Connecting Pieces of Your World

2014 ANNUAL REPORT
ANSALDO STS GROUP

Ansaldo STS
A Finmeccanica Company

2014 Annual Report
Ansaldo STS Group

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

1 Company bodies and committees

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

SERGIO DE LUCA
Chairman

DOMENICO BRACCIALARGHE
Deputy chairman *1

STEFANO SIRAGUSA
Chief executive officer

GIOVANNI CAVALLINI (1) (2)

GIULIO GALLAZZI (2)

ALESSANDRA GENCO

BRUNO PAVESI (2)

PAOLA PIERRI (1)

BARBARA POGGIALI (1)

GRAZIA GUAZZI
Board secretary

1. Member of the risk and control committee.
2. Member of the appointments and remuneration committee.

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

GIACINTO SARUBBI
Chairman

RENATO RIGHETTI

MARIA ENRICA SPINARDI

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

FABRIZIO RICCARDO DI GIUSTO

GIORGIO MOSCI

DANIELA ROSINA

INDEPENDENT AUDITORS
(for the 2012 - 2020 period)

KPMG S.p.A.

*1 Position held by Luigi Calabria from 15 April 2014 to 1 October 2014. Appointed by the board of directors as of 1 October 2014 pursuant to article 2386 of the Italian Civil Code, Domenico Braccialarghe will remain in office until the next shareholders' meeting.

Directors' report at 31 December 2014

2 Financial position and results of operations of the Group

2.1 Introduction

Ansaldo STS group recognised a profit of €80.7 million for 2014, compared to €74.8 million for the previous year. Revenue came to €1,303.5 million, up 6% on the previous year (€1,229.8 million) and the ROS was 9.6%, compared with 9.5% in the previous year.

The group achieved significant and widely satisfactory results in such a complex and increasingly more competitive market, in line with the 2014 forecasts provided to the market and showing particular improvements in orders, order backlog and ROS.

The group's challenge on the global markets resulted in it obtaining orders worth €1,825.0 million (2013: €1,483.6 million), including the Lima metro (approximately €513.0 million), signing the agreement and funding contract for Line 4 of the Milan metro for an additional amount to the ancillary agreement signed in 2013 (roughly €215.8 million), the turn-key project for the construction of the Aarhus tramway in Denmark (approximately €128.5 million) and the contract for the construction of the Navi Mumbai metro in India (€78.4 million).
The overall positive operating performance of the group is confirmed by the on-site installations on some lines of the national railways, particularly for the contract related to the Turin-Padua line, the roll-out of some stations completing the first section of Line 5 of the Milan metro, the opening of the first section of Line C of the Rome metro, activations related to the Ankara metro in Turkey and the deliveries and installations carried out for the AutoHaul project related to the master agreement with Rio Tinto, Australia.

Within the group, management implemented and pursued with renewed determination increased levels of operating efficiency and effectiveness through specific action plans.

Similarly, on the one hand, in order to create a more efficient corporate and organisational structure for the group, and thus cutting costs also associated with a more effective presence on the global markets, we note the following:
- on 18 December 2012, the board of directors authorised the sale of the parent's investment held through its direct subsidiary Ansaldo STS France S.A.S. in the Venezuelan-based ECOSEN CA. Ansaldo STS France S.A.S. signed a preliminary sales agreement for this investment with an independent party. The transaction is still underway;
- in its meeting of 26 June 2013, Ansaldo STS's board of directors approved the dissolution of the JV in Kazakhstan with JSC Remlokomotiv and authorised the early closure and liquidation of Kazakhstan TZ-Ansaldo STS Italy LLP. The liquidation process is presently underway;
- in order to seize the strong sales opportunities arising in the Mass Transit sector, in their meeting of 16 December 2013, the directors resolved to set up a new company in Brazil. Ansaldo STS do Brasil Sistemas de Trasporte Ferroviario e Metropolitano LTDA was thus set up on 5 February 2014, with registered office in Fortaleza, in the state of Ceará;
- with regard to that already resolved by the board of directors on 27 September 2013 related to the sale to a local operator of 31% of the shares currently held by the parent via its direct subsidiary, Ansaldo STS Australia PTY Ltd, in the subsidiary Ansaldo STS – Sinosa Rail Solutions South Africa (Pty) Ltd, representing 51% of the entire share capital, the sale took place on 18 August 2014. Specifically, following such sale Ansaldo STS holds 20% of such company's share capital in class B shares. The latter do not give the holder the right to dividends. Finally, due to such agreement, starting from 5 January 2015, such company changed its name to Ansaldo STS – GEAR South Africa (PTY) LTD.;
- in order to boost group efficiency, on 16 December 2014, the board of directors authorised the early dissolution and, consequently, the liquidation of the subsidiary, Ansaldo STS Ireland LTD, now inactive. The process began in January 2015 and will presumably end during the first quarter of 2015;
- in order to streamline the group's corporate structure in North America, Ansaldo STS USA International Projects Co., to date inactive, was merged into Ansaldo STS USA International Co. on 17 December 2014.

On 1 January 2014, Ansaldo STS group adopted IFRS 11 governing joint arrangements. The new standard has eliminated the possibility to consolidate interests in joint ventures using the proportionate method. Accordingly, they are now measured using the equity method. The joint ventures' income statement figures are grouped into one caption, while the statement of financial position figures are presented under equity investments, without impacting the group's equity.
This financial report presents the 2013 corresponding figures, which have been restated for comparative purposes.
The restatement did not significantly affect the group's figures, as described in paragraph 11.2.2 of the notes to the consolidated financial statements.

The new organisational structure became fully operational in January 2014 to respond to new market requirements and increase efficiency.
The recent reorganisation is driven by the need to centralise management of projects which use different products and technologies, and the need for greater integration between the various teams, particularly the project and sales teams.
Specifically, under the new organisational model, the revenue centres (hence, those in charge of the sales/bidding processes, Project Management and Operations & Maintenance) will be more distinctly separate from the Operations cost centres which are responsible for all internal processes (Engineering and Development, Construction & Commissioning, Supply Chain and Manufacturing) that generate contract costs.
The two revenue centres represent the Railway and Mass Transit and the Freight markets, respectively, with a strongly geographical focus (mainly Australia and the US).

2.2 Key performance indicators

(€'000)	**2014**	2013 *	Change
New orders	**1,824,968**	1,483,587	341,381
Order backlog	**6,120,835**	5,567,321	553,514
Revenue	**1,303,508**	1,229,802	73,706
Operating profit (EBIT)	**124,492**	117,019	7,473
Adjusted EBIT	**130,462**	117,515	12,947
Profit for the year	**80,694**	74,815	5,879
Net working capital	**41,807**	30,663	11,144
Net invested capital	**281,408**	253,475	27,933
Net financial position	**(293,415)**	(245,498)	(47,917)
Free Operating Cash Flow	**75,731**	9,335	66,396
ROS	**9,6%**	9,5%	+ 0,1 p,p,
ROE	**15,0%**	15,5%	- 0,5 p,p,
VAE	**57,676**	54,402	3,274
Research and development	**33,044**	32,036	1,008
Headcount (no.)	**3,799**	3,929	(130)

* Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard). The 2013 figures have been restated for comparative purposes.

New orders totalled €1,825.0 million compared to restated €1,483.6 million for 2013; the order backlog amounted to €6,120.8 million (restated €5,567.3 million at 31 December 2013).

Revenue came to €1,303.5 million, up by €73.7 million on the restated €1,229.8 million of 2013. The increase is due to the development of the group's important order backlog and, specifically, the progress made in projects in Saudi Arabia and Denmark and certain projects acquired by the French subsidiary in recent years.

Operating profit (EBIT) came to €124.5 million, up €7.5 million on the restated 2013 amount (€117.0 million) due to greater volumes developed. ROS was 9.6%, up on 2013 (9.5%).

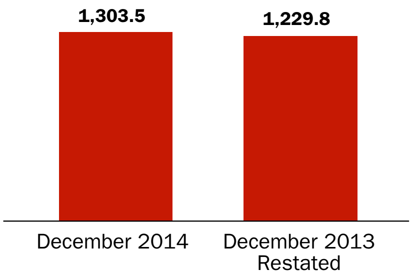
Adjusted EBIT (€130.5 million or 10.0% of revenue) is greater than the restated figure (€117.5 million or 9.6% of revenue) for the previous year following the increase in the overall volume and different mix of revenue.

The profit for the year came to €80.7 million (restated €74.8 million for 2013).
The group's net financial position improved by €47.9 million from restated €245.5 million at 31 December 2013 to €293.4 million.

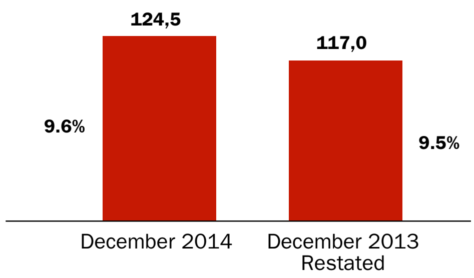
Research and development expense recognised directly in profit or loss amounted to €33.0 million, up from the previous year (€32.0 million restated).

The group's headcount decreased by a net 130 employees to 3,799 from restated 3,929 at 31 December 2013. The average headcount was 3,854 (restated 3,899 in 2013).

Revenue (€m)



EBIT (€m)



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

Reclassified income statement (€'000)

	2014	2013*
Revenue	**1,303,508**	**1,229,802**
Purchases and personnel expense (**)	(1,159,680)	(1,098,121)
Amortisation, depreciation and impairment losses	(18,347)	(16,978)
Other net operating income (***)	9,512	5,099
Change in work-in-progress, semi-finished products and finished goods	(4,531)	(2,287)
Adjusted EBIT	**130,462**	**117,515**
Restructuring costs	(5,970)	(496)
Operating profit (EBIT)	**124,492**	**117,019**
Net financial expense	(517)	(3,200)
Income taxes	(43,281)	(39,096)
Profit/(Loss) from discontinued operations	-	92
Profit for the year	**80,694**	**74,815**
attributable to the owners of the parent	*80,636*	*74,956*
attributable to non-controlling interests	*58*	*(141)*
Earnings per share		
Basic and diluted	0,43	0,40 [1]

1. Recalculated following the bonus issue of 14 July 2014

Reconciliation between the reclassified income statement and the income statement included in the consolidated financial statements:
(*) Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard). The 2013 figures have been restated for comparative purposes.
(**) Includes the captions "Purchases", "Services", "Personnel expense" (net of restructuring costs) and "Accrual to (use of) the provision for expected losses to complete contracts" net of "Internal work capitalised".
(***) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs, impairment losses and accruals to (use of) the provision for expected losses to complete contracts).

Briefly:
Revenue came to €1,303.5 million up €73.7 million over the previous year restated figures.
Purchases and personnel expense increased in 2014 due to the greater production volumes.
Restructuring costs were €6.0 million, hugely increasing on the previous year (€0.5 million) following the implementation of a redundancy plan in Italy.
Operating profit came to €124.5 million in 2014 (restated €117.0 million in 2013).

Profit for the year of €80.7 million was €5.9 million higher than 2013 restated figures. Specifically, higher income taxes were partially offset by lower financial expense.

Statement of financial position (€'000)	**31.12.2014**	31.12.2013*
Non-current assets	296,728	273,175
Non-current liabilities	(57,127)	(50,363)
	239,601	**222,812**
Inventories	106,127	111,270
Contract work in progress	304,154	288,607
Trade receivables	710,649	625,493
Trade payables	(368,865)	(355,185)
Progress payments and advances from customers	(686,227)	(635,232)
Working capital	**65,838**	**34,953**
Provisions for risks and charges	(10,422)	(14,825)
Other assets/(liabilities), net (**)	(13,609)	10,535
Net working capital	**41,807**	**30,663**
Net invested capital	**281,408**	**253,475**
Equity attributable to the owners of the parent	573,644	498,714
Equity attributable to non-controlling interests	1,278	346
Equity	**574,922**	**499,060**
Non-current assets held for sale	99	87
Net financial position	**(293,415)**	**(245,498)**

* Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard). The 2013 figures have been restated for comparative purposes.
** Includes "Tax assets" and "Other current assets", net of "Tax liabilities" and "Other current liabilities".

Net invested capital totalled €281.4 million, compared to the restated figure of €253.5 million in 2013. The €27.9 million increase is due to the rise in non-current assets and liabilities (€16.8 million), for the new equity investments and advances granted to special-purpose entities to carry out work related to order backlog, and the change in net working capital (€11.1 million), due to the increase in trade receivables and contract work in progress partially offset by the increase in trade payables and advances from customers.

2.3 Net financial position

(€'000)	**31.12.2014**	31.12.2013*
Current loans and borrowings	5,363	7,616
Cash and cash equivalents	(270,067)	(191,521)
NET CASH AND CASH EQUIVALENTS	**(264,704)**	**(183,905)**
Related party loan assets	(10,709)	(34,011)
Other loan assets	(30,326)	(30,046)
LOAN ASSETS	**(41,035)**	**(64,057)**
Related party loans and borrowings	10,351	-
Other current loans and borrowings	1,973	2,464
OTHER LOANS AND BORROWINGS	**12,324**	**2,464**
NET FINANCIAL POSITION	**(293,415)**	**(245,498)**

* Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard).
The 2013 figures have been restated for comparative purposes.

The net financial position (greater loan assets and cash and cash equivalents than loans and borrowings) was €293.4 million, compared to restated €245.5 million at 31 December 2013, up €47.9 million on the previous year following the distribution of dividends of €28.8 million (2013: €28.8 million).
Loan assets include the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited in a local bank and tied up pending the resumption of activities (€28,443 thousand).
The net financial position at 31 December 2014 includes the €29.3 million remainder of the advance received from the Russian customer, Zarubezhstroytechnology (ZST), for the project signed in August 2010 and suspended as from 21 February 2011, for the development of signalling, automation, telecommunication, power supply, security and ticketing systems on the Sirth to Benghazi section in Libya. Proceedings commenced in the second half of 2013 with ZST for the enforcement of the Advance payment bond. At the end of November 2013, the Milan court authorised Crédit Agricole to release part of the advance (€41.3 million), confirming that ZST only has the right to partial repayment thereof. Subsequently, on 25 March 2014, ZST issued the statement of claim which formally launched the arbitration procedure at the Vienna International Arbitral Centre in order to obtain payment of the portion of the Advance payment bond not recognised by the Milan court in the provisional measure.
In May 2014, the procedure to form the arbitration panel was completed and the discussion hearing is scheduled for the second half of 2015.

The reclassified statement of cash flows for 2014 follows:

Opening cash and cash equivalents (€'000)	2014		2013*	
Opening cash and cash equivalents	**191,521**		**141,922**	
Gross cash flows from operating activities	149,135		139,537	
Changes in other operating assets and liabilities	(30,416)		(59,239)	
Funds from operations		**118,719**		**80,298**
Change in working capital	(33,862)		(61,590)	
Cash flows from operating activities	**84,857**		**18,708**	
Cash flows used in ordinary investing activities	(9,126)		(9,373)	
Free operating cash flow		**75,731**		**9,335**
Strategic transactions	(7,410)		(3,473)	
Other changes in investing activities	20		(554)	
Cash flows used in investing activities	**(16,516)**		**(13,400)**	
Dividends paid	(28,800)		(28,923)	
Cash flows from other financing activities	34,446		79,068	
Cash flows from financing activities	**5,646**		**50,145**	
Net exchange rate gains (losses)	**4,559**		**(5,854)**	
Closing cash and cash equivalents	**270,067**		**191,521**	

* Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard).
The 2013 figures have been restated for comparative purposes.

Cash and cash equivalents equalled €270.1 million at the reporting date, up by €78.6 million over the prior year figure.
The main changes in the statement of cash flows were as follows:

- cash flows from operating activities totalled €84.9 thousand, an increase of €66.1 thousand over 2013, mainly due to the change in working capital;
- cash flows used in investing activities of €16.5 thousand, up €3.1 thousand over the previous year (2013: €13.4 thousand);
- cash flows from financing activities of €5.6 million, compared to €50.1 million in 2013, due mainly to the decrease in the amount in the joint current account with the ultimate parent, Finmeccanica S.p.A., net of the dividends paid by the parent Ansaldo STS S.p.A. totalling €28.8 million (2013: €28.8 million).

The Free Operating Cash Flow (FOCF) used before strategic transactions of the year totalled €75.7 million, compared to €9.3 million for 2013, which included the partial repayment of the advance related to a contract in Libya (€41.3 million); the €66.4 million increase mainly relates to the change in funds from operations (FFO) and working capital.

2.4 Non-IFRS alternative performance indicators

Ansaldo STS S.p.A.'s management also assesses the financial performance of the group and the business units using certain indicators that are not defined by the IFRS.
As required by CESR communication 05-178b, the components of each of these indicators are described below:

- **EBIT:** earnings before interest and taxes, before any adjustment. EBIT excludes gains or losses on unconsolidated equity investments and securities, as well as any gains or losses on sales of consolidated equity investments, which are classified under "financial income and expense" or "share of profits (losses) of equity-accounted investees" if related to equity-accounted investments.
- **Adjusted EBIT (Adj):** is the EBIT as described above, net of the following items (where applicable)
  - any impairment of goodwill;
  - amortisation of the portion of purchase price allocated to intangible assets acquired as part of business combinations, pursuant to IFRS 3;
  - restructuring costs in relation to defined and significant plans;
  - other income or expense not of an ordinary nature, i.e., related to particularly significant events unrelated to ordinary activities.

A reconciliation of EBIT and Adjusted EBIT for the two years is set out below:

(€'000)	**2014**	2013*
EBIT	124,492	117,019
Restructuring costs	5,970	496
Adjusted EBIT	**130,462**	**117,515**

* Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard).
The 2013 figures have been restated for comparative purposes.

- **Free Operating Cash Flow (FOCF):** this indicator is the sum of cash flows from (used in) operating activities and cash flows from (used in) investing and disinvesting in property, plant and equipment, intangible assets and equity investments, net of cash flows from acquisitions or sales of equity investments which are deemed "strategic" due to their nature or importance. The reclassified statement of cash flows set out in paragraph 2.3 shows how FOCF is arrived at for the current and previous years.
- **Funds From Operations (FFO):** this indicator is the cash flows from (used in) operating activities, net of changes in working capital. The reclassified statement of cash flows set out in paragraph 2.3 shows how FFO is arrived at for the current and previous years.
- **Economic Value Added (EVA):** is the difference between EBIT, net of income taxes and the cost of the average invested capital of the current and previous years measured on the basis of the weighted average cost of capital (WACC).
- **Operating working capital:** comprises trade receivables and payables, inventories, work in progress, progress payments and advances from customers and provisions for risks and charges.
- **Net working capital:** is operating working capital less other current assets and liabilities.
- **Net invested capital:** is the sum of non-current assets, non-current liabilities and net working capital.
- **Net financial position or debt:** is the calculation method which complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation (EC) no. 809/2004.
- **New orders:** are the sum of the contracts agreed with customers during the year that meet the contractual requirements to be recorded in the orders book.
- **Order backlog:** the difference between new orders and revenue for the year (including the change in contract work in progress). This difference is added to the backlog for the previous year.
- **Headcount:** is the number of employees recorded in the relevant register on the reporting date.
- **Return on Sales (ROS):** is the ratio of EBIT to revenue.
- **Return on Equity (ROE):** is the ratio of the profit or loss for the year to the average amount of equity at the reporting date and the previous year reporting date.

