2018**	31.12.2017
Average shares outstanding during the period	199,990,670	199,996,061
Profit for the period	88,338	64,868
Basic and diluted EPS	**0.44**	**0.32**

There were no dilutive effects reported in the period subject to comparison.

7 Cash flows from operating activities

The cash flows from operating activities are analysed below:

(K€)	31.12.2018	31.12.2017
Profit for the period	88,338	64,868
Share of profits (losses) of equity-accounted investees	(3,322)	(5,798)
Income taxes	31,639	34,209
Italian post-employment and other employee benefits	1,058	932
Stock grant plans	(156)	1,621
Gains (losses) on the sale of assets	7	160
Net financial income	1,816	7,558
Amortisation, depreciation and write-downs	22,952	19,010
Changes in provisions for risks and charges	10,227	4,212
Other operating income/expense	(12,623)	(20,205)
Write-downs/write-backs of inventories and contract assets/liabilities	12,056	27,306
Total	**151,992**	**133,873**

The changes in operating capital, stated net of the effects deriving from acquisitions and disposals of consolidated companies and translation differences, are analysed below:

(K€)	31.12.2018	31.12.2017
Inventories	(7,345)	9,271
Contract Assets/(Liabilities)	(67,052)	(56,265)
Trade receivables and payables	9,598	1,425
Total	**(64,799)**	**(45,569)**

The change in other operating assets and liabilities, stated net of the effects deriving from acquisitions and disposals of consolidated companies and translation differences, are analysed below:

(K€)	31.12.2018	31.12.2017
Payment of Italian post-employment benefits and other defined benefit plans	(5,628)	(4,247)
Payment of taxes	(13,290)	(26,890)
Changes in other operating items	(11,344)	(7,041)
Total	**(30,262)**	**(38,178)**

See the section of the report on operations on the financial position of the Group for a discussion of the consolidated statement of cash flows.

8 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.
With particular reference to the credit risk management, as anticipated in the section of the Directors Report, in compliance with IFRS 9, the Group has adopted, starting from 1 January 2018, a new model of impairment for all financial assets not measured at fair value with counterpart in the income statement. This new model is based on the determination of expected losses (expected credit loss - ECL).
The model adopted basically provides:
a) the application of a single framework to all financial activities;
b) the recognition of expected losses at any time and the updating of the amount of the same at least quarterly, in order to reflect changes in the credit risk of the financial instrument;
c) the assessment of expected losses on the basis of reasonable information, available without excessive costs, including historical information.
In consideration of the specific reference market and of the various countries in which the Group operates, and on the basis of the assessments made on the basis of the historical data available, for the purpose of determining expected losses, the Group mainly applies a collective approach based on the division of the same in clusters, also taking into account the specific regulatory context. Only if the trade receivables are considered individually significant by the management and they have precise information about the significant increase in credit risk, the Group applies an analytical approach.

Hedges are mostly arranged with the banking system. The Group has contracts in place for the following notional foreign currency amounts as of 31 December 2018:

local currency K€	***Sell18***	***Buy18***	**31.12.2018**	*Sell17*	*Buy17*	31.12.2017
Euro	28,345	34,010	**62,355**	28,716	36,654	**65,370**
US dollar	101,603	31,758	**133,361**	187,605	65,185	**252,790**
UK pound	50,281	5,654	**55,935**	48,408	-	**48,408**
Swedish krone	52,463	-	**52,463**	44,475	-	**44,475**
Australian dollar	-	30,795	**30,795**	-	12,251	**12,251**
Hong Kong dollar	124	-	**124**	177	-	**177**
Indian rupee	4,637	-	**4,637**	4,826	-	**4,826**
UAE dirham	7,610	-	**7,610**	11,352	-	**11,352**

The net fair value of the derivatives in place (both fair value and cash flow hedges) as of 31 December 2018 is a positive €625 thousand.
Derivatives comprise the most significant element of the financial instruments measured at fair value in this interim financial report presented by the Group. They fall within Level 2 of the hierarchy envisaged in IFRS 13, as their fair value is determined by recalculating their present value with reference to the official fixings for exchange and interest rates at the reporting date.
This interim financial report does not include any non-recurring fair value measurements or transfers between different levels of the fair value hierarchy.

As outlined in note 4.4 “Equity investments”, the equity investments in other companies were measured by taking into consideration the shareholders’ equity pertaining to the Group which was considered as a reasonable measurement of fair value, according to the framework of IFRS 13.

9 Key events of and after the reporting period

Refer to the paragraph with the same name in the director's report as of 31 December 2018.

Rome, 5 February 2019

For the Board of Directors
The Chairman

Alistair Dormer

Statement on the interim consolidated financial statements as of 31 December 2018 drafted pursuant to article 81-ter of CONSOB regulation no. 11971 Of 14 May 1999 and subsequent amendments and integrations and article 154-bis, paragraph 2 of legislative decree no. 58 Of 24 February 1998 and subsequent amendments and integrations

1. The undersigned, Andrew Thomas Barr, as the Managing Director and General Manager, and Renato Gallo, as the Director assigned to drawing up the corporate accounting documents of Ansaldo STS S.p.A., hereby certify, also taking account of the provisions of art. 154-bis, paras. 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, and subsequent amendments and additions:
   - the adequacy in relation to the characteristics of the business and
   - the effective application of the administrative and accounting procedures adopted for the preparation of the interim consolidated financial statements, during the period from 1 January 2018 to 31 December 2018.
2. There is nothing significant to report in this regard.
3. Moreover:

   3.1 the interim consolidated financial statements:

   a) have been prepared in compliance with the IFRS endorsed by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) agree with the underlying accounting records and entries;

   c) provide a true and fair view of the financial position and results of operations of the issuer and the companies included within the scope of consolidation.

   3.2. The Directors' report on operations includes a reliable analysis of the operating performance and result, as well as the position of the issuer and of the group of consolidated companies, together with a description of the key risks and uncertainties.

Rome, 5 February 2019

Signature of the Managing Director and General Manager	Signature of the Director assigned to drawing up the corporate accounting documents
Mr. Andrew Thomas Barr	**Mr. Renato Gallo**

Ansaldo STS S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Ansaldo STS S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated income statements, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity for the twelve-month period then ended and the related explanatory notes of Ansaldo STS S.p.A. and its subsidiaries (the "Ansaldo STS Group") as of December 31, 2018. Management of Ansaldo STS S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Ansaldo Group as of December 31, 2018 is not prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Genova February 6th, 2019

EY S.p.A.
Signed by: Enrico Lenzi, Partner

This report has been translated into the English language solely for the convenience of international readers

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