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

2.5 Related party transactions

Transactions with related parties relate to ordinary operations. They take place on an arm's length basis (unless governed by specific contractual terms), as does the settlement of interest-bearing receivables and payables.
They mainly comprise the exchange of goods, the provision of services and the obtaining/granting of financing from and to the parent, associates, joint ventures, consortia and unconsolidated subsidiaries.
During the year, no atypical and/or unusual transactions took place .
Moreover, from 2011, the amended disclosure requirements of IAS 24 (revised) with reference to related parties exclusively entail the restatement of comparative figures shown in the financial statements to consider as related parties those entities under the control or significant influence of the Ministry of Economy and Finance ("MEF").

Related party transactions (see notes 13 and 14 to the consolidated financial statements for greater detail) are as follows at 31 December 2014 and 2013.

31.12.2014 (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Non-current assets								
-other	-	-	16,189	-	182	-	-	**16,371**
Current assets								
-financial	-	-	10,709	-	-	-	-	**10,709**
-trading	76	499	40,540	7,559	36,646	9,026	75,555	**169,901**
-other	154	-	-	-	4	93	-	**251**
Current liabilities								
-financial	10,351	-	-	-	-	-	-	**10,351**
-trading	877	524	1,524	11	1,078	49,045	946	**54,005**
-other	-	3	-	-	29	570	-	**602**

31.12.2014 (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Revenue	-	712	22,926	10,314	39,088	9,948	138,782	**221,770**
Other operating income	-	-	634	-	-	5	350	**989**
Costs	4,656	771	48,826	16	3,378	62,374	1,817	**121,838**
Financial income	60	-	400	-	-	-	-	**460**
Financial expense	37	-	-	-	-	-	-	**37**
Other operating expense	35	-	-	-	24	14	-	**73**

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

31.12.2013 restated (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Non-current assets								
-other	-	-	11,593	-	182	-	-	**11,775**
Current assets								
-financial	31,093	-	2,918	-	-	-	-	**34,011**
-trading	38	565	31,488	5,363	31,248	8,151	63,568	**140,421**
-other	151	-	-	-	1,365	-	-	**1,516**
Current liabilities								
-trading	268	359	5,633	2	960	49,438	551	**57,211**
-other	-	3	-	-	24	602	-	**629**

31.12.2013 restated (€'000)	Ultimate parent	Unconsolidated subsidiaries	Associates	Joint ventures	Consortia	Other group companies	MEF	Total
Revenue	-	342	43,003	16,389	16,040	11,278	150,262	**237,314**
Other operating income	-	-	251	-	-	19	-	**270**
Costs	3,232	513	47,112	160	3,197	34,139	3,554	**91,907**
Financial income	218	-	45	-	-	-	-	**263**
Financial expense	250	-	-	-	-	-	-	**250**
Other operating expense	19	-	-	-	32	62	-	**113**

Finally, the group's corporate governance framework includes specific guidance on conduct to ensure related party transactions comply with criteria of procedural and substantial correctness.
Related party transactions between the parent and related parties take place on an arm's length basis.

2.6 Performance

2.6.1 The market and commercial situation

New orders acquired during 2014 totalled €1,825 million (restated 2013: €1,484 million).
Specifically, the key events of the year are described below:

ITALY

New orders acquired during 2014 totalled €436 million. These include the project for line 4 of the Milan metro for an additional amount to that already in portfolio of approximately €216 million. Specifically, at the end of December, Ansaldo STS, part of the Company trust, signed the agreement and funding contract with the customer. Line 4 of the Milan metro will be the first driverless metro in Italy to use the innovative CBTC (Communication Based Train Control) technology. It will link up Milan airport to San Cristoforo railway station, crossing the centre of Milan from east to west, covering 14.5 km and 15 stations. The construction is scheduled to take seven years.
Orders related to conventional and high-speed lines include the full service maintenance contract of on-board equipment for the ERT 500 high-speed trains (roughly €10 million) and the order variation for the Turin-Padua line (€22 million). The ACC segment includes the contracts for Villa Literno (roughly €15 million), Turin shunting (€13 million), changes to the Aversa-Gricignano ACC (roughly €10 million) and the equipment for the ACC of Categorico railway station (€17 million).

REST OF EUROPE

Orders totalled €384 million, including approximately €227 million in Denmark for the Aarhus LRT project (€129 million) and the important variations related to the Cityring project, including the extension of the Copenhagen to Nordhavn section and other variations in the O&M contract for a total amount of approximately €99 million. In France, orders came to roughly €61 million and mostly related to components and variations of the project for the conventional and high-speed railway lines and maintenance contracts, especially for the Paris metro. Orders in Spain included the high-speed line from La Robla to Pola de Lena for approximately €28 million. Orders in Sweden totalled approximately €31 million, comprising amendment 5 of the Red Line in Stockholm (€23 million) and contracts for components. Orders were signed in the UK for approximately €9 million for sundry components and support activities to the Cambrian Line.

NORTH AFRICA AND THE MIDDLE EAST

Orders amount to approximately €10 million, specifically €8 million for the Ryadh O&M contract. This area includes the commercial activities in Qatar in relation to the Doha metro.

AMERICAS

Orders amount to approximately €676 million. The group's most important commercial success of the year was the turnkey contract worth USD710 million (approximately €513 million) to build a driverless metro in Lima.
As part of this project, Ansaldo STS will be in charge of the design, procurement and installation, testing and roll out and system integration for the whole electromechanical package (signalling, power supply, telecommunications, platform screen doors, depot equipment, CTCs, automated fare collection and SCADA systems).
New orders in the United States total €156 million in the reporting period, including €80 million relating to the sale of components, maintenance and renovation of freight railway lines, roughly €19 million relating to the Red line project of the Washington DC metro (WMATA), approximately €15 million relating to the signalling of the New York Harold Tunnel (LIRR, Long Island Railroad), about €8 million relating to the SRFTA TriRail Office project and roughly €7 million relating to the supply of on-board equipment for the AnsaldoBreda trains for the Miami (Florida) metro.

ASIA PACIFIC

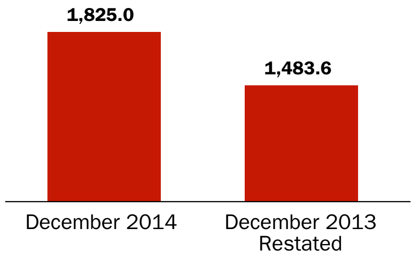
New orders for the reporting period come to approximately €320 million, of which €78 million relates to the Navi Mumbai metro in India. The contract relates to Line 1, Phase 1, which consists of 11.1 km of viaduct, with 11 stations, a depot and a fleet of 8 trains.
Orders in Australia amounted to approximately €129 million related to variations for the Rio Tinto master agreement worth approximately €97 million, the Moreton Bay Rail Link agreement (€9 million), the plant for dumping CD1C Replacement Project materials (€14 million) and the Nammuldi Below Water Signalling & Com. agreement and related variations (€13 million).
In China and South Korea, orders amount to approximately €105 million. Specifically, the supply of 184 on-board devices featuring "C3 Chinese high speed" technology (roughly €17 million) and the Wenzhou urban line contract (€10 million); driverless metro contracts related to the Hangzhou line 4 (€9 million) and Dalian lines 1 and 2 (€5 million) sections. Orders in Korea relate to the on-board devices for the SUSEO & Winter Olympics high speed line (roughly €16 million) and the Sudokwon Metropolitan HSL high-speed line and related components (roughly €26 million).

2.6.2 Sales information

New orders for the year totalled approximately €1,825.0 million, compared to €1,483.6 million in the previous year (up €341.4 million).

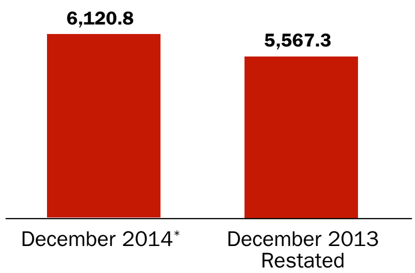
Country	Project	Customer	Amount (€m)
Peru	Lima metro	Lima municipality	513.0
Italy	Milan metro Line 4	Milan municipality	215.8
Denmark	Aarhus LRT	Aarhus municipality	128.5
Australia	Rio Tinto (various contracts)	Rio Tinto	96.5
Denmark	Copenhagen City Ring – variation	Metroselskabet	91.8
India	Navi – Mumbai Metro	CIDCO	78.4
Spain	La Robla - Pola de Lena high-speed line	ADIF	28.2
South Korea	Metropolitan high-speed line	LSIS	26.4
Sweden	Stockholm metro – amendment 5	S L	23.0
Italy	Turin-Padua section - variation	RFI	22.4
China	4 Metros: HZL4 – SY10 trains - Xi'an 25 trains - DL Ph 2	Insigma	20.7
USA	WMATA Red line ATP Track Module Replacement	WMATA	18.9
South Korea	High speed on-board devices	Rotem	15.6
Italy	Villa Literno ACC	RFI	15.2
USA	LIR ESA GCT Harold Tunnel	LIRR	14.6
Italy	Turin ACC shunting	RFI	12.9
China	Wenzhou Urban line	Zhuzhou TEC	10.6
Italy	Cancello-Aversa-Gricignano ACC - upgrading	RFI	10.0
Various	Service & Maintenance	Various	90.2
Various EU	Components	Various	82.5
USA	Components	Various	61.1

New orders for 2014 - 2013 (€m)



The order backlog at 31 December 2014 amounted to €6,120.8 million compared to restated €5,567.3 million at 31 December 2013, up by €553.5 million

Order backlog at 31 December 2014 - 2013 (€m)



* The order backlog at 31 December 2014 includes the residual amount of contracts in Libya, currently interrupted, worth €468.5 million.

2.6.3 Business performance

Revenue in 2014 came to €1,303.5 million, compared to restated €1,229.8 million in the previous year.
The key production activities are summarised below.

ITALY

Production activities on high-speed railway projects mainly involved the Treviglio-Brescia section as part of the Saturno consortium. 2014 activities related to the executive design and materials procurement. Installation activities are expected to begin before the end of 2015.

In the on-board SCMT/ERTM systems segment, production mainly related to development of ERTM systems for new ETR 1000 high-speed trains for the Trenitalia fleet, as well as the supply of other types of rolling stock to AnsaldoBreda.

In the ACC business segment, 2014 production mainly related to the project for the technological upgrade of the Turin-Padua line, specifically the detailed executive design and materials procurement. In particular, the first stage of the North West Milan junction comprising eight plants controlled by the SCCM system began in November.

With reference to Line 6 of the Naples metro, work on the civil works at the Arco Mirelli station resumed, following the release from seizure of the station shaft. The electro-mechanical installations are scheduled to begin by mid-2015. Works related to archaeological finds at Municipio station should end within the first half of the year.

With regard to Line C of the Rome metro, the Pantano-Centocelle line became operative in November.

In February 2014, the group operated the Isola and Garibaldi stations of the Milan metro line 5, which completed the Bignami-Garibaldi first section.

In the subsequent part of the year, work was carried out on extending the line from Garibaldi to San Siro and assembly was completed of the devices necessary to partially open the line for EXPO 2015.

REST OF EUROPE

In France, activities mainly related to on-board systems (South Europe Atlantique and Bretagne Pays de la Loire projects) and equipment (Thalys project) for the country's high-speed network, as well as the maintenance, assistance and production of individual parts contracts.

In Sweden, production mainly related to the Ester ERTMS and Stockholm Red Line projects.

In the United Kingdom, the remaining activities will be completed on the Cambrian line project (the first line in Britain to be equipped with the standard European level 2 ERTMS) by the end of 2015.

In Germany, activities continued on the software development project related to the supply of on-board devices for Velaro D and Velaro Eurostar high-speed trains. Activities for the Paris-Ostfrankreich-Südwestdeutschland and Rostock-Berlin projects have been down scaled, following the revision of the contract due to a redefinition of the contractual requirements.

In Turkey, the group formalised an agreement with its customer TCDD for the Mersin-Toprakkale project, which enabled it to resume the works to install and roll out the multi-station equipment.
In relation to the Ankara metro, the M2 and M3 lines were rolled out in DTP mode in the first half of 2014 and a preliminary version of the CBTC system was implemented on the M1 line in December.
With respect to the Gebze-Kosekoy project, the line became operational in August.

In Greece, the project for the Thessaloniki metro is significantly behind schedule due to the need to complete works on archaeological finds, problems encountered in expropriation activities and changes in the project of civil works due to hydrogeological conditions.
In January 2014, the joint arrangement, which Ansaldo STS is part of, issued an arbitration request to the customer and the Greek Ministry for Infrastructure and Transport, in order to request the recognition of sundry greater expense and/or extra costs incurred by the joint arrangement in completing the contract.
The arbitration procedure is currently underway.
In Denmark, work in 2014 was focused on design activities for the Copenhagen Cityringen project.
Simultaneously, preliminary work began on constructing the Aarhus tram line.

AMERICAS

Design activities for the contract related to the construction of the Honolulu metro made progress in 2014.
Under the revised work plan, on-site construction is slated to begin in the first quarter of 2015 and the first part of the line will open within the end of 2017.

With reference to the contract with Southeastern Pennsylvania Transportation Authority (SEPTA) for the supply of the Positive Train Control integrated signalling system, the group continued wayside, on-board and communication design and configuration, as well as procurement activities.

The progress made in certain projects in 2014, especially in Canada, was marked by a drop in profit margins due to the fact that more work became necessary in order to reach project objectives.

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

In Peru, preliminary activities began on lines 2 and 4 of the Lima metro.

NORTH AFRICA AND THE MIDDLE EAST

It is presently difficult to say when production for the Libyan railway project will resume. The arbitration procedure for the dispute with the Russian customer Zarubezhstroytechnology (ZST) continued before the Vienna International Arbitral Centre. In May 2014, the procedure to form the arbitration panel was completed with the appointment of the chairman, in addition to the arbitrators. The hearing is scheduled for the second half of 2015.

In the United Arab Emirates, section 1 (Habshan-Ruwais) of the Abu Dhabi (Shah-Habshan-Ruwais line) project was completed. The line was formally delivered to the customer in December 2014. In parallel, section 2 is currently being completed and tested.

In Saudi Arabia, the design stage for the Riyadh Metro System project is underway.

In China, the projects related to the CBTC systems for the Chengdu, Shenyang, Xi'an, Zhengzhou, Hangzhou and Dalian metros continued. Furthermore, as part of the project for the Zhuhai cable-free tramway, a successful on-site demonstration was organised for the Air show held in November 2014.

ASIA PACIFIC

In Australia, production of the period mainly focused on projects covered by the master agreement with Rio Tinto (RAFA), the Roy Hill's and PTA's Butler Extension projects.
Specifically, with reference to the RAFA projects, works continued on AutoHaul, where wayside commissioning was completed as was the installation of on-board equipment on locomotives. Commissioning activities are underway for the RCE333 and ECP projects.
With regard to the Roy Hill project, the design of the fibre optic was completed and relevant on-site activities began, though significantly behind the original work plan schedule.

In Taiwan, the group is continuing the design and production for all subsystems of the Taipei Metro Circular Line project.

In India, production mainly focused on the KFW projects, with respect to which works are set to continue after the last extension date following the many variations made, as requested by the customer, and the Calcutta metro project, which currently shows a delay due to the postponement for civil works and the unavailability of project inputs from the customer.

2.7 Reconciliation between the profit for the year and equity of the parent and the group at 31 December 2014

(€'000)	Equity	of which: profit for the year
Parent's equity at 31 December 2014 and profit for the year then ended	**354,961**	**32,728**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with carrying amounts of investments in companies consolidated on a line-by-line basis	167,779	46,906
Difference between the equities shown in the annual financial statements (including profits for the year) compared with carrying amounts of investments in equity-accounted investees	2,143	247
Goodwill	34,569	-
Consolidation adjustments for:	-	-
- Dividends from consolidated companies	-	-
- Translation differences	4,561	-
- Impairment losses on consolidated companies and loan assets of subsidiaries	9,631	755
- Other adjustments	-	-
Total attributable to the owners of the parent	**573,644**	**80,636**
- Non-controlling interests	1,278	58
Total equity at 31 December 2014 and profit for the year then ended	**574,922**	**80,694**

3 Key events of and after the reporting period

ProInversion, the Peruvian state-owned company that operates on behalf of the Ministry of Transportation and Telecommunications, signed a 35-year concession agreement with the Nuevo Métro de Lima consortium for the construction, operation and maintenance of line 2 and a branch of line 4 of the Lima metro on 28 April 2014. The group's stake is USD710 million.
The Nuevo Metro de Lima consortium comprises Iridium Concesiones de Infrastructura SA, Vialia Sociedad Gestora de Concesiones de Infrastrutructura SL, Salini-Impregilo S.p.A., Cosapi S.A., Ansaldo STS S.p.A. and AnsaldoBreda S.p.A..
The Lima metro L2 and L4 project involves 35 stations, 35 km of tunnels, 2 depots and 42 vehicles.
As part of this project, Ansaldo STS will be in charge of the design, procurement and installation, testing and roll out and system integration for the whole electromechanical package (signalling, power supply, telecommunications, platform screen doors, depot equipment, CTCs, automated fare collection and SCADA).
The concession envisages design, construction and financing for five years and operation and maintenance of the two lines for 30 years.
For the Lima project, Ansaldo STS will develop a CBTC (communication-based train control) solution with Unattended Train Operation (UTO), which is currently the leading-edge signalling technology in the mass transit sector.
With this contract, Ansaldo STS has reached its 250 km of fully-automated metro lines worldwide and has consolidated its presence in the important Peruvian market over the long-term.

In early July 2014, through ADIF Alta Velocidad, the Spanish Ministry of Development entrusted Ansaldo STS and Instalaciones Inabensa with a €47 million contract (approximately €28 million for the company) for the implementation and maintenance of the ERTMS signalling systems on the high-speed line linking La Robla to Pola de Lena.
The contract provides for the design, installation and maintenance of level 2 ERTMS systems and the related signalling systems of the 51 km-high speed line, including the link to the Santibáñez - La Robla section which belongs to the conventional section linking Venta de Baños to Gijón.
Ansaldo STS, which leads the joint venture, is the project manager and provides the level 2 ERTMS solution together with the ASFA local train protection system, the traffic control centre, the interlocking (electronic) system and the auxiliary positioning system. Ansaldo STS is also in charge of maintenance of the entire system for the first year after roll out.

In July 2014, Ansaldo STS was awarded the first contract for the construction of the Navi Mumbai metro (India), amounting to approximately €78 million.
The Navi Mumbai Metro is a rapid transit system being built in the Indian city of Navi Mumbai, in the state of Maharashtra. The complete system will consist of six lines (high rail corridors) covering a total distance of about 117 km. The contract relates to Line 1, Phase 1, which consists of 11.1 km of viaduct, with 11 stations, a depot and a fleet of 8 trains.
Line 1 will then be completed with the other two phases, which provide for a total of 12.3 km and 9 other stations.
The winning consortium is made up of Ansaldo STS, the leader, TATA Projects and CSR Zhuzhou.
Expected duration of the construction phase: about two and a half years.

In early September 2014, in Denmark, Aarhus Letbane I/S chose the ASAL consortium, composed of Ansaldo STS and Stadler Pankow, for a contract worth a total of €292 million for the building of a new urban and suburban Light Rail Transit (LRT) system in Aarhus Letbane. The parent's quota is roughly €128 million.
The project also includes installing electricity and signalling along the 100 km of the existing regional lines, with a total of 29 stations, to manage the trams through a complex system involving six routes and maximum speed ranging between 70 km/h and 100 km/h. The consortium will also design and supply the rolling stock and provide the related maintenance for six years, with an option for an additional three years.
Under the contract, Ansaldo STS will provide the transport system solution, while Stadler Pankow will design and supply the rolling stock.
The contract term is 34 months for the construction stage, followed by the maintenance of rolling stock.
With this project, Ansaldo STS is strengthening its presence in Denmark.

The agreement and funding contract for Line 4 of the Milan metro was signed in December 2014.
Following the signing of the agreement and funding contract for Line 4 of the Milan metro, Ansaldo STS has taken on full responsibility for the project, for an additional contractual value compared to that already in portfolio of approximately €216 million.
The scope of Ansaldo STS's work is related to building the protection, supervision and control system for driverless and unmanned train gears, supplying and installing signalling and automation systems, electric power supply systems, platform screen doors, entrance barriers, ticket-vending machines, maintenance systems and, with the collaboration of Sirti, telecommunication systems.
Line 4 of the Milan metro will be the first driverless metro in Italy to use the innovative CBTC (Communication Based Train Control) technology.
The line will link up Milan airport to San Cristoforo railway station, crossing the centre of Milan from east to west, covering 14.5 km and 15 stations. The construction is scheduled to take seven years.
With this contract, Ansaldo STS additionally strengthens its leadership in the world of constructing driverless and unmanned metro lines.
On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. communicated their signing of binding contracts for Hitachi's purchase of Finmeccanica's entire investment in Ansaldo STS S.p.A., equal to 40% of its share capital, and AnsaldoBreda S.p.A.'s current business except for certain revamping activities and specific residual contracts.
Such transaction is expected to be finalised during the current year and is subject to the specific conditions typical of these kinds of transactions, such as regulatory and anti-trust authorisations.

4 Risks and uncertainties

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

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

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

Reference should be made to the notes to the financial statements for information on the management of financial risks (market, liquidity and credit).

4.1 Strategic risks

4.1.1 Changes in the macroeconomic and market context and streamlining programmes

Ansaldo STS group operates internationally and is exposed to risks arising from macroeconomic/geopolitical changes and a reference market presenting the greatest opportunities in emerging nations and those with the highest growth rates. Projects also tend to grow in size and scope and there is an increasingly consolidated trend towards the standardisation of products and technological solutions, especially in the signalling business unit. Although overall market volumes are growing satisfactorily, competition is more intense, pushing down prices. This market situation could negatively impact Ansaldo STS group's competitive edge and performance, e.g., contracting margins on new orders and exposure to less advantageous contractual terms.

An additional negative effect on the competitive position of the Ansaldo STS group could derive from the market's consolidation trend and the lack of a stable partnership in vehicle markets.

Macroeconomic and geopolitical factors that could impact the group's operations include the growth rate in the reference countries and public spending on infrastructure. The present macroeconomic and financial uncertainty and plans to reduce public debt (both underway or announced) in various countries could generate delays or reductions in new orders, delays in payments and less favourable terms on new contracts, having a negative impact on Ansaldo STS group's performance.

Given the many variables and uncertainties in the macroeconomic and market context, the corporate strategy may not be immediately updated and adjusted, with a negative impact on Ansaldo STS group's competitiveness and performance.

A key element of Ansaldo STS group's strategy is to optimise its operating structure by standardising the solutions and products offered and greater resource use efficiency/optimisation in project implementation. Streamlining projects commenced some time ago - with the latest "Value to Actions - V2A" 2014 project detailed further on - to reduce both external and internal costs via operating process optimisation. The anticipated benefits have already been seen, especially in administrative and sales overheads. Other efficiency initiatives are about to be launched, aimed at increasing benefits on contract profitability.

Progress is subject to ongoing and structured monitoring, including through a dedicated department, given the risk that plans to streamline the group's operating structure may not be implemented as planned or that their results are weaker than expected or take longer than expected, thus negatively affecting the group's profits.

4.1.2 Innovation: a competitive factor

The group's business units feature a high level of technological innovation and this represents an important competitive factor.

Ansaldo STS group's ability to anticipate technological changes and implement an efficient investment policy is therefore paramount. If it fails to accurately assess innovation requirements, the contents of innovation and development projects, their benefits and related priorities, the group runs the risk of delays in the availability of new products and technical solutions, instability of new products, additional development costs on projects, and lost sales.

Processes to update the product portfolio and the regular assessment of products' technical competitiveness are in place to mitigate these risks. Furthermore, initiatives were undertaken to focus investment priorities on certain product lines.

The features and degree of technological innovation of the group's products and technical solutions generate a risk of obsolescence. There are specific processes in place to ensure its effective management.

4.2 Operational risks

4.2.1 Country risk for new markets

Ansaldo STS group's policy of penetrating new markets, particularly those with the highest rates of development, expose it to risks such as: political, social and economic instability, not accurately evaluating local legislation (as applies to companies, tax and signalling system validation), the challenge of protecting intellectual property, exchange rate fluctuations, as well as the creditworthiness of counterparties, which can negatively impact the group's financial position and results of operations. Country risk is assessed when the group decides which offers and bids to make. How to mitigate the risk and the formalisation of any mitigating actions are also contemplated at the time the proposals are prepared.

Reference should be made to the paragraph of this report covering the halt of the contracts in Libya due to the riots in that country and the delays and extra costs accumulated on the Turkish and Greek contracts.

4.2.2 Reliance on public customers and long-term contracts

Group operations are highly dependent on public customers and, particularly in the transportation solutions business unit, on long-term contracts of a significant amount.

Delays, amendments, revisions or cancellations of one or more significant contracts acquired could negatively impact the company's operations and its financial position and results of operations.

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

The following factors mitigate such risks:
- market diversification and monitoring of country and compliance risk;
- structured project review processes involving senior management;
- the regular review and adjustment of contract and programme estimates;
- the adoption of risk management processes both at the time the offer is made and throughout project implementation, as well as lifecycle management processes involving the regular comparison of physical and accounting progress and project review processes.

4.2.3 Budgeting and risk management project planning

Ineffective project planning and control processes could mean the project team cannot implement the project within the set budget and timeframes, especially complex projects. Likewise, risk management may not be effective if based on incomplete or inaccurate information, or if it is not adequately defined and monitored. These risks could cause delays in identifying issues during project roll-out and inaccurate reporting and planning, with a consequent negative impact on the group's financial position and results of operations.

To mitigate this risk, there are formalised and monitored processes to check physical and accounting progress and risk management, clear allocation of responsibilities within the project team, managerial review of project performance, review of the estimates at the time the bid is made and an independent review carried out by the risk management department. Specific initiatives have been launched to improve the company's and group's planning and control processes.

4.2.4 Third parties (subcontractors, sub-suppliers and partners)

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

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

The preliminary assessment and consequent selection of partners, subcontractors and subsuppliers, particularly in new markets, may be inadequate, with negative impacts on the competitive nature of the technical solutions offered, project performance and on the effectiveness of partnership governance (for instance, differences of opinion between the partners, misalignment of risks and costs/benefits for the individual partners).

To mitigate these risks, the group has processes in place to select and evaluate subcontractors and subsuppliers, it works with known and reliable partners, it defines, agrees and manages appropriate contractual and JV clauses, it has risk management processes and it requests adequate guarantees, where applicable. There are initiatives in place to improve the processes to find potential subcontractors and subsuppliers in new markets.

4.2.5 Efficient technical operations and relevant technical references

Development and engineering activities carried out without a clear understanding and identification of the specific requirements, or with ineffective processes for the allocation of project resources, could negatively affect the project budget, compliance with deadlines, performance and customer satisfaction.
To mitigate this risk, the group has requirement and configuration management processes in place, which are being further improved to ensure quality, compliance with deadlines and efficiency in projects and development management.

Furthermore, if Ansaldo STS group does not have adequate market and operating references for products, this could lead to lost sales and non-compliant project implementation, negatively impacting the group's competitiveness and its financial position and results of operations. Such risk is carefully assessed at the time the bid is considered and managed through recovery plans monitored by senior management during project roll-out.

4.2.6 Liability to customers or third parties for product defects or delivery delays

Technological complexity and tight delivery times for company products and systems could leave the group liable for delays in or failure to supply contractually-agreed products or services, for their non-compliance with customer requirements (for instance, due to design or construction faults) and for breaches of and/or delays in roll-out, the provision of post-sales services and product maintenance and servicing. Moreover, many products and systems supplied by the company are subject to certifications and approval, including by third-party bodies.

Such liability could be directly attributable to Ansaldo STS group or to third-party operators such as subsuppliers or subcontractors. These risks could negatively impact the group's operations, its financial position and results of operations and its reputation, and could also result in the group incurring costs to repair faulty products or their withdrawal from the market in extreme cases. Even if adequate insurance is in place, the sum insured could be exceeded or the premiums could be raised following a claim, negatively impacting the group's financial position and results of operations.

To mitigate these risks, the company agrees specific insurance coverage, carefully supervises its engineering, validation and returns monitoring processes and identifies mitigating actions and provides for contingencies in the bid quote in conjunction with the Risk Management process.

4.2.7 Legal disputes

The complexity of dealings with third parties (customers, subcontractors/subsuppliers and partners), the content of systems and products developed, as well as specific business risks expose the group to a significant risk of legal disputes. Legal disputes could also relate to the awarding of bids. The settlement of disputes could be complex and take a long time, leading to delays in completing projects and negative impacts on the group's operations and its financial position and results of operations.

To mitigate this risk, there are risk management processes in place during both the bid and management stages, contractual clauses are examined carefully in conjunction with the legal department, and a prudent approach is adopted in recognising specific items under contract costs and provisions for risks.

4.2.8 Human resource management

Ansaldo STS group supplies products and systems featuring cutting-edge technology on a global scale and to do so, it requires human resources with specific expertise, which can be difficult to procure on the labour market. The success of the business development plans, especially in new markets, also depends on the group's ability to attract, retain and develop the skills of its human resources, particularly in order to operate in a context of a global market and group.

To mitigate this risk, human resource management policies reflect the business needs. Ansaldo STS group also has an integrated human resource management and development system under which regular checks of expertise and performance are carried out and relevant training initiatives identified, as well as enabling the best possible allocation of resources. Processes and initiatives are also in place to identify the most talented resources, with regard to both managerial and technical profiles, and plot career paths for them. Reference should be made to the section on human resources for a description of the latter.

Certain risk areas persist in relation to the effective management of project teams, which could compromise the achievement of some of the benefits expected from the organisation by bid and project team. Specific initiatives are underway to clarify and strengthen these roles within the project teams.

4.2.9 Health, safety and environmental compliance

Ansaldo STS group has to comply with health, safety and environmental legislation in the various countries in which it operates.

Failure to comply with such legislation as a result of operating processes which are not adequately monitored or - especially in new markets in countries where standards are below-par or that are exposed to specific risks (e.g., high crime rates or epidemic risks) - due to an inadequate evaluation of such requirements and necessary measures, could expose the group to risks having significant impacts on its operations, its financial position and results of operations and its reputation.

To mitigate this risk, Ansaldo STS group adopts health, safety and environmental management systems ensuring rigorous compliance with legislation in accordance with best practices and subject to internal and external monitoring. These management systems are certified (to OHSAS 18001 standard for workplace safety and ISO14001 for the environment) in most of the group's key companies.

Requirements in new markets are evaluated at the time the bid is prepared and the assistance of external consultants is also sought. Policies and procedures have also been set to ensure a consistent approach throughout the group's various companies while still allowing for specific local legislation.

4.3 Financial risks

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

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

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

Ansaldo STS group's ability to obtain guarantees at good rates depends on the evaluation of its financial position and results of operations, which is usually based on various indices including the group's own analysis of their financial position, analysis of the contract risk and experience and competitive positioning in the reference sector. Ansaldo STS group believes it complies with the relevant parameters. At 31 December 2014, the group had guarantees of €4,052,042 thousand.

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

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

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

4.3.2 Project Financing and PPP (Public and Private Partnership) transactions

At times the market offers transport systems providers the definition and management of a financing scheme, through project financing transactions, including by involving private financers.

Such transactions have various risk profiles, such as the complexity of contractual schemes offers, inaccurate preparation and re-examination of bid documentations and inappropriate assessment of partners that could led to assuming improper risks. Even a non-performance in the construction stage, especially related to construction times, and the operation stage could lead to safeguard clauses being activated and fees not being paid or invested capital being lost. Such risks could have a negative effect on the group's financial position and results of operations.

In order to mitigate such risk, bidding process which involves all relevant company functions for an accurate assessment of the transaction, including through the use of third-party advisors and the above-mentioned risk assessment procedures during the bidding stage, including with respect to possible partners.

4.4 IT risks

4.4.1 IT system management

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

Moreover, the unavailability or interruption of IT services or data loss or damage (including sensitive data or intellectual property), also as a result of hacking, could compromise group operations.
To mitigate this risk, the IT policies were set in consideration of the organisational and process change initiatives. Moreover, Ansaldo STS group has a governance system based on best practices and follows structured and monitored processes for hardware and software management.

5 The environment

Ansaldo STS group has pursued sustainability in recent years in the belief that respecting environmental and social values leads to the creation of long-term value for the group.
In its Sustainability report, the group transparently discloses its values, strategies, policies and decisions in terms of economic, environmental and social sustainability.
Ansaldo STS's commitment to "sustainable development" has seen it focus on:
- quality of life;
- ensuring the protection of natural resources;
- ensuring the safeguard and protection of the environment and the adoption of environmental sustainability principles and values;
- avoiding permanent environmental damage.

Environmental protection is part of our social responsibility and is key to our business strategy promoting growth in the group's value over the long term. We want to do our bit to ensure a safe, sustainable future by minimising our environmental footprint and encouraging our employees, suppliers and customers to do the same. Our aim is to produce in the safest way possible, using the minimum resources possible.

From an environmental point of view, Ansaldo STS group is involved:
- as a producer, committed to pursuing environmental protection policies not only by just complying with existing laws, legislation and directives but by pursuing ongoing improvement in the environmental impact of its products and production processes;
- as a supplier of railway operators, in the knowledge that offering increasingly evolved, safe and reliable railway traffic control and automation products promotes the rapid development of the most environmentally-friendly transport system available today, thus attracting ever-greater numbers of freight and passenger transport service users.

Strategic orientation and management approach

Ansaldo STS group has implemented an Integrated Management System (IMS) for environment, safety and quality issues. At group level, it set policies and procedures to ensure the controlled management of the processes and workplace safety and environmental protection activities.
Each Ansaldo STS group company subsequently set local policies in relation to the environment, safety and instructions, based on the framework of legislative requirements and group policies and procedures, in order to achieve the following objectives:
- ensuring the best available technologies are used and the international best practices are adopted in order to continuously improve operating management, rational and efficient use of energy, preventing pollutions and reducing environmental impact related to the usage of fossil fuels;
- ensuring liquid waste, gas emissions and waste are controlled, gradually reduced and kept at a minimum, in relation to assets in running conditions and activities performed; ensuring compliance with legal requirements applicable to its processes in the various countries in which its subsidiaries operate, by formalising procedures that increase awareness of the applicable legislative framework;
- identifying significant direct and indirect environmental issues in order to reduce and control the related impact, both as relates to the companies and its suppliers and partners;
- defining key indicators with a view to facilitating the assessment of performance;
- defining roles, duties and responsibilities within the scope of activities.

Ansaldo STS S.p.A. recommends its subsidiaries follow the ISO 14001 framework and EMAS (Eco-Management and Audit Scheme) regulation in developing their management systems and certification is regarded as key to developing an ingrained environmental awareness both among company personnel and suppliers and subcontractors.

Innovation and the promotion of good practices

The demands of the market and the experience that some subsidiaries have consequently gained have led to the development of environmental management systems and subsequent ISO 14001 certification, which Ansaldo STS S.p.A. is extending to all group companies; the possibility of extending the EMAS regulation to the other production facilities is still under consideration.

The table below shows the current status of certifications gained or in the process of being certified:

COUNTRY	NON-PRODUCTION FACILITIES	ISO 9001	ISO 14001	ISO 18001
GREAT BRITAIN	Bravington House	yes	yes	yes
IRELAND	Kerry, Ireland	sold	sold	sold
FRANCE	Les Ulis	yes	yes	yes
SPAIN	Madrid	yes	yes	yes
SWEDEN	Solna	yes	yes	yes
ITALY	Genoa	yes	yes	yes
	Naples	yes	yes	yes
	Piossasco	yes	yes	yes
UNITED STATES OF AMERICA	Pittsburgh	yes	yes	yes
	Batesburgh	yes	yes	yes
ASIA PACIFIC	Banyo Brisbane			closed
	Viola Brisbane	yes	yes	yes
	Kolkata	yes	yes	yes
	Noida	yes	yes	yes
	Bangalore	yes	yes	yes
	Chennai			closed
	Karratha	yes	yes	yes
	Kuala Lumpur Office	yes	2014	yes
	Kuala Lumpur Factory	yes	2014	yes
	Melbourne	closed	closed	closed
	Newcastle	yes	yes	yes
	Perth	yes	yes	yes
	Sydney	yes	yes	yes

COUNTRY	PRODUCTION FACILITIES	ISO 9001	ISO 14001	ISO 18001
UNITED STATES OF AMERICA	Batesburg	yes	yes	2014
FRANCE	Riom	yes	yes	yes
ITALY	Tito	yes	yes+EMAS	yes

Commitment to fight climate change

Ansaldo STS group has developed a global-level Carbon management strategy to fight climate change and is committed to progressively reducing CO2 emissions in all areas of operations. The following principles underpin Ansaldo STS group’s climate strategy:

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

Consolidating the Carbon management strategy involves defining an overall target for emissions reduction.

Communication, training and education

Ansaldo STS group is increasingly focussed on training related to environmental issues.
Its specific training programme is fundamental to fostering a sense of environmental responsibility and constructive environment-related dialogue among employees and suppliers/contractors.
Ansaldo STS group's training and educational programmes are designed to increase awareness of:

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

Subsequent environmental management system training sessions are held for personnel based on the specific corporate processes and related environmental aspects relevant to their activity.
Records are kept of all training provided to personnel in its facilities.
Training and educational sessions are coordinated by experts, who also produce relevant documentation.

General environment-related information

The operations of Ansaldo STS S.p.A.'s subsidiaries mainly comprise office-based activities; Ansaldo STS group has full responsibility therefor in terms of direct and indirect environmental aspects.
The operations of several production facilities are fully compliant with the concepts of environmental protection and are among those which have been certified or for which the certification process is underway.
The Italian production facility (Tito-PZ) is also EMAS-certified (Environmental Management and Audit Scheme).

Management of water resources

Water consumption is purely for sanitary uses, except for at the Batesburg facilities, and is monitored and subject to regular sampling. Ansaldo STS group has rolled out water-saving initiatives in recent years, such as the installation of automatic sensor taps.

Generation and management of special waste

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

Energy consumption, CO2 emissions, emission trading and other emissions

Energy consumption mainly stems from heating, lighting and utility power; it is monitored and is in line with consumption levels reported for similar businesses.
Ansaldo STS group has obtained RECS (Renewable Energy Certificate System) certification for the consumption of electrical energy at its Italian facilities, for 1 MWh which certifies the use of renewable resources.
Through the purchase and subsequent withdrawal of the certificate from the market, Ansaldo STS group demonstrates its environmental commitment as it pays a higher amount than it would for electricity from conventional sources.

Management of dangerous substances

Dangerous substances used in group processes are handled in full respect of the environment by adopting all possible precautions set out in technical literature and in compliance with REACH (EU) regulations.

6 Research and development

Research and development expense taken directly to profit and loss for the year ended 31 December 2014 totalled €37.3 million (€34.8 million in the previous year), against grants approximating €4.3 million (€2.8 million in the same period of the previous year).
Key activities of the year are described below:

The following financed projects are underway:
- with respect to rail transportation energy efficiency projects: the SFERE project funded by the Ministry for Research studies the benefits of using ground-based supercapacitators in tram systems; the OSIRIS project funded by the European Commission studies solutions using low-enthalpy resources to reduce the consumption of auxiliary systems and the MERLIN project designs power supply architecture and software to optimise main line energy flows. The Tesys Rail project was launched in 2014 to define strategies to optimise railway traffic;
- *SICURFER* - development and piloting of technologies to monitor railway infrastructures in order to raise safety and security levels;
- *DIGITAL PATTERN DEVELOPMENT* - a project coordinated by FIAT for the development of simulation systems used in the design and production of road and rail transport systems and components;
- *VERO (Virtual Engineering for Railways and automotive)* - supporting the construction of simulators to determine the optimal size of signalling systems.

May 2014 saw the launch of the projects related to the Campania district, DATTILO (High technology district for transport and logistics), and the Campania laboratory, TOP IN (Optoelectronic technologies for industry), financed by the Ministry for University and Research.
As part of the activities of the Ligurian District on Research in collaboration with the Ministry for University and Research (MUR), the Plug-in project was approved and is eligible for financing. The project provides for the design and development of an urban mobility platform to manage multi-source information, in order to determine current traffic, defining possible strategic actions.
EU-funded projects include those related to infrastructure monitoring (RESTRAIL, completed in September, and MAXBE, underway), safety (CESAR, underway, and EXCROSS, completed in April) and security (PROTECTRAIL, completed in June, and SECUR-ED, completed in September).
Activities continue on the NGTC project, aimed at developing future rail and urban traffic control systems. Ansaldo STS participates in all project work packages and, specifically, is a leader in those related to satellite positioning.
Activities related to the MBAT project funded by the Artemis JV (a public-private body that grants European Commission funding for the innovation of embedded systems) and the Ministry for Research continued. Its scope is to study and test the tools to develop embedded systems with a view to greater rail system safety and availability.
Furthermore, the main stakeholders of the European railway sector, including Ansaldo STS S.p.A., requested that the European Union (EU) fund a long-term research programme (2014-2020) called “Shift2Rail” (S2R) as part of the broader investment programme Horizon 2020.
The planned activities aim to develop and validate technologies in the “Smart, Green, Integrated Transport” sector. In this regard, the parent proposes to develop technologies and products in relation to signalling and automation (IP2).

In 2014, activities continued for the 3InSat project, including the development of a system for satellite localisation and its integration with the ERTMS railway signalling system. Specifically, there were two important campaigns of collection and analysis of experimental data through the Pontremolese trial site (using devices on two locomotives and three independent and non-cooperating ground reference stations) and the Sardinian trial site (using devices on an ALn668 engine with the satellite receiver on the ASTS platform with HW SIL 4 and the ASTS augmentation network). In December, there was a successful demonstration of the preliminary function of the on-board satellite receiver integrated with the ground augmentation network.

Development activities also took place on the following projects which do not receive external funding:
- *Standard RBC/ERTMS/Freight;*
- *SIGNAL ENCODER;*
- *ON-BOARD;*
- *CBTC;*
- *INTERLOCKING (ACC/SLC/Microlok);*
- *UNIVERSAL TRACK CIRCUIT (EVO).*

During the year, experimental activities began on *MAcroLok®* , which is the new interlocking platform for railway and metro applications. This system can check both large stations and full railway lines, using the desired architecture (distributed or centralised). Research and development expense net of grants are as follows for the group companies:
- Ansaldo STS S.p.A.: €17.2 million (€17.5 million in 2013);
- Ansaldo STS France S.A.S.: €10.7 million (€9.7 million in 2013);
- Ansaldo STS USA Inc.: €5.1 million (€4.8 million 2013).

7 Human resources and organisation

A series of initiatives were rolled out by the Human resources and organisation department in 2014 aimed at strengthening a managerial culture based on meeting company values and developing behaviour focused on responsibility, trust, cooperation and transparency.

The main development and training initiatives are aimed at giving continuity to strategic talent management projects (managerial/technical), bolstering the teamwork and cooperation culture and strengthening efficiency and integration of project teams. In this regard, a process was implemented for allocating/assessing the goals of the project teams and the PTE (Project Team Efficacy) initiative was rolled out.

The group continued talent management system activities that had been launched in previous years, aimed at hiring and enhancing the value of talented workers, rockets, key resources and - as of this year - knowledge owners, a professional category with high technological leadership. Each category was subject to dedicated development programmes.

Finally, all activities aimed at cutting costs and making processes more efficient were strengthened in 2014. Specifically, the group activated travel costs monitoring and control methods, cutting back on external personnel, in line with the objectives of the V2A “Values2Actions” project by reducing contract workers, temporary workers and consultants, and internal personnel, through redundancy programmes in Italy and Australia.

7.1.1 Ansaldo STS

In their meeting of 15 April 2014, the shareholders appointed Ansaldo STS S.p.A.’s new board of directors for the three-year period 2014-2016. On the same date, they appointed Sergio De Luca chairman of the board of directors.

Again on 15 April 2014, the board of directors appointed Luigi Calabria deputy chairman of the board of directors and Stefano Siragusa chief executive officer.
During their meeting held on 1 October 2014, after consulting the board of statutory auditors, the board of directors resolved to appoint Domenico Braccialarghe to replace the outgoing Luigi Calabria.

Consequently, as of the above date, the following people are in office:
- Sergio De Luca, chairman of the board of directors;
- Domenico Braccialarghe, deputy chairman of the board of directors;
- Stefano Siragusa, chief executive officer and general manager.

During the same meeting, the board of directors examined the CV of Zona Ulderigo and unanimously resolved to appoint him the new head of the HSE & Facility Management Unit as of 1 November 2014.
Again on 1 October 2014, the board unanimously resolved to appoint Leonardo Impagliazzo the new head of the RAMS department of the ASTS group to replace Omar Rezzoug. The latter was made head of a new department, created as part of the Railways & Mass Transit BU, called North Europe, including Denmark, Sweden, Norway and Finland.

On the same date, the board unanimously approved the Chief executive officer’s proposal, resolving to:
(i) revoke Stefano Palmieri’s position as head of the HR & Organization unit;
(ii) entrust the Chief executive officer with responsibility for the HR & Organization unit *ad interim*;
(iii) appoint Stefano Palmieri Senior Advisor to the Chief executive officer on specific organisational issues.

On the same date, the board unanimously resolved, with effect from 1 November 2014, to:
(i) revoke Giuseppe Spezzi’s position as single employer of Ansaldo STS S.p.A. assigned to him on 27 May 2010, including all the related powers he was granted on 27 May 2010 and 28 June 2012;
(ii) appoint Ulderigo Zona, born in Naples on 21 June 1963, as single employer of Ansaldo STS S.p.A., pursuant to article 2.b) of Legislative decree no. 81/2008, therefore related to all aspects of prevention and health and safety in the workplace.

7.1.2 Subsidiaries

As of 14 February 2014, Marco Fumagalli became the US country representative, replacing Tom Lawton.

On 6 May 2014, the board of directors approved the proposal to appoint Gilles Pascault new country representative, chairman of the board and chairman and legal representative of Ansaldo STS France S.A.S. as of the date of approval of these appointments by the ASTS France S.A.S. shareholders.
The country representatives of Ansaldo STS's major entities are as follows:
Country Representative Ansaldo STS France S.A.S.: Gilles Pascault.
Country Representative Ansaldo STS USA INC.: Marco Fumagalli.
Country Representative Ansaldo STS Australia PTY LTD: Lyle K. Jackson.
Country Representative Ansaldo Railway System Trading (Beijing) LTD: Davide Cucino (Executive Director).

The headcount may be analysed as follows:

COMPANY/REGION	2014	2013	Change
ASTS Italia*	1,490	1,545	(55)
ASTS France**	792	734	58
ASTS USA	712	742	(30)
ASTS APAC	736	841	(105)
ASTS China	69	67	2

* Includes the employees of Ansaldo STS Deutschland GmbH.
** Includes the employees of Ansaldo STS UK Ltd. and Ansaldo STS Sweden AB.

The decrease in Italy is related to employees leaving under the redundancy programme.
The increase in the workforce in France relates to the acquisition of new projects.
The drop in APAC resources is due to the downsizing of local structures.
The fall in the US workforce is mainly linked to the streamlining of the Batesburg production site.

7.1.3 Headcount at 31 December 2014

The group's headcount at 31 December 2014 numbered 3,799, down 130 (3.3%) employees on the restated 3,929 employees at 31 December 2013.

The group's average workforce for the year ended 31 December 2014 numbered 3,854, compared to restated 3,899 employees in 2013.

7.2 Incentive plans

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

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

7.2.1 Stock grant plans

I March 2012, the Remuneration committee approved a two-year stock grant plan which was subsequently passed by the shareholders on 7 May 2012. The plan, which applies to a maximum of 56 employees plus the CEO and key managers, has the same vesting conditions as the 2011 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).

The 2012-2013 stock grant plan differs from previous plans as it complies with the recommendations of article 7 of the Code of conduct, as modified in March 2010 by Borsa Italiana S.p.A.'s Corporate Governance committee, and of the current article 6 of such code, as amended in December 2011. The main changes represent the introduction of:

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

The group therefore checked that the objectives underlying the granting of the portion related to 2013 were achieved.
Of the three objectives assigned of EVA, FOCF and share performance compared to the FTSE Italia All-Share related to 2013, only the target related to the share performance was reached and, therefore, the related cost was recognised in 2013.
Accordingly, in compliance with the plan regulation, 25% of the shares initially earmarked will be assigned to the beneficiaries, plus a proportional increase to reflect the third, fourth and fifth instalments of the bonus issue as per the shareholders' resolution of 23 April 2010.
The total shares due numbered 151,062. As a result of the three-year vesting period, the shares will actually be delivered during 2016.

On 17 February 2014, the Remuneration committee approved a three-year stock grant plan which was subsequently passed by the shareholders on 15 April 2014. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).
At the end of 2014, the group checked the progress of objectives with related quota assigned. As all the objectives linked to EVA, FOCF and share performance compared to the FTSE Italia All-Share related to 2014 were reached, the related costs were accrued.
The results achieved will be formally calculated in 2015 and, as a result of the three-year vesting period, the shares will actually be delivered during 2017.

7.2.2 LTIPs

There was no outlay in 2014 in relation to the 2011-2013, 2012-2014 and 2013-2015 LTIPs for the CEO and the eligible key managers, as the related vesting conditions for 2013 were not achieved.

7.3 Investments held by directors

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

8 Financial disclosure

Financial market transactions

The Investor relations department liaises constantly with analysts and investors in order to grasp market disclosure requirements and accurately target communications from senior management.
The aim is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information for the market in a timely and transparent manner and ensuring that the parent, in terms of its business model, strategies and targets, is accurately evaluated by the financial market.
Total actual coverage remained at 13 investment banks in 2014.
On a quarterly basis before the financial results are issued, the Investor Relations department requests brokers assigned to the company's share are asked for their latest forecasts on the parent's key results indicators. The company then calculates the averages and sends this consensus request back to the individual brokers, who can compare it with their own forecasts.
This is an accurate update of sell-side analysts' perception, which is discussed and considered by management.
With regard to communication activities, the annual plan is used to plan and develop Investor Relations activities.
The aim is to spread and communicate the group's market analyses, policies and strategies.
Ansaldo STS took part in some various important conferences and roadshows in Europe's finance capitals, including London, Paris, Milan and Zurich, in 2014.

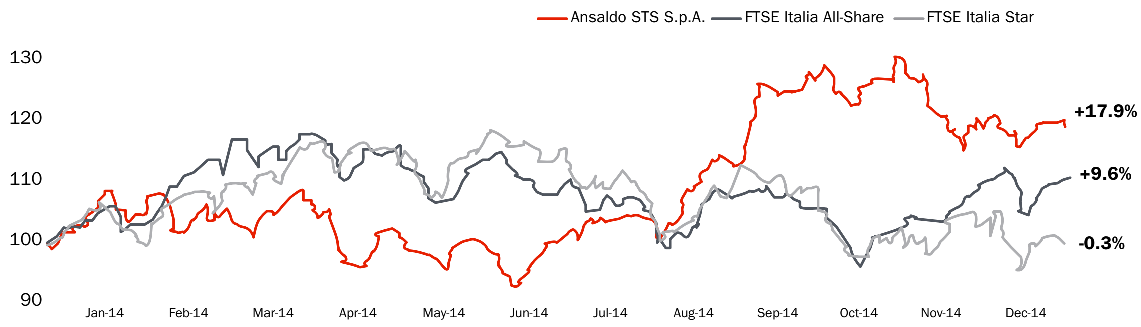
Though its resources and the quality of its intrinsic activities remained the same, in 2014, the Investor Relations department took on the monitoring and analysis of the market and the competition, in order to support management.
In addition to the usual daily focus on and weekly collection of market "rumours", the department periodically distributes in-depth analyses and updates on the performance of competitors, markets and main business sector analyses.
Starting from 2014, it also drafts the monthly Market Report, setting out analyses on the performance of the markets, peers and significant macro-economic events of the period.
The website remains the tool used to gather financial information and disclose it to stakeholders. The IR section did not change much in 2014.

Share performance

The official share price in the **31 December 2013 to 31 December 2014** period rose from €7.85 (€7.07 updated following the fifth and last instalment of the bonus issue on 14 July 2014) to €8.33. This 17.9% increase is mainly due to speculation following the strategic review of the transport sector currently being carried out by the majority shareholder, Finmeccanica.
The share's period high and overall group record of €9.16 was recorded on 31 October 2014 and its low of €6.53 on 17 June 2014.
An average 1,038,047 shares were traded daily in the period, compared to 1,122,868 shares traded in the previous year. The decrease is also due to Ansaldo STS's exclusion from the FTSE MIB index as of 21 March 2014, as detailed below.
The FTSE Italia All-Share index gained 0.3%, while the FTSE Italia STAR index rose 9.6%.

Following the review of the FTSE MIB index (which consists of the 40 most-capitalised shares on the exchange) on 5 March 2014, the FTSE Italia Index Policy Committee announced that Ansaldo STS had been excluded from the index. The review considered the prices and volumes traded up to the Monday of 4 weeks before the review. The exclusion became effective after the close of business on Friday 21 March 2014 (and, hence, from Monday 24 March 2014). Accordingly, the Ansaldo STS share is now included in the FTSE Italia Mid Cap index.

Share performance compared to the main indices (base 100)



Key shareholders at 31 December 2014

Based on the shareholders' register and considering the communications sent to CONSOB and received by the company pursuant to article 120 of Legislative decree no. 58 of 24 February 1998, and other available information, the table below gives a list of the investors which hold more than 2% of Ansaldo STS S.p.A.'s share capital at 31 December 2014:

Shareholder	No. of shares	% held
Finmeccanica SpA	80,131,081	40.066
Norges Bank	4,095,846	2.05

Key data per share

Earnings per share (€)	2014	2013 (**)
Basic and diluted EPS	0.43	0.40
Dividend per share	0.15*	0.144

*   Proposed to the shareholders.
** Recalculated following the bonus issue of 14 July 2014.

The company distributed dividends for the first time in 2007, one year after its stock market listing on 29 March 2006.
The amount proposed to the shareholders to be distributed as dividends on the 2014 profit totalled €30,000 thousand (compared to €28,800 thousand for 2013).

9 Corporate Governance and ownership structure pursuant to article 123-bis of legislative decree no. 58 Of 24 february 1998 and subsequent amendments and integrations (the consolidated finance act)

The Ansaldo STS shares have been listed on the Star segment of the markets organised and managed by Borsa Italiana S.p.A. since 29 March 2006 and was included in the FTSE MIB index from 23 March 2009 to 23 March 2014. Since 24 March 2014, it has been included in the FTSE ITALIA MID CAP index.
With the approval of the board of directors given on 19 December 2006, Ansaldo STS adopted the Code of conduct endorsed by Borsa Italiana S.p.A. in March 2006 and came into line with its requirements during 2007.
Borsa Italiana S.p.A.'s corporate governance committee adopted a new Code of conduct in December 2011. On 18 December 2012, Ansaldo STS's board of directors resolved to comply with the principles of this new code and to update its own governance systems to reflect them. The committee adopted a new version in July 2014 and Ansaldo STS's corporate governance system is already more or less in line therewith.
Detailed disclosure on the parent's corporate governance structure is provided in the section of the directors' report covering corporate governance and the adoption of the Code of conduct for listed companies related to 2014, published at the same time as this annual report.

After setting the number of directors at nine, the shareholders appointed the company's new board of directors for 2014-2016 on 15 April 2014: Sergio De Luca (chairman), Luigi Calabria, Stefano Siragusa, Giovanni Cavallini, Giulio Gallazzi, Alessandra Genco, Bruno Pavesi, Paola Pierri and Barbara Poggiali.

In the meeting held on 15 April 2014 after the above meeting, the board of directors appointed Stefano Siragusa CEO and Luigi Calabria deputy chairman of the board of directors. Furthermore, on 1 January 2014, Stefano Siragusa also became the company's general manager.
Subsequently, on 31 July 2014, due to his new post in another company outside the Finmeccanica group, Luigi Calabria resigned as director and deputy chairman of Ansaldo STS S.p.A. with effect as of the board of directors' meeting to co-opt the new director.
Luigi Calabria was withdrawn from the list presented by the shareholder Finmeccanica S.p.A..
On 1 October 2014, the board of directors appointed the current Executive Vice President of the Human Resources and Organization of Finmeccanica S.p.A., Domenico Braccialarghe as the new director of the company pursuant to article 2386 of the Italian Civil Code. On the same date, the board also appointed Domenico Braccialarghe as the new deputy chairman of the parent's board of directors. He will fill the post until the next shareholders' meeting.

At the same meeting of 15 April 2014, the shareholders also appointed the board of statutory auditors for the 2014-2016 period, comprising Giacinto Sarubbi (chairman), Renato Righetti and Maria Enrica Spinardi, and Fabrizio Riccardo Di Giusto, Giorgio Mosci and Daniela Rosina as substitute statutory auditors.
On 15 April 2014, the board of directors also appointed the members of the risk and control committee (Giovanni Cavallini – chairman, Paola Pierri and Barbara Poggiali), the appointments and remuneration committee (Bruno Pavesi – chairman, Giovanni Cavallini and Giulio Gallazzi) and confirmed the CEO Roberto Carassai manager in charge of financial reporting pursuant to article 154-bis of Legislative decree no. 58/1998.

Again on 15 April 2014, the board of directors confirmed Grazia Guazzi (head of the company's Corporate Affairs & Group Insurances department), as board secretary.

On their appointment, the directors, Giovanni Cavallini, Giulio Gallazzi, Bruno Pavesi, Paola Pierri and Barbara Poggiali, confirmed they meet the requirements for independence of current legislation and the Code of conduct. The board of directors also assessed these requirements and the board of statutory auditors, in turn, checked the criteria adopted by the board were properly applied. The board then subsequently checked the independence requirements were still complied with in their meeting of 16 December 2014, during which the board:
a) examined the results of the regular surveys carried out on i) company directors' positions as directors or statutory auditors in other listed, financial, banking, insurance or large-sized companies, (ii) directors' participation in non-executive committees of the board, and iii) directors' participation in committees of boards of directors of other companies listed on regulated markets and/or financial, banking, insurance or large-sized companies, as notified by each director, and
b) acknowledged the statements made by the independent directors and confirmed they continue to meet the independence requirements required by current legislation and the Code of conduct.

Also in the meeting of 15 April 2014, pursuant to article 7.P.3 of the Code of conduct, after discussion with the risk and control committee, the company's board of directors appointed the CEO, Stefano Siragusa, as director in charge of the internal control and risk management system. Moreover, during the same meeting, on Mr. Siragusa's proposal, with the approval of the risk and control committee and having consulted the board of statutory auditors, the board of directors confirmed Mauro Giganti as manager of the Internal audit department.

Pursuant to the Code of conduct, during the first meeting of the board of statutory auditors, also held on 15 April 2014, the statutory auditors, Giacinto Sarubbi, Renato Righetti and Maria Enrica Spinardi, also confirmed they meet the independence requirements of current legislation and stated thereby at the time of their appointment. Possession of the independence requirements was subsequently checked and confirmed by the members of the board of statutory auditors also during the meeting held on 9 December 2014.
During the first half of the year, a specialised company completed its assessment of the operation of the board of directors and its internal committees. The positive findings of this assessment confirmed that Ansaldo STS's board of directors and committees are highly professional and showed a good level of compliance with the requirements of the Code of conduct and international corporate governance best practices.
On 30 October 2014, the board of directors resolved to launch a new self-assessment process for the functioning of the board of directors and its internal committees, entrusting the board's secretary, Grazia Guazzi, with the task of supporting the board in such activity.

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

The parent also published its 2013 Sustainability report in the first half of 2014. Such report was reviewed by KPMG S.p.A..

Finally, on 20 February 2014, the board of directors approved the parent's remuneration policy, in compliance with the recommendations of article 6 of the Code of conduct, on the basis of the proposal prepared by the appointments and remuneration committee dated 17 February 2014.
On 7 March 2014, after discussion with the appointments and remuneration committee, the board of directors subsequently approved the remuneration report prepared by the parent pursuant to article 123-ter of the Consolidated finance act and article 84-quarter of the Issuer regulation.
Finally, pursuant to article 123-ter.6 of the Consolidated finance act, in their ordinary meeting of 15 April 2014, the shareholders approved the first part of the above-mentioned report required by article 123-ter.3 of the Consolidated finance act, which describes the parent's remuneration policy for its officers and key managers, and the procedure followed to implement and describe this policy.

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

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

- By-laws;
- Code of ethics;
- Organisational, management and control model pursuant to Legislative decree no. 231/01;
- Shareholders' meeting regulations;
- Board of directors' regulations;
- Risk and control committee regulations;
- Appointments and remuneration committee regulations;
- Related party transactions - Procedure adopted pursuant to article 4 of CONSOB regulation no. 17221 of 12 March 2010;
- Procedure for the keeping and updating the register of people with access to privileged information;
- Procedure for the handling and communication of privileged information;
- Internal dealing code of conduct.

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

Genoa, 6 March 2015

On behalf of the board of directors
The Chairman

Sergio De Luca

Consolidated
financial statements
at **31 december 2014**
and notes thereto

10 Consolidated financial statements

10.1 Income statement

(€'000)	Note	2014	of which, related parties	2013 restated	of which, related parties
Revenue	14.2	1,303,508	221,770	1,229,802	237,314
Other operating income	14.3	27,463	989	27,515	270
Purchases	14.4	(336,264)	(40,871)	(277,535)	(22,806)
Services	14.4	(519,942)	(80,967)	(510,723)	(69,101)
Personnel expense	14.5	(316,522)	-	(303,352)	-
Amortisation, depreciation and impairment losses	14.6	(18,347)	-	(16,978)	-
Other operating expense	14.7	(15,758)	(73)	(32,000)	(113)
Changes in finished goods, work-in-progress and semi-finished products		(4,531)	-	(2,287)	-
(-) Internal work capitalised	14.8	4,885	-	2,577	-
Operating profit		**124,492**		**117,019**	
Financial income	14.9	31,963	460	21,181	263
Financial expense	14.9	(34,284)	(37)	(25,390)	(250)
Share of profits/(losses) of equity-accounted investees	14.10	1,804	-	1,009	-
Pre-tax profit		**123,975**		**113,819**	
Income taxes	14.11	(43,281)	-	(39,096)	-
Profit/(loss) from non-current assets held for sale		-	-	92	-
Profit for the year		**80,694**		**74,815**	
attributable to the owners of the parent		*80,636*		*74,956*	
attributable to non-controlling interests		*58*		*(141)*	
Earnings per share					
Basic and diluted		*0.43*		*0.40**	

* Recalculated following the bonus issue of 14 July 2014.

10.2 Statement of comprehensive income

(€'000)	2014	2013 restated
Profit for the year	**80,694**	**74,815**
Items that will never be reclassified to profit or loss:		
- Net actuarial gains/(losses) on defined benefit plans	(5,275)	1,370
- Tax	1,622	(408)
	(3,653)	**962**
Items that will or may be reclassified to profit or loss:		
- *Net change in fair value of cash flow hedges*	4,453	4,663
- Net exchange rate gains/(losses)	21,352	(21,688)
- Tax	(1,454)	(764)
	24,351	**(17,789)**
Other comprehensive income/(expense), net of taxes	**20,698**	**(16,827)**
Total comprehensive income for the year	**101,392**	**57,988**
Attributable to:		
- the owners of the parent	101,239	57,945
- non-controlling interests	153	43

10.3 Statement of financial position

(€'000)	Note	31.12.2014	of which, related parties	31.12.2013 restated	of which, related parties
ASSETS					
Non-current assets					
Intangible assets	13.2	52,744	-	49,977	-
Property, plant and equipment	13.3	87,543	-	88,376	-
Equity investments	13.4	55,949	-	44,858	-
Loans and receivables	13.5	39,919	16,371	31,105	11,775
Deferred tax assets	14.11	40,025	-	37,118	-
Other non-current assets	13.5	20,548	-	21,741	-
		296,728		**273,175**	
Current assets					
Inventories	13.6	106,127	-	111,270	-
Contract work in progress	13.7	304,154	-	288,607	-
Trade receivables	13.8	710,649	169,901	625,493	140,421
Tax assets	13.10	23,131	-	28,796	-
Loan assets	13.8	41,035	10,709	64,057	34,011
Other current assets	13.11	83,776	251	78,570	1,516
Cash and cash equivalents	13.12	270,067	-	191,521	-
		1,538,939		**1,388,314**	
Non-current assets held for sale		99	-	87	-
Total assets		**1,835,766**		**1,661,576**	
EQUITY AND LIABILITIES					
Equity					
Share capital	13.13	99,999	-	89,998	-
Reserves	13.14-13.15	473,645	-	408,716	-
Equity attributable to the owners of the parent		573,644		498,714	
Equity attributable to non-controlling interests	13.16	1,278	-	346	-
Total equity		**574,922**		**499,060**	
Non-current liabilities					
Employee benefits	13.19	34,675	-	29,980	-
Deferred tax liabilities	14.11	10,594	-	11,213	-
Other non-current liabilities	13.20	11,858	-	9,170	-
		57,127		**50,363**	
Current liabilities					
Progress payments and advances from customers	13.7	686,227	-	635,232	-
Trade payables	13.21	368,865	54,005	355,185	57,211
Loans and borrowings	13.17	17,687	10,351	10,080	-
Tax liabilities	13.10	10,269	-	5,691	-
Provisions for risks and charges	13.18	10,422	-	14,825	-
Other current liabilities	13.20	110,247	602	91,140	629
		1,203,717		**1,112,153**	
Total liabilities		**1,260,844**		**1,162,516**	
Total liabilities and equity		**1,835,766**		**1,661,576**	

10.4 Statement of cash flows

(€'000)	Note	2014	of which, related parties	2013 restated	of which, related parties
Cash flows from operating activities:					
Gross cash flows from operating activities	16	149,135	-	139,537	-
Change in working capital	16	(33,862)	(32,420)	(61,590)	28,867
Changes in other operating assets and liabilities	16	3,884	(3,358)	(25,027)	(5,536)
Net interest paid	16	(5,261)	423	122	13
Income taxes paid	16	(29,039)	-	(34,334)	-
Cash flows from operating activities		**84,857**		**18,708**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets		(1)	-	(587)	-
Sales of property, plant and equipment and intangible assets		(9,155)	-	(9,785)	-
Acquisition of equity investments, net of cash acquired		29	-	412	-
Sales of equity investments		21	-	-	-
Change in other non-current financial assets		-	-	33	-
Cash flows used for strategic transactions		(7,410)	-	(3,473)	-
Cash flows used in investing activities		**(16,516)**		**(13,400)**	
Cash flows from financing activities:					
Net change in other financing activities		34,446	34,989	78,395	86,490
Other financing activities		-	-	673	-
Dividends paid		(28,800)	-	(28,923)	-
Cash flows generated by financing activities		**5,646**		**50,145**	
Net increase in cash and cash equivalents		73,987	-	55,453	-
Net exchange rate gains (losses)		4,597	-	(5,766)	-
Other changes		(38)	-	(88)	-
Opening cash and cash equivalents		191,521	-	141,922	-
Closing cash and cash equivalents		**270,067**		**191,521**	

10.5 Statement of changes in equity

Changes in equity are shown in the following table:

(€'000)	Share capital	Retained earnings and consolidation reserves	Hedging reserve	Stock grant reserve	Translation reserve	Other reserves	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity at 1 January 2013	**79,998**	**347,008**	**(5,101)**	**1,490**	**4,279**	**41,065**	**468,739**	**427**	**469,166**
IFRS 11 FTA	**-**	**(59)**	**58**	**-**	**1**	**-**	**-**	**-**	**-**
Equity restated at 1 January 2013	**79,998**	**346,949**	**(5,043)**	**1,490**	**4,280**	**41,065**	**468,739**	**427**	**469,166**
Change in consolidation scope	-	(103)	-	-	-	-	(103)	-	**(103)**
Net change in stock grant reserve	-	-	-	963	-	-	963	-	**963**
Other comprehensive income/(expense) net of taxes	-	-	4,632	-	(21,879)	206	(17,041)	184	**(16,857)**
Bonus issue of 20,000,000 shares	10,000	-	-	-	-	(10,000)	-	-	**-**
Other changes	-	2,147	-	-	1	(2,148)	-	-	**-**
Dividends	-	(28,800)	-	-	-	-	(28,800)	(123)	**(28,923)**
Net change in treasury shares	-	-	-	-	-	-	-	-	**-**
Changes in consolidation reserves	-	-	-	-	-	-	-	(1)	**(1)**
Profit for the year ended 31 December 2013	-	74,956	-	-	-	-	74,956	(141)	**74,815**
Equity at 31 December 2013	**89,998**	**395,208**	**(469)**	**2,453**	**(17,599)**	**29,123**	**498,714**	**346**	**499,060**
Equity at 1 January 2014	**89,998**	**395,208**	**(469)**	**2,453**	**(17,599)**	**29,123**	**498,714**	**346**	**499,060**
IFRS 11 FTA	**-**	**(30)**	**31**	**-**	**7**	**(8)**	**-**	**-**	**-**
Equity restated at 1 January 2014	**89,998**	**395,178**	**(438)**	**2,453**	**(17,592)**	**29,115**	**498,714**	**346**	**499,060**
Reclassification from/to reserves	10,000	(2,321)	-	-	-	(7,679)	-	-	**-**
Change in consolidation scope	-	897	-	-	(216)	-	681	779	**1,460**
Net change in stock grant reserve	-	-	-	1,809	-	-	1,809	-	**1,809**
Other comprehensive income/(expense) net of taxes	-	(9)	4,453	-	21,266	(5,107)	20,603	95	**20,698**
Allocation of profit for the year to the legal reserve	-	-	-	-	-	-	-	-	**-**
Dividends	-	(28,800)	-	-	-	-	(28,800)	-	**(28,800)**
Net change in treasury shares	1	-	-	-	-	-	1	-	**1**
Other changes	-	-	-	-	-	-	-	-	**-**
Profit for the year ended 31 December 2014	-	80,636	-	-	-	-	80,636	58	**80,694**
Equity at 31 December 2014	**99,999**	**445,581**	**4,015**	**4,262**	**3,458**	**16,329**	**573,644**	**1,278**	**574,922**

11 Notes to the consolidated financial statements at 31 december 2014

11.1 General information

Ansaldo STS is a company limited by shares with its registered office in Via Paolo Mantovani 3-5, Genoa, and a branch in Via Argine 425, Naples. It has been listed on the Star segment of the stock exchange managed by Borsa Italiana S.p.A. since 29 March 2006 and was included in the FTSE MIB index from 23 March 2009 to 23 March 2014. Since 24 March 2014, it has been included in the FTSE Italia MID CAP index.
Ansaldo STS S.p.A. is a subsidiary of Finmeccanica S.p.A., with its registered office in Piazza Monte Grappa 4, Rome, which manages and coordinates the company.

On 14 July 2014, as approved by the board of directors on 3 June 2014, the company carried out the fifth and last instalment of the bonus issue approved by the shareholders in their extraordinary meeting of 23 April 2010. Following the issue of this fifth instalment, the company's share capital now equals €100,000,000, comprising 200,000,000 ordinary shares of a nominal amount of €0.50 each.

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

11.2 Basis of preparation

Ansaldo STS group's consolidated financial statements at 31 December 2014 are drafted in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission pursuant to EC regulation no. 1606/2002 of 19 July 2002, integrated by the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) issued by the International Accounting Standard Board (IASB) applicable at such date.

These consolidated financial statements have been prepared on a cost basis, except for those captions which, as required by the IFRS, are to be recognised at fair value, as described in the relevant accounting policies.
They are comprised of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows, a statement of changes in equity and the notes thereto.
As permitted by IAS 1, assets and liabilities are presented in the statement of financial position as current and non-current, while income statement captions are shown by nature. The statement of cash flows was prepared using the indirect method.
Amounts are shown in thousands of euros unless stated otherwise.
The consolidated financial statements of Ansaldo STS group at 31 December 2014 were approved and authorised for publication by the board of directors in accordance with ruling legislation on 6 March 2015.
These consolidated financial statements have been prepared in accordance with IFRS and audited by KPMG S.p.A..

11.2.1 Accounting policies

Basis and scope of consolidation

Ansaldo STS group's consolidated financial statements at 31 December 2014 include the financial statements at 31 December 2014, or at the date of the most recently approved financial statements, of the companies/entities in the consolidation scope (the "consolidated entities") drafted pursuant to the IFRS applied by Ansaldo STS group. The consolidated entities are listed below, showing the group's related direct or indirect interest therein:

Companies consolidated on a line-by-line basis

NAME	INVESTMENT TYPE	REGISTERED OFFICE	SHARE/ QUOTA CAPITAL (€'000)	CURRENCY	INVESTMENT %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ANSALDO STS IRELAND LTD[1]	Direct	Tralee (Ireland)	100	EUR	100
ACELEC Société par actions simplifiée	Indirect	Les Ulis (France)	168	EUR	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EUR	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	837	EUR	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EUR	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Kingstone (Canada)	-	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
ANSALDO STS USA INTERNATIONAL CO[2]	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	4,212,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EUR	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) LTD	Direct	Beijing (China)	1,500	USD	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0.1	BWP	100

1 In order to boost group efficiency, on 16 December 2014, the board of directors authorised the early dissolution and, consequently, the liquidation of the subsidiary, Ansaldo STS Ireland LTD, now inactive. The process began in January 2015 and will presumably end during the first quarter of 2015.

2 In order to streamline the group's corporate structure in North America, Ansaldo STS USA International Projects Co., to date inactive, was merged into Ansaldo STS USA International Co. on 17 December 2014.

Companies measured using the equity method

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

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

Ansaldo STS S.p.A. holds an interest in Ansaldo STS-Sinosa Rail Solutions South Africa PTY LTD through its direct subsidiary Ansaldo STS Australia PTY Ltd.. Under an agreement signed to partially sell such interest to an independent third party, starting from 18 August 2014, Ansaldo STS holds an investment equal to 20%

of the company's class B shares. Such shares do not give the holder rights to dividends. Finally, due to such agreement, starting from 5 January 2015, such company changed its name to Ansaldo STS – GEAR South Africa (PTY) LTD..

Subsidiaries and jointly-controlled entities
Entities over which Ansaldo STS group has control by owning directly or indirectly more than half of the voting rights or by exerting the power to govern the financial and operating policies of entities/companies, so as to obtain benefits from their activities, including regardless of the percentage of equity investments, are consolidated on a line-by-line basis.

Entities whose consolidation would be irrelevant in both quantitative and qualitative terms for a true and fair presentation of the group's financial position, financial performance and cash flows are not consolidated but measured using the equity method. The assessment of relevancy is made with reference to an entity's operating procedures, for example

- consortium entities not limited by shares and controlling investments in consortia limited by shares which do not present their own results of operations and whose financial statements, net of infragroup assets and liabilities, shows immaterial amounts or;
- entities in a developing stage or entities no longer operative that do not have assets or employees or;
- companies whose liquidation procedures are almost completed.

Equity investments (including special purpose entities) in jointly controlled entities are consolidated using the equity method.
All subsidiaries are consolidated from the date control commences, until such time as control ceases.
Business combinations are recognised using the acquisition method, whereby the acquirer purchases the acquiree's net assets and recognises the acquiree's assets, liabilities and contingent liabilities. The consideration for the transaction includes the acquisition-date fair values of the assets transferred, liabilities assumed, equity instruments issued and any other transaction cost. Any difference between the consideration paid and the acquisition-date fair value of the acquired assets and liabilities is allocated to goodwill. If the purchase price allocation process gives rise to negative goodwill, it is recognised in profit or loss at the acquisition date.
Acquisition-related costs are recognised in profit or loss when the related services are rendered.
In the event of acquisition of investments in not wholly-owned subsidiaries, goodwill is recognised only to the extent of the parent's share. Non-controlling interests are calculated in proportion to the equity investments held by minority interests in the acquiree's identifiable net assets.
In a business combination achieved in stages, when control is taken, the previously-held equity interests in the acquiree are remeasured at fair value and the resulting gain or loss is recognised in profit or loss.
Balances related to transactions between consolidated companies are eliminated, specifically, receivables and payables in place at year end, costs and revenue and financial income and expense and other items recognised in profit or loss.
The reporting period of all consolidated companies ends on 31 December. The group's consolidated financial statements are based on the figures at 31 December 2014.

Other equity investments
Equity investments over which the company has significant influence, generally accompanied by a percentage of investment of between 20% (10% if listed) and 50% (investments in associates), are measured using the equity method. When this method is applied, the carrying amount of the investment is in line with equity adjusted, where necessary, to reflect the application of IFRS. It includes the recognition of goodwill, net of

impairment losses, when this is identified upon acquisition and following the effects of adjustments required by the principles governing the preparation of consolidated financial statements. Gains and losses realised among companies consolidated using the equity method, are eliminated, as are those among other group companies, including those consolidated on a line-by-line basis.
Impairment losses, if any, exceeding the carrying amount of the investment, are recognised under the provision for risks on equity investments.
The fair value of equity investments in portfolio, provided that such criterion is applicable, is calculated based on the bid price of the last trading day of the month to which the IFRS financial statements refer (31 December 2014 in the case of these consolidated financial statements), or based on financial valuation techniques for unquoted instruments.
Any equity investments held for sale, such as those that are acquired solely for the purpose of disposal within twelve months, are classified separately as "assets held for sale".

Segment reporting
Starting from 2014, following the corporate reorganisation, the Signalling and Transportation Solutions business units were merged. Consequently, cash flows were also analysed considering one cash-generating unit (CGU).

Functional currency
The balances included in the financial statements of each group company/entity are recognised in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements of Ansaldo STS group are presented in euros, which is the parent's functional currency.

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

Translation of financial statements of foreign operations
The rules for the translation of financial statements of foreign operations into the functional currency, with the exception of currency in hyper-inflationary economies (which do not affect the group), are as follows:
- assets and liabilities are translated at the closing rate;
- costs and revenue, income and expense are translated at the average exchange rate of the year or at the rate ruling at the date of the transaction if it varies significantly from the average rate of the year;
- exchange rate gains or losses arising from the translation of captions at a rate that differs from the closing rate and from the translation of opening equity at a rate that differs from the closing rate are taken to the translation reserve.
  The translation reserve is released to profit or loss when the equity investment is sold.

Goodwill and fair value adjustments relating to the acquisition of foreign operations are recognised as assets and liabilities of the foreign operation and translated at the closing rate.

The following exchange rates were adopted to translate the foreign currency financial statements and balances for the current and previous years:

	Spot rate at 31.12.2014	**Average rate year ended 31.12.2014**	Spot rate at 31.12.2013	Average rate year ended 31.12.2013
USD	1.21410	1.32914	1.31940	1.28561
CAD	1.40630	1.46705	1.31370	1.28484
GBP	0.77890	0.80645	0.81610	0.81116
HKD	9.41700	10.30738	10.22600	9.97265
SEK	9.39300	9.09844	8.58200	8.70765
AUD	1.48290	1.47264	1.27120	1.24149
INR	76.71900	81.09355	72.56000	68.63390
MYR	4.24730	4.34780	4.03470	3.96960
BRL	3.22070	3.12411	2.70360	2.50859
CNY	7.53580	8.19012	8.22070	8.10939
VEB	7,639.24000	8,362.99000	5,666.36000	5,214.42083
BWP	11.54730	11.91270	10.28370	9.79025
ZAR	14.03530	14.41003	11.17270	10.55341
KZT	221.46000	238.31768	198.62100	191.70683
JPY	145.23000	140.39720	113.61000	102.66008
AED	4.45942	4.88187	N/A	N/A
KRW	1,324.80000	1,399.04265	N/A	N/A

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

(i) Goodwill
Goodwill recognised as an intangible asset arises from business combinations and reflects an excess in the acquisition cost of the business or business unit over the total fair value at the acquisition date of acquired assets and liabilities. As it has an indefinite useful life, goodwill is not amortised. Instead, it is tested for impairment at least once a year, unless the market and management indicators identified by the group show that the test has to be conducted when preparing interim financial statements. For impairment testing purposes, goodwill acquired in a business combination is allocated to individual or groups of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs, through which the group operates in the different market sectors, are identified as the smallest business units that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
Goodwill on acquisitions of consolidated companies is recognised in intangible assets, while that related to unconsolidated subsidiaries or associates is included in the carrying amount of equity investments.

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

(iii) Research and development expense
Research expense is taken to profit or loss when incurred.
Internally generated intangible assets and the related development expense are recognised only when all the following conditions exist simultaneously:
- the asset can be identified;
- the asset may generate future economic benefits;
- the cost to develop the asset can be measured reliably;
- there is a reference market for the product generated by the development activity.

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

Leased assets
(i) Finance leases where group companies are lessees
As lessee, at the date of initial recognition, the group recognises leased assets under assets and recognises a financial liability at the same time equal to the lower of the asset's fair value and the present value of minimum future payments due at inception of the lease, using the implicit interest rate of the lease or the marginal interest rate of the loan. Subsequently, the group takes amortisation applied to the asset and interest separated from the payments of the year to profit or loss.

(ii) Finance leases where group companies are lessors
At the date of initial recognition, the leased asset is derecognised and a receivable of an amount equal to the net investment in the lease is recognised. The net investment in the lease is the aggregate of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease. Subsequently, the group expenses finance income over the lease term on a systematic basis, to reflect a constant periodic rate of return on the residual net investment.
Estimated unguaranteed residual values are reviewed regularly to check if any impairment indicators exist.

(iii) Operating leases
Operating lease income and expense are taken to profit or loss over the term of the lease on a straight-line basis.

Property, plant and equipment
Property, plant and equipment are measured at purchase or construction cost, net of accumulated depreciation and any impairment losses. Cost includes direct charges incurred to prepare assets for use and any disposal and removal costs that will be incurred to restore the site to its original conditions.
Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred.
Costs to expand, upgrade or improve owned or leased assets are capitalised only to the extent they meet the requirements to be classified separately as assets or part of an asset. Grants related to assets are taken as a direct decrease in the cost of the asset to which they relate.

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

Land:	indefinite useful life
Buildings:	20-33 years
Plant and machinery:	5-10 years
Equipment:	3-7 years
Other assets:	3-8 years

The estimated residual value and the useful life of an asset are reviewed periodically.
Depreciation of an asset ceases on the date the asset is sold or classified as held for sale.

If a depreciable asset is comprised of separately identifiable components with useful lives that differ significantly from the other components comprising the asset, depreciation is calculated separately for each component, using the component approach.
Profits and losses on the sale of assets or groups of assets are measured by comparing the selling price with the related carrying amount.
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

Investment property
Property held to earn rentals or for capital appreciation is classified under "Investment property" and is measured at purchase or production cost, increased by transaction costs, if any, and net of accumulated depreciation and any impairment losses.

Impairment losses
Assets with an indefinite useful life are not depreciated/amortised, but are tested for impairment annually.
Depreciable assets are tested to check whether there is any indication that they may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any excess thereof is recognised in profit or loss.
Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, calculated based on the discounted cash flow model. The discount rate includes the risks specific to the asset for which the future cash flow estimates have not been adjusted.
Assets that do not generate independent cash flows are tested based on the cash-generating unit.
When, subsequently, impairment losses no longer exist, the carrying amount of the asset is increased to the carrying amount of the assets which shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in profit or loss. An impairment loss recognised for goodwill is never reversed.

Inventories
Inventories are measured at the lower of cost, calculated using the weighted average cost method, and net realisable value. Financial expense and overheads are not included in inventories. Net realisable value is the estimated selling price in the ordinary course of business considering any costs of completion and the estimated costs necessary to make the sale.

Contract work in progress
Contract work in progress is recognised in accordance with the percentage of completion method whereby contract cost, revenue and contract profits/(losses) are recognised based on the progress of production activities, which is calculated as the costs incurred at the measurement date and total estimated project costs or based on the product units delivered.
The measurement reflects the best estimate of projects completed at the reporting date. The group periodically updates these estimates. Any effects are recognised in the year in which the adjustments are made.
The expected loss on a contract is recognised entirely under operating expense when it becomes reasonably foreseeable, along with an accrual to the provision for expected losses to complete contracts.
Contract work in progress is recognised net of any allowances, expected losses and progress payments and advances relating to contracts in progress.
This analysis is performed individually for each contract, recognising the positive difference (work in progress in excess of payments on account) under contract work in progress and the negative difference under "progress payment and advances from customers". If the amount recognised under advances is not collected at the preparation date of the annual and/or interim financial statements, a balancing entry is recognised under trade receivables.
Contracts with consideration in a currency other than the functional currency (the Euro for the group) are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate.

However, under the group's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged, as described in the section on "Hedging construction contracts against currency risk".

Loans and receivables and financial assets
Financial assets are classified as follows:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are classified by management upon initial recognition.

(i) Financial assets at fair value through profit or loss
This category includes financial assets acquired for the purpose of trading in the short term, in addition to derivative instruments, in relation to which reference should be made to the paragraph below. The fair value of these instruments is based on the bid price at the reporting date: the fair value of unquoted instruments is determined using generally accepted financial valuation techniques. Fair value gains or losses of the financial instruments included in this category are recognised immediately in profit or loss.
Classification as current or non-current reflects management expectations about trading: they are included under current assets when they are expected to be traded within twelve months of the reporting date or when they are recognised as held for trading.

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

(iii) Held-to-maturity investments
These are non-derivative financial assets with fixed maturity that the group has the positive intention and ability to hold to maturity. They are classified under current assets when their contractual maturity is within twelve months. If there is objective evidence of impairment, the carrying amount of the asset is reduced to that of discounted future cash flows: impairment losses identified by means of impairment tests are recognised in profit or loss. If, in subsequent years, the reasons underlying the impairment loss cease to exist, the carrying amount of the asset is restored to the amount that it would have had had the impairment not been recognised.

(iv) Available-for-sale financial assets
These are non-derivative financial assets that are designated as available for sale or are not classified under any of the above categories. They are measured at fair value, which is based on market prices at the annual or interim reporting date, or on financial valuation models and techniques. Fair value gains or losses are taken to an equity reserve ("reserve for available-for-sale financial assets") which is released to profit or loss only when the financial asset is actually sold or, in the case of cumulative losses, when the impairment loss recognised in equity will not be recovered. Classification under current or non-current assets depends on management choices about the asset and its actual trading possibilities. Assets which are expected to be realised within one year of the reporting date are recognised as current assets.

If there is objective evidence of impairment, the carrying amount of the asset is reduced to that of discounted future cash flows: impairment losses previously recognised under equity reserves are released to profit or loss. For non-equity instruments, if the reasons underlying the impairment loss cease to exist, the impairment loss is reversed.

Derivatives
Derivatives are always classified as assets held for trading and measured at fair value through profit or loss, unless they qualify for hedge accounting and are effective in hedging the underlying assets, liabilities or commitments of the group.
Specifically, the group uses derivatives as part of its strategies of hedging the risk of fluctuations in expected cash flows on contractual or highly probable transactions (cash flow hedges) or fluctuations in the fair value of recognised assets or liabilities or due to contractual commitments (fair value hedges), using the so-called forward instruments which, sometimes, despite a substantial and operating hedging effect, do not qualify for hedge accounting under IAS 39. Specifically, fluctuations in the fair value of these instruments and the related underlying items are recognised immediately in profit or loss, under financial items. For information on the policy governing the currency risk on construction contracts, reference should be made to the section on “Hedging construction contracts against currency risk”.
The effectiveness of hedges is documented at the inception of the transaction, as well as periodically at each annual or interim reporting date. Hedge effectiveness is measured by comparing the variations in the fair value of the hedging instrument with those of the hedged item (dollar offset ratio), or, for more complex instruments, using statistical analysis based on risk variations.

(i) Fair value hedges
Changes in the fair value of derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, as are changes in the fair value of the underlying assets or liabilities attributable to the risk eliminated by the hedging transaction.

(ii) Cash flow hedges
Changes in the fair value of derivatives designated as cash flow hedges and which qualify as such are recognised to the extent of the portion determined to be “effective”, in a specific equity reserve (“hedging reserve”). This is subsequently reclassified to profit or loss when the forecast transaction affects profit or losses. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the forecast transaction is no longer highly probable, the relevant portion of the “hedging reserve” is released immediately to profit or loss. If the hedging instrument is sold or no longer meets the criteria for hedge accounting, the relevant portion of the “hedging reserve” continues to be recognised until the underlying contract takes place.

(iii) Determining the fair value of financial instruments
The fair value of financial instruments quoted on active markets is calculated using the bid price at the reporting date. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of interest rate swaps is calculated discounting the future cash flows, while that of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies.
Financial assets and financial liabilities carried at fair value are classified based on the three following hierarchy levels which reflect the significance of the inputs used in measuring fair value. Specifically:
- Level 1: financial assets and financial liabilities whose fair value is calculated based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: financial assets and financial liabilities whose fair value is calculated based on inputs other than the quoted prices referred to in level 1 that may be observed either directly or indirectly;
- Level 3: financial assets and financial liabilities whose fair value is calculated based on unobservable market data.

Cash and cash equivalents
This caption includes cash on hand, deposits and current accounts with banks or other credit institutions available for current transactions, post office current accounts and other equivalents. They are recognised at fair value.

Equity
(i) Share capital
Share capital is comprised of the parent's subscribed and paid-in share capital. Any costs closely related to the issue of shares are classified as a decrease in share capital when they are directly related to such operation, net of deferred taxation.

(ii) Treasury shares
They are classified as a decrease in equity. Profits and losses on the sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Payables and other liabilities
They are initially recognised at fair value, less any transaction costs, and subsequently measured at amortised cost, using the effective interest method.
They are classified under current liabilities, unless the group has the contractual right to settle its obligations after at least twelve months of the interim or annual reporting date.

Income taxes
The group's taxes are comprised of current and deferred taxes. When they relate to income and expense recognised in comprehensive income, they are recognised with a balancing entry in the same caption.
Current taxes are calculated based on the tax legislation applicable and enacted at the reporting date in those countries where the group operates; any risks related to different interpretations of income positive and negative components, as well as the litigation underway with the tax authorities, are measured at least every three months to adjust the accruals recognised.
Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to be enacted when realising assets and settling liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the years the related temporary differences reverse against which the deductible temporary differences can be utilised.

Employee benefits
(i) Post-employment benefits:
Several pension (or supplementary) schemes are in place. They can be analysed as follows:
- Defined contribution plans under which the group pays fixed contributions into a separate entity (e.g. a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees benefits relating to employee service. Contributions payable to a defined contribution plan are recognised only when employees have rendered service in exchange for such contributions;
- Defined benefit plans whereby the group has an obligation to provide the agreed benefits to current and former employees and bears the actuarial and investment risks of the plan. Consequently, the cost of this plan is not calculated based on the contributions of the year, rather, on the basis of demographic and statistical assumptions and salary increase trends, using the projected unit credit method. The group recognises the latter using the equity option method, whereby the carrying amount of the recognised liability reflects that of the relevant actuarial valuation, fully and immediately recognising actuarial gains and losses when they arise with a direct balancing entry in equity in the "actuarial reserve".

(ii) Other long-term employee benefits and post-employment benefits
Some group company employees are granted several benefits such as, for example, jubilee benefits and seniority bonuses which are sometimes paid after retirement (such as medical benefits). The accounting treatment is the

same as that applied to defined benefit plans, hence the "projected unit credit method" is used. However, with respect to "other long-term benefits", any actuarial gains and losses are recognised immediately and entirely in profit or loss when they arise.

(iii) Termination benefits

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

(iv) Stock grant plans

Stock option and stock grant plans are in place for the group's senior management. The theoretical benefits granted to the beneficiaries are recognised in profit or loss for the years covered by the plan, with a balancing entry in equity. These benefits are calculated by measuring the fair value of the relevant instrument using valuation techniques which include market conditions, if any, and by adjusting the number of options that are expected to be granted at each reporting date.

Provisions for risks and charges

The provisions for risks and charges are recognised against certain or probable losses and expenses for which the company is uncertain of the timing and/or amount at the reporting date.
Provisions for risks and charges are recognised if, at the reporting date, as a result of a past event, the group has a legal or constructive obligation that will lead to an outflow of resources which can be estimated reliably. The amount recognised as a provision is the best estimate of the discounted outlay required to settle the obligation. The discount rate used reflects current market assessments and the additional effects of the risk specific to the liability.
Risks for which liabilities are only possible are disclosed in a specific section of the notes on commitments and risks. They are not provided for.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or due, net of any discounts and volume rebates.
Revenue also includes changes in work in progress, with respect to which reference should be made to the note to "Contract work in progress".
Revenue relating to the sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods which generally coincides with transfer of title or possession to the buyer, or when the revenue can be measured reliably.
Revenue from the rendering of services is recognised based on the percentage of completion method, provided that it can be estimated reliably. Revenue from contracts with Italian customers only is recognised under "progress payments and advances from customers" in the statement of financial position and subsequently reversed to profit or loss upon completion of the contract and, hence, of the related work in progress.

Grants

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

Net financial income/(expense)

Interest income and expense are recognised on an accruals basis using the effective interest method, i.e., at the interest rate that makes all cash inflows and outflows (including any premiums, discounts, commissions, etc.) comprising the transaction financially equivalent.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) are capitalised as part of the cost of that asset.

Dividends

Dividends are recognised when the right to receive payment is established. This usually coincides with the shareholders' resolution approving their distribution.
Dividends paid to the shareholders of Ansaldo STS S.p.A. are considered as a change in equity and recognised as a liability in the year in which the distribution was approved by the company's shareholders.

Related party transactions

All related party transactions take place on an arm's length basis.

Costs

Costs are recognised if they are pertinent to the company's business and on an accruals basis.

New reporting standards (IFRS) and interpretations (IFRIC)

At the preparation date of these financial statements, the EU has endorsed several standards and interpretations which are not yet mandatory and which the group will apply in the next few years. The main changes and potential impacts on the group are as follows:

IFRS - IFRIC		Impacts on the group
Amendment to IAS 19	Defined benefit plans: Employee contributions	The amendment introduces a simplification of the accounting treatment of certain types of contributions to defined benefit plans by employees or third parties. Application of this amendment is not expected to have any significant effect on the group's financial statements. The group will apply this standard starting from 1 January 2015.
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operations	The amendment covers the accounting treatment of acquisitions of interests in joint operations that comprise a business. Application of this amendment is not expected to have any significant effect on the group's financial statements. The group will apply this standard starting from 1 January 2016.
Amendment to IAS 16 and amendment to IAS 38	Property, plant and machinery and intangible assets	The amendments clarify that the use of revenue-based methods to calculate the depreciation or amortisation of an asset is not appropriate. The impact on the group of adopting such amendment is currently being analysed. The group will apply this standard starting from 1 January 2016.
IFRS 9	Financial instruments	This standard significantly amends the accounting treatment of financial instruments and will eventually replace IAS 39. At present, the IASB has amended the requirements for classifying and measuring financial assets currently set out in IAS 39, and has published a document on measuring financial instruments at amortised cost and assessing any impairment indicators. However, the competent bodies are still discussing the new general approach to financial instrument and, at present, no adoption date can be determined. The current version of IFRS 9 will be applicable as of 1 January 2015, subject to the EU's endorsement.
IFRS 15	Revenue from contracts with customers	This standard redefines how to recognise revenue, which must be recognised when control of goods or services is transferred to customers, and requires that additional disclosure to be provided. The impact on the group of adopting such amendment is currently being analysed. The group will apply this standard starting from 1 January 2017.

Significant accounting policies
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.

- Provisions for risks and expected losses to complete construction contracts: the group operates in extremely complex business units and with complex contractual arrangements which are recognised using the percentage of completion method. Profits recognised in profit or loss reflect contract progress and the profits which will be recognised for the entire contract once it is completed. Consequently, for the purposes of correctly recognising work in progress and profits related to works 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 the expected margin. 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. Moreover, the group's business activities cover segments and markets in which disputes (both where the group is claimant and defendant) are generally only settled after a significant time lapse, especially in cases where the counterparty is a state body. This requires that management predicts the outcome of such disputes which will then be considered in the assessment of the contract. Estimating expected losses entails the assumption of estimates which depend on factors that can change over time and that could have a significant effect on directors' current estimates made to prepare consolidated financial statements.

- Impairment losses: the group's assets with an indefinite useful life are tested for impairment at least once each year or more often if there is evidence of impairment. Likewise, all assets showing evidence of impairment are tested, also when depreciation/amortisation has already begun. Impairment tests are usually performed using the discounted cash flow method; however, this method is considered highly sensitive to the assumptions included in the estimate of future cash flows and of the interest rates applied.

  For the purposes of these valuations, the group uses the plans approved by the bodies of individual subsidiaries and financial parameters which are in line with those reflecting the current trend of reference markets.

- 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 section 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.

11.2.2 Effects of amendments to the IFRS
On 1 January 2014, Ansaldo STS adopted IFRS 11 governing joint arrangements. The new standard has eliminated the possibility to consolidate interests in joint ventures using the proportionate method. Accordingly, they are now measured using the equity method. The joint ventures' income statement figures are grouped into one caption ("Share of profits of equity-accounted investees") including their profits or losses, while the statement of financial position figures are presented under equity investments, without any impact on the group's equity.

A reconciliation showing the effect of the change in this accounting policy is set out below.

Statement of financial position (€'000)	31.12.2013	Effect of change	31.12.2013 restated
ASSETS			
Non-current assets			
Intangible assets	49,986	(9)	49,977
Property, plant and equipment	88,877	(501)	88,376
Equity investments	39,104	5,754	44,858
Loans and receivables	31,105	-	31,105
Deferred tax assets	37,448	(330)	37,118
Other non-current assets	21,741	-	21,741
	268,261	**4,914**	**273,175**
Current assets			
Inventories	114,823	(3,553)	111,270
Contract work in progress	288,607	-	288,607
Trade receivables	631,709	(6,216)	625,493
Tax assets	28,796	-	28,796
Loan assets	77,072	(13,015)	64,057
Other current assets	79,251	(681)	78,570
Cash and cash equivalents	193,086	(1,565)	191,521
	1,413,344	**(25,030)**	**1,388,314**
Non-current assets held for sale	87	-	87
Total assets	**1,681,692**	**(20,116)**	**1,661,576**
EQUITY AND LIABILITIES			
Equity			
Share capital	89,998	-	89,998
Reserves	408,716	-	408,716
Equity attributable to the owners of the parent	*498,714*	-	*498,714*
Equity attributable to non-controlling interests	*346*	-	*346*
Total equity	**499,060**	**-**	**499,060**
Non-current liabilities			
Employee benefits	29,980	-	29,980
Deferred tax liabilities	11,243	(30)	11,213
Other non-current liabilities	9,170	-	9,170
	50,393	**(30)**	**50,363**
Current liabilities			
Progress payments and advances from customers	644,591	(9,359)	635,232
Trade payables	364,716	(9,531)	355,185
Loans and borrowings	10,080	-	10,080
Tax liabilities	6,689	(998)	5,691
Provisions for risks and charges	14,825	-	14,825
Other current liabilities	91,338	(198)	91,140
	1,132,239	**(20,086)**	**1,112,153**
Total liabilities	**1,182,632**	**(20,116)**	**1,162,516**
Total liabilities and equity	**1,681,692**	**(20,116)**	**1,661,576**

Income statement (€'000)	2013	Effect of change	2013 restated
Revenue	1,256,419	(26,617)	1,229,802
Other operating income	27,524	(9)	27,515
Purchases	(284,982)	7,447	(277,535)
Services	(522,106)	11,383	(510,723)
Personnel expense	(309,454)	6,102	(303,352)
Amortisation, depreciation and impairment losses	(17,276)	298	(16,978)
Other operating expense	(32,322)	322	(32,000)
Changes in finished goods, work-in-progress and semi-finished products	(2,287)	-	(2,287)
(-) Internal work capitalised	2,577	-	2,577
Operating profit	**118,093**	**(1,074)**	**117,019**
Financial income	21,773	(592)	21,181
Financial expense	(25,390)	-	(25,390)
Share of profits/(losses) of equity-accounted investees	(115)	1,124	1,009
Pre-tax profit	**114,361**	**(542)**	**113,819**
Income taxes	(39,638)	542	(39,096)
Profit from discontinued operations	92	-	92
Profit for the year	**74,815**	**-**	**74,815**
attributable to the owners of the parent	*74,956*	-	*74,956*
attributable to non-controlling interests	*(141)*	-	*(141)*
Earnings per share			
Basic and diluted	*0.40 **	-	*0.40 **

* Recalculated following the bonus issue of 14 July 2014.

The group has adopted the following new standards with effect from 1 January 2014.

- IAS 27 Revised (Separate financial statements): the revision of this standard coincided with the approval of IFRS 10, limiting the scope of application to separate financial statements only;
- IAS 28 Revised (Investments in associates and joint ventures): this standard was amended, specifying how to apply the equity method;
- IAS 32 Amendment (Financial instruments - Presentation): this standard clarifies when financial assets can be offset against financial liabilities;
- IFRS 10 (Consolidated financial statements): this standard sets out how to decide whether an entity should be consolidated, clarifying the concept of control and its application to de facto control, potential voting rights, complex participation schemes, etc.;
- IFRS 12 (Disclosure of interests in other entities): this standard requires a wide range of disclosures about an entity's interests, including associates, joint ventures, special purpose vehicles and other unconsolidated vehicles;
- IAS 36 (Recoverable amount disclosures for non-financial assets): this standard requires additional disclosures about the measurement of impaired assets with a recoverable amount based on fair value less costs of disposal.

12 Segment reporting

Reference should be made to paragraph 2.4 of the directors' report for information on the indicators that management uses to assess the performance of the group.

As a consequence of the organisational changes described in detail in the introduction to the directors' report, geographical segment reporting is as follows:

Revenue (€'000)	2014	2013 restated
Italy	326,397	352,069
Rest of Europe	336,511	284,357
North Africa and the Middle East	97,105	46,130
Americas	166,173	147,591
Asia/Pacific	377,322	399,655
Total	**1,303,508**	**1,229,802**

Investments by geographical segment (€'000)	31.12.2014	31.12.2013 restated
Italy	112,223	113,316
Rest of Europe	13,674	11,013
North Africa and the Middle East	120	50
Americas	11,810	10,760
Asia/Pacific	2,460	3,214
Total	**140,287**	**138,353**

13 Notes to the statement of financial position

13.1 Related party assets and liabilities

Related party trading transactions generally take place on an arm's length basis, as does the settlement of interest-bearing receivables and payables where not governed by specific contractual conditions. The relevant statement of financial position balances are shown below. The statement of cash flows presents the impact of related party transaction on cash flows.
Moreover, from 2011, the amended disclosure requirements of IAS 24 (revised) with reference to related parties exclusively entail the restatement of comparative figures shown in the financial statements to consider as related parties those entities under the control or significant influence of the Ministry of Economy and Finance ("MEF").

LOANS AND RECEIVABLES AT 31.12.2014 (€'000)	**Non-current loan assets**	**Other non-current financial assets**	**Current loan assets**	**Trade receivables**	**Other current financial assets**	**Total**
Ultimate parent						
Finmeccanica S.p.A.	-	-	-	76	154	**230**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	95	-	**95**
Alifana Due S.c.r.l.	-	-	-	404	-	**404**
Associates						
International Metro Service S.r.l.	-	-	-	105	-	**105**
Metro 5 S.p.A.	-	15,816	-	5,298	-	**21,114**
Metro Service S.p.A.	-	-	-	1,434	-	**1,434**
SP M4 S.C.p.A.	-	-	10,709	162	-	**10,871**
Metro 5 Lilla S.r.l.	-	-	-	33,419	-	**33,419**
Metro Brescia S.r.l.	-	373	-	122	-	**495**
Joint ventures						
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	7,559	-	**7,559**
Consortia						
Saturno consortium	-	-	-	21,021	-	**21,021**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	7,361	-	**7,361**
MM4 consortium	-	182	-	5,192	-	**5,374**
San Giorgio Volla Due consortium	-	-	-	494	4	**498**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Other group companies						
AnsaldoBreda S.p.A.	-	-	-	7,870	93	**7,963**
Selex ES S.p.A.	-	-	-	780	-	**780**
Finmeccanica Global Services S.p.A.	-	-	-	45	-	**45**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	331	-	**331**
Other - MEF						
Ferrovie dello Stato group	-	-	-	64,217	-	**64,217**
ENI group	-	-	-	11,338	-	**11,338**
Total	**-**	**16,371**	**10,709**	**169,901**	**251**	**197,232**
% of the total corresponding consolidated financial statements caption		**41%**	**26%**	**24%**	**0.3%**	

FINANCIAL ASSETS restated AT 31.12.2013 (€'000)	Non-current loan assets	Other non-current financial assets	Current loan assets	Trade receivables	Other current financial assets	Total
Ultimate parent						
Finmeccanica S.p.A.	-	-	31,093	38	151	**31,282**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	123	-	**123**
Alifana Due S.c.r.l.	-	-	-	442	-	**442**
Associates						
International Metro Service S.r.l.	-	-	-	3,426	-	**3,426**
Metro 5 S.p.A.	-	10,048	-	2,122	-	**12,170**
Metro Service S.p.A.	-	-	-	2,715	-	**2,715**
Metro 5 Lilla S.r.l.	-	-	-	22,942	-	**22,942**
SP M4 S.C.p.A.	-	-	2,918	162	-	**3,080**
Metro Brescia S.r.l.	-	1,545	-	121	-	**1,666**
Joint ventures						
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	5,363	-	**5,363**
Consortia						
Saturno consortium	-	-	-	5,191	1,361	**6,552**
Ascosa Quattro consortium	-	-	-	1,157	-	**1,157**
Ferroviario Vesuviano consortium	-	-	-	14,113	-	**14,113**
MM4 consortium	-	182	-	7,357	-	**7,539**
San Giorgio Volla Due consortium	-	-	-	2,009	4	**2,013**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Other group companies						
AnsaldoBreda S.p.A.	-	-	-	7,342	-	**7,342**
Selex ES S.p.A.	-	-	-	461	-	**461**
AnsaldoBreda España SLU	-	-	-	17	-	**17**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	331	-	**331**
Other - MEF						
Ferrovie dello Stato group	-	-	-	46,214	-	**46,214**
ENI group	-	-	-	17,257	-	**17,257**
Ansaldo Energia S.p.A.	-	-	-	97	-	**97**
Total	**-**	**11,775**	**34,011**	**140,421**	**1,516**	**187,723**
% of the total corresponding consolidated financial statements caption		**38%**	**53%**	**22%**	**2%**	

Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard).
The 2013 figures have been restated for comparative purposes.

PAYABLES AT 31.12.2014 (€'000)	**Non-current loans and borrowings**	**Other non-current financial liabilities**	**Current loans and borrowings**	**Trade payables**	**Other current financial liabilities**	**Total**
Ultimate parent						
Finmeccanica S.p.A.	-	-	10,351	877	-	**11,228**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	129	3	**132**
Alifana Due S.c.r.l.	-	-	-	395	-	**395**
Associates						
Metro Service S.p.A.	-	-	-	1,390	-	**1,390**
Metro Brescia S.r.l.	-	-	-	69	-	**69**
Metro 5 S.p.A.	-	-	-	1	-	**1**
Pegaso S.c.r.l. (in liq.)	-	-	-	64	-	**64**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	11	-	**11**
Consortia						
Saturno consortium	-	-	-	432	5	**437**
Ascosa Quattro consortium	-	-	-	132	8	**140**
San Giorgio Volla Due consortium	-	-	-	97	-	**97**
Ferroviario Vesuviano consortium	-	-	-	157	8	**165**
San Giorgio Volla consortium	-	-	-	29	8	**37**
MM4 consortium	-	-	-	230	-	**230**
Cris consortium	-	-	-	1	-	**1**
Other group companies						
AnsaldoBreda S.p.A.	-	-	-	1,954	-	**1,954**
Selex ES S.p.A.	-	-	-	45,966	200	**46,166**
Finmeccanica Global Services S.p.A.	-	-	-	562	-	**562**
Fata Logistic Systems S.p.A.	-	-	-	462	-	**462**
Fata S.p.A.	-	-	-	82	-	**82**
DRS Technologies	-	-	-	2	-	**2**
MetroB S.r.l.	-	-	-	-	370	**370**
E-Geos S.p.A.	-	-	-	17	-	**17**
Other - MEF						
Ferrovie dello Stato group	-	-	-	933	-	**933**
ENI group	-	-	-	6	-	**6**
ENEL group	-	-	-	7	-	**7**
Total	**-**	**-**	**10,351**	**54,005**	**602**	**64,958**
% of the total corresponding consolidated financial statements caption			**59%**	**15%**	**0.5%**	

FINANCIAL LIABILITIES restated AT 31.12.2013 (€'000)	Non-current loans and borrowings	Other non-current financial liabilities	Current loans and borrowings	Trade payables	Other current financial liabilities	**Total**
Ultimate parent						
Finmeccanica S.p.A.	-	-	-	268	-	**268**
Subsidiaries						
Alifana S.c.a.r.l.	-	-	-	97	3	**100**
Alifana Due S.c.r.l.	-	-	-	262	-	**262**
Associates						
Metro Brescia S.r.l.	-	-	-	27	-	**27**
Metro Service S.p.A.	-	-	-	5,343	-	**5,343**
Metro 5 S.p.A.	-	-	-	128	-	**128**
Metro 5 Lilla S.r.l.	-	-	-	1	-	**1**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	134	-	**134**
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2	-	**2**
Consortia						
Saturno consortium	-	-	-	190	-	**190**
Ascosa Quattro consortium	-	-	-	143	8	**151**
San Giorgio Volla Due consortium	-	-	-	124	-	**124**
Ferroviario Vesuviano consortium	-	-	-	475	8	**483**
San Giorgio Volla consortium	-	-	-	27	8	**35**
Cris consortium	-	-	-	1	-	**1**
Other group companies						
Finmeccanica Global Services S.p.A.	-	-	-	578	-	**578**
Telespazion S.p.A.	-	-	-	2	-	**2**
AnsaldoBreda S.p.A.	-	-	-	2,835	33	**2,868**
Selex ES S.p.A.	-	-	-	45,566	199	**45,765**
Fata Logistic Systems S.p.A.	-	-	-	339	-	**339**
Fata S.p.A.	-	-	-	66	-	**66**
DRS Technologies	-	-	-	3	-	**3**
MetroB S.r.l.	-	-	-	-	370	**370**
E-Geos S.p.A.	-	-	-	49	-	**49**
Other - MEF						
Ferrovie dello Stato group	-	-	-	530	-	**530**
ENI group	-	-	-	8	-	**8**
ENEL group	-	-	-	13	-	**13**
Total	**-**	**-**	**-**	**57,211**	**629**	**57,840**
% of the total corresponding consolidated financial statements caption				**16%**	**0.7%**	

Restated figures due to the adoption of IFRS 11 governing joint arrangements, whereby the group's interests in joint ventures are measured using the equity method as from 1 January 2014 (when the group adopted the new standard).
The 2013 figures have been restated for comparative purposes.

13.2 Intangible assets

(€'000)	Goodwill	Other development expense	Patent and similar rights	Concessions, licences and trademarks	Assets under development	Other	Total
31 December 2013 restated	**34,569**	**1,339**	**9,759**	**625**	**1,200**	**2,485**	**49,977**
Acquisitions	-	-	2,507	185	1,972	677	5,341
Capitalisations	-	4,303	-	-	57	-	4,360
Amortisation and impairment losses	-	(922)	(3,180)	(319)	-	(1,183)	(5,604)
Opening net exchange rate gains (losses)/average rate	-	(1)	1	3	19	78	100
Reclassifications (transfer from assets under construction and grants)	-	(1,456)	651	-	(1,049)	424	(1,430)
At 31 December 2014	**34,569**	**3,263**	**9,738**	**494**	**2,199**	**2,481**	**52,744**

Intangible assets amount to €52,744 thousand (restated 31 December 2013: €49,977 thousand), while investments of the year are equal to €9,701 thousand and amortisation and impairment losses to €5,604 thousand.

Specifically:

- Goodwill (€34,569 thousand), which is tested for impairment at year end in accordance with group procedures, was tested at the reporting date and resulted positive.
  In previous years, it had been allocated to the Signalling (€18,022 thousand) and the Transportation Solutions (€16,547 thousand) business units. Given the revised organisational structure of the Ansaldo STS group, only one budget and plan has been prepared; accordingly, the impairment test was carried out considering the company as one cash-generating unit.
  The test compared net invested capital (including goodwill) at 31 December 2014 against the greater of value in use and fair value. Specifically, value in use is calculated based on the discounted cash flow model, applying the unlevered version to the cash flows from the five-year plans approved by management (2015 – 2019) and the present value of the terminal value (calculated on a going concern basis). The growth rate included in the terminal value was equal to 2% (in line with the previous year).
  Where available, the related basic macro-economic assumptions are determined using external sources of information, while the profitability and growth estimates assumed in the business plans are defined by management based on past experience and expectations about the developments of the markets in which the group operates.
  The cash flows used are those generated by company assets, in their present condition, before financial expense and taxes. They include capital expenditure and monetary changes in working capital and exclude cash flows from financing activities, non-recurring events or dividend distribution.
  These cash flows are discounted using the WACC (Weighted Average Cost of Capital) method which is calculated based on the Capital Asset Pricing Model. Average WACC at 31 December 2014 (7.19%) was revised from that of the previous year (7.90%) based on a reasonable estimate of the economic performance of the markets in which Ansaldo STS group operates.
  The tests did not identify any impairment of goodwill or any external indicators of impairment losses.
  Likewise, the sensitivity analysis carried out by increasing the discount rate by one percentage point and reducing the growth rate of the terminal value by one percentage point did not identify any impairment indicators.
  The recoverable amount obtained through fair value was calculated based on the EV/EBITDA market multiples methods, with respect to both the transaction multiple derived from recent acquisitions in the sector and current stock exchange multiples of a panel of peer companies.
  The basic assumptions underlying the projected cash flows for the five-year plans approved by management are described in detail in the directors' report to which reference should be made.

- patent and similar rights relate to:
  - the CMMI (Capability Maturity Model Integration) project to improve the software development process;
  - software developed to support the New Controlling Model (NCM) and the Product Data Management (PDM) which were launched as part of a major worldwide reorganisation process (Fast Forward Driven by Business);
  - the development of several technical tools.

- development expense includes:
  - the Stream project, which was fully amortised in the past few years, and the Satellite and Rail Telecom project to develop satellite technologies for new railway signalling systems. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority.

13.3 Property, plant and equipment

(€'000)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other assets	Total
At 31 December 2013 restated	**62,403**	**6,896**	**6,695**	**3,383**	**8,999**	**88,376**
Change in the consolidation scope	-	-	-	-	(38)	(38)
Acquisitions	426	861	1,448	1,823	1,809	6,367
Capitalisations	-	-	-	439	86	525
Sales	(11)	(20)	(1)	-	(19)	(51)
Depreciation and impairment losses	(2,228)	(2,095)	(1,972)	-	(2,821)	(9,116)
Opening net exchange rate gains (losses)/average rate	383	476	40	202	384	1,485
Reclassifications (transfer from assets under construction and grants)	788	1,167	200	(3,536)	1,376	(5)
At 31 December 2014	**61,761**	**7,285**	**6,410**	**2,311**	**9,776**	**87,543**

Property, plant and equipment amount to €87,543 thousand (restated 31 December 2013: €88,376 thousand). They are mainly comprised of the properties of the parent Ansaldo STS S.p.A., specifically the residual value of the building located in Genoa, Via Mantovani 3/5, which it purchased from the ultimate parent Finmeccanica S.p.A. in December 2005.
Investments of the year amount to €6,892 thousand and mainly relate to the following:
- Ansaldo STS S.p.A. for restructuring works and equipment purchased for the Tito plant and the Piossasco facilities for €2,784 thousand;
- Ansaldo STS France group for the purchase of technical laboratory and production tools for the Riom and Les Ulis facilities for €1,946 thousand;
- Ansaldo STS USA INC. for maintenance at the Batesburg plant and works at the Pittsburgh office for €1,680 thousand;
- the Asia/Pacific area (Australia, India and Malaysia and the Ansaldo STS Balfour Beatty Ansaldo Systems JV SDN BHD) for €394 thousand, for the reorganisation of sites.

Depreciation and impairment losses of the year amount to €9,116 thousand, while net exchange rate gains total €1,485 thousand, mainly opening balances.

13.4 Equity investments

(€'000)

31 December 2013 restated	**22,805**
Acquisitions/subscriptions and capital increases	11,418
Sales/returns	(21)
31 December 2014	**34,202**
Equity-accounted investments	21,747
Total equity investments	**55,949**

List of equity investments in thousands of euros:

Name	Registered office	Type of activity	Reporting date	Accounting standards	Share/ quota capital	Total assets	Total liabilities	Currency	Investment %	% of voting rights (%)	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	€'000
Metro 5 S.p.A.	Milan (Italy)	Transportation	31.12.2013	IT GAAP	56,242	346,590	290,348	Euro	24.60%	24.60%	N/A	N/A	N/A	N/A	13,835
International Metro Service S.r.l.	Milan (Italy)	Transportation	31.12.2013	IT GAAP	8,551	12,866	4,315	Euro	49.00%	49.00%	N/A	✓	N/A	N/A	1,740
Pegaso S.c.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2013	IT GAAP	260	4,362	4,102	Euro	46.87%	46.87%	N/A	✓	N/A	N/A	122
Alifana S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2014	IT GAAP	26	694	668	Euro	65.85%	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.r.l.	Naples (Italy)	Transportation	31.12.2014	IT GAAP	26	1,965	1,939	Euro	53.34%	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transportation	31.12.2013	IT GAAP	4,151	27,342	23,191	Euro	19.80%	19.80%	N/A	N/A	N/A	✓	821
Balfour Beatty Ansaldo Systems JV Sdn Bhd	Kuala Lumpur (Malaysia)	Transportation	31.12.2014	IFRS	54,630	190,671	136,041	MYR	40.00%	40.00%	N/A	N/A	N/A	N/A	5,145
Kazakhstan TZ-Ansaldo STS Italy LLP	Astana (Kazakhstan)	Transportation	31.12.2014	IFRS	23,944	1,169,201	1,145,257	KZT	49.00%	49.00%	N/A	N/A	N/A	N/A	53
Total equity-accounted investments															**21,747**
Metro C S.c.p.A.	Rome (Italy)	Transportation	31.12.2013	IT GAAP	149,518	589,794	440,276	Euro	14.00%	14.00%	N/A	N/A	N/A	✓	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transportation	31.12.2013	IT GAAP	2,667	158,156	155,489	Euro	16.67%	16.67%	N/A	N/A	N/A	✓	523
Società Tram di Firenze S.p.A.	Florence (Italy)	Transportation	31.12.2013	IT GAAP	8,724	75,496	66,772	Euro	3.80%	3.80%	N/A	N/A	N/A	N/A	266
IRICAV Uno consortium	Rome (Italy)	Transportation	31.12.2013	IT GAAP	520	3,469,794	3,469,274	Euro	17.44%	17.44%	N/A	N/A	N/A	✓	91
IRICAV Due consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	516	60,787	60,271	Euro	17.05%	17.05%	N/A	N/A	N/A	✓	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	155	227,885	227,730	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	39
S. Giorgio Volla consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	72	6,171	6,099	Euro	25.00%	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transportation	31.12.2014	IT GAAP	72	48,327	48,255	Euro	25.00%	25.00%	N/A	N/A	✓	N/A	18
CRIS consortium	Naples (Italy)	Research	31.12.2013	IT GAAP	2,445	4,008	1,563	Euro	1.00%	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transportation	31.12.2013	IT GAAP	57	62,759	62,702	Euro	25.00%	25.00%	N/A	N/A	✓	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2013	IT GAAP	607	1,091	484	Euro	2.30%	2.30%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transportation	31.12.2013	IT GAAP	31	2,408,862	2,408,831	Euro	50.00%	50.00%	N/A	✓	N/A	N/A	16
Train consortium	Rome (Italy)	Transportation	31.12.2014	IT GAAP	1,180	44,787	43,607	Euro	4.55%	4.55%	N/A	N/A	N/A	✓	6
Sesamo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2013	IT GAAP	102	1,088	986	Euro	2.00%	2.00%	N/A	N/A	N/A	N/A	2
Isict consortium	Genoa (Italy)	Research	31.12.2014	IT GAAP	51	264	213	Euro	14.29%	14.29%	N/A	N/A	N/A	✓	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31.12.2014	IT GAAP	108	109	1	Euro	0.92%	0.92%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transportation	31.12.2014	IT GAAP	200	24,626	24,426	Euro	18.20%	18.20%	N/A	N/A	N/A	✓	36
RadioLabs consortium	Rome (Italy)	Research	31.12.2014	IT GAAP	221	2,007	1,786	Euro	25.00%	25.00%	N/A	N/A	✓	N/A	52
SPV M4 S.p.A.	Milan (Italy)	Transportation	n/a	IT GAAP	n/a	n/a	n/a	Euro	5.33%	5.33%	N/A	N/A	N/A	N/A	4,064
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transportation	n/a	IFRS	n/a	n/a	n/a	USD	16.90%	16.90%	N/A	N/A	N/A	✓	7,346
Top-In S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2013	IT GAAP	75	83	8	Euro	5.03%	5.03%	N/A	N/A	N/A	N/A	4
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2013	IT GAAP	41	135	94	Euro	12.00%	12.00%	N/A	N/A	N/A	✓	5
Dattilo S.c.a.r.l.	Naples (Italy)	Transportation	31.12.2013	IT GAAP	99	99	-	Euro	14.00%	14.00%	N/A	N/A	N/A	✓	14
S.P. M4 S.c.p.a.	Milan (Italy)	Transportation	31.12.2013	IT GAAP	360	38,530	38,170	Euro	16.90%	16.90%	N/A	N/A	N/A	✓	61
MetroB S.r.l.	Rome (Italy)	Transportation	31.12.2013	IT GAAP	18,504	19,872	1,368	Euro	2.47%	2.47%	N/A	N/A	N/A	✓	494
Total equity investments recognised at cost															**34,202**
Total equity investments															**55,949**

n/a: set up in 2014.

Equity investments at year end amounted to €55,949 thousand (restated 31 December 2013: €44,858 thousand), of which €21,747 thousand (restated 31 December 2013: €22,053 thousand) was measured using the equity method and €34,202 thousand (restated 31 December 2013: €22,805 thousand) at cost.
The €11,397 thousand increase on 2013, which relates to equity investments measured at cost, is mainly due to the subscription of the equity investment in Metro de Lima line 2 S.A. (€7,346 thousand), the SPV set up following the award of the contract to build the Lima metro in Peru, and the set-up of SPV Linea M4 S.p.A. (€4,064 thousand), a state-invested company which will construct Line M4 of the Milan metro in concession.
Starting from 2014 following the application of IFRS 11, equity-accounted investees also include the joint ventures Balfour Beatty – Ansaldo Systems JV SDN BHD and Kazakhstan TZ – Ansaldo STS Italy LLP (the 2013 figures were restated in order to give a consistent view).

13.5 Loans and receivables and other non-current assets

(€'000)	**31.12.2014**	31.12.2013 restated
Guarantee deposits	2,186	1,937
Other	21,362	17,393
Other non-current related party loans and receivables	16,371	11,775
Non-current financial assets	**39,919**	**31,105**
Other prepayments	20,548	21,741
Other non-current assets	**20,548**	**21,741**

Other non-current financial assets at 31 December 2014 amount to €39,919 thousand, up by €8,814 thousand on 2013, while non-current assets amount to €20,548 thousand (31 December 2013: €21,741 thousand). In particular, they include:

- guarantee deposits, mainly for advances to lessees;
- "other": €10,635 thousand related to the Pittsburgh facilities lease; €4,820 thousand to the sale of part of the inventory of the US subsidiary Ansaldo STS USA INC.; €2,787 thousand to the advance paid by the partners of the AIASA Thessaloniki metro joint venture which was contracted to construct this metro. The group also participates in the expenses that the joint venture has incurred and will incur to develop the contract;
- other non-current related party loans and receivables:
  - €15,816 thousand due from Metro 5 S.p.A.;
  - €373 thousand due from Metro Brescia S.r.l.;
  - €182 thousand due from the MM4 consortium.
- other prepayments relate to the non-current portion of deferred costs for the licence to use the "Ansaldo" trademark owned by Finmeccanica S.p.A. for a 20-year period (€16,090 thousand).
  With reference to the trademark, Ansaldo STS S.p.A. agreed a contract with Finmeccanica S.p.A. on 27 December 2005 allowing the latter to use the "Ansaldo" trademark on the market. Against the advance payment of royalties of €32,213 thousand, this contract gives Finmeccanica the exclusive right to use this trademark until 27 December 2025.

13.6 Inventories

(€'000)	**31.12.2014**	31.12.2013 restated
Raw materials, consumables and supplies	17,562	15,565
Work-in-progress and semi-finished products	11,610	15,361
Finished goods	9,943	10,769
Advances to suppliers	67,012	69,575
Total	**106,127**	**111,270**

Inventories amount to €106,127 thousand, down by €5,143 thousand on the balance at 31 December 2013. The decrease is due to lower advances to suppliers and lower work-in-progress and semi-finished products. They are shown net of the relevant allowance of €5,987 thousand (31 December 2013 restated: €7,284 thousand).

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

(€'000)	**31.12.2014**	31.12.2013 restated
Advances from customers	(58,719)	(64,464)
Progress payments	(1,549,862)	(1,750,256)
Work-in-progress	1,960,511	2,127,625
Provision for expected losses to complete contracts	(15,619)	(10,216)
Allowance for write-down	(32,157)	(14,082)
Work-in-progress (net)	**304,154**	**288,607**
Advances from customers	(382,968)	(367,794)
Progress payments	(3,860,208)	(3,546,258)
Work-in-progress	3,567,751	3,297,289
Provision for expected losses to complete contracts	(5,602)	(12,169)
Allowance for write-down	(5,200)	(6,300)
Progress payments and advances from customers (net)	**(686,227)**	**(635,232)**
Work-in-progress, net of progress payments and advances from customers	**(382,073)**	**(346,625)**

Work in progress is usually recognised under assets when the related gross carrying amount is higher than advances from customers, or under liabilities when advances are greater than the relevant work in progress.
The overall net amount decreased €35,448 thousand on 31 December 2013, mainly due to revenue in excess of production.
The provision for expected losses to complete contracts reflects losses not yet incurred but for which a provision was recognised on an accruals basis when the contract budget corresponds to a loss. This provision refers to the relevant contracts. Specifically, €15,619 thousand reflects the decrease in "work in progress (net)" and €5,602 thousand to the increase in "progress payments and advances from customers (net)".
Total advances from customers amount to €441,687 thousand (restated 31 December 2013: €432,258 thousand).
The net balance of work in progress and progress payments and advances from customers includes net advances of €141,499 thousand related to the contracts in Libya, which are currently halted given the well-known events which have affected this country over the past few years. As described in the directors' report, these advances largely cover the works performed to date which are yet to be invoiced. As a consequence, there are no probable risks which would require any accruals.

13.8 Trade receivables and loan assets

	31.12.2014		31.12.2013 restated	
(€'000)	**Trade receivables**	**Loan assets**	Trade receivables	Loan assets
Third parties	540,748	30,326	485,072	30,046
Total third parties	**540,748**	**30,326**	**485,072**	**30,046**
Related parties	169,901	10,709	140,421	34,011
Total	**710,649**	**41,035**	**625,493**	**64,057**

Third party trade receivables amount to €540,748 thousand, up €55,676 thousand on 31 December 2013 (restated €485,072 thousand). The increase mainly relates to the subsidiary Ansaldo STS Australia PTY Ltd. and Ansaldo STS Sweden AB.
Related party trade receivables rose on the previous year (31 December 2014: €169,901 thousand; restated 31 December 2013: €140,421 thousand), mainly due to customers Ferrovie dello Stato, Metro 5 Lilla and the Saturno consortium.

Third party loan assets at 31 December 2014 amounted to €30,326 thousand (restated 31 December 2013: €30,046 thousand) and mainly relate to amounts due from the parent and Ansaldo STS Malaysia Sdn Bhd. Specifically:
- €28,443 thousand reflects the euro equivalent amount of the Libyan dinar advance on the first of the two contracts in Libya obtained by the parent and deposited in a local bank and tied up pending the resumption of activities;
- €1,883 thousand reflects the short-term deposits made by Ansaldo STS Malaysia Sdn Bhd at year end with leading banks as a consequence of year-end collections.

Related party loan assets amount to €10,709 thousand (restated 31 December 2013: €34,011 thousand) and relate to an interest-bearing loan granted to S.P. M4 S.C.p.a. which will be repaid during the first half of 2015.

With respect to CONSOB communication no. DAC/RM/97003369 of 9 April 1997, we note that, during the year, the group factored without recourse receivables not yet due for €49,639 thousand for the subsidiary Ansaldo STS France S.A.S. (31 December 2013: €74,205 thousand overall, also including for the parent), of which €41,395 thousand was paid during the year (31 December 2013: €32,376 thousand), in addition to the repayment of the residual 2013 balance of €41,829 thousand.

13.9 Financial assets measured at fair value through profit or loss

At 31 December 2014, there are no financial assets measured at fair value through profit or loss.

13.10 Tax assets and liabilities

	31.12.2014		31.12.2013 restated	
(€'000)	**Assets**	**Liabilities**	Assets	Liabilities
Direct taxes	23,131	10,269	28,796	5,691
Total	**23,131**	**10,269**	**28,796**	**5,691**

Direct tax assets amount to €23,131 thousand, down €5,665 thousand on the €28,796 thousand restated balance at 31 December 2013. The decrease is mainly due to the lower advances paid in June and November, net of taxes of the year, by the parent Ansaldo STS S.p.A. (€1,220 thousand) and the utilisation of tax credits for research and development in 2014 and higher taxes for the year for the subsidiary Ansaldo STS USA (€4,823 thousand).
Direct tax assets relate to the parent Ansaldo STS S.p.A. (€10,793 thousand), the companies of the Ansaldo STS France group (€11,681 thousand) and the Asia/Pacific group companies (€657 thousand).
The direct tax assets pertaining to the parent Ansaldo STS S.p.A. mainly relate to foreign tax assets (€6,096 thousand; restated 31 December 2013: €5,913 thousand) and to a tax credit in connection with the reimbursement claimed pursuant to article 2.1-quater of Decree Law no. 201/2011, related to the smaller IRES due for the 2007-2011 period as a result of the IRAP deductibility on personnel expense (€3,555 thousand).
Direct tax liabilities amount to €10,269 thousand, up €4,578 thousand on the restated balance of €5,691 thousand at 31 December 2013. They mainly relate to the parent Ansaldo STS S.p.A. (€721 thousand), ASTS France S.A.S. subsidiaries (€5,349 thousand), ASTS Australia PTY LTD subsidiaries (€2,388 thousand), Ansaldo STS Sweden A.B. (€533 thousand) and Ansaldo Railway Sistem Trading (Beijing) Company Limited (€1,278 thousand).

13.11 Other current assets

(€'000)	**31.12.2014**	31.12.2013 restated
Prepayments - current portion	11,133	11,564
Research grants	15,148	12,376
Employees	1,264	1,148
Social security institutions	109	73
Indirect and other tax assets	32,745	23,474
Derivatives	8,435	8,288
Other	14,691	20,131
Total other current financial assets	**83,525**	**77,054**
Related parties	251	1,516
Total	**83,776**	**78,570**

Total other current financial assets amount to €83,525 thousand, up €6,471 thousand on the restated balance of €77,054 thousand at 31 December 2013. The main changes relate to the increase in indirect taxes due to the greater VAT credit of the parent for its own and its branches' items.
Other current assets - Related parties amount to €251 thousand and decreased on the previous year (€1,516 thousand).
For additional information on derivatives, reference should be made to note 13.22.

13.12 Cash and cash equivalents

(€'000)	**31.12.2014**	31.12.2013 restated
Cash-in-hand	105	96
Bank accounts	269,962	191,425
Total	**270,067**	**191,521**

Cash and cash equivalents at 31 December 2014 amount to €270,067 thousand and mainly relate to Ansaldo STS S.p.A. (€179,381 thousand), Ansaldo STS France group (€26,251 thousand), the Asia/Pacific subsidiaries (€23,964 thousand), Ansaldo STS USA group (€18,537 thousand), Ansaldo Railway System Trading (Beijing) Company Ltd. (€17,501 thousand) and Ansaldo STS Sweden (€3,337 thousand).
They rose by €78,546 thousand following the increased cash of the parent Ansaldo STS S.p.A..

13.13 Share capital

	in Euros			
	No. of shares	Nominal amount	Treasury shares	Total
Outstanding shares	100,000,000	50,000,000	(806,054)	49,193,946
31 December 2009	**100,000,000**	**50,000,000**	**(806,054)**	**49,193,946**
Bonus issue as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	513,643	513,643
31 December 2010	**120,000,000**	**60,000,000**	**(292,411)**	**59,707,589**
Bonus issue as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	290,586	290,586
31 December 2011	**140,000,000**	**70,000,000**	**(1,825)**	**69,998,175**
Bonus issue as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	133	133
31 December 2012	**160,000,000**	**80,000,000**	**(1,692)**	**79,998,308**
Bonus issue as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	114	114
31 December 2013	**180,000,000**	**90,000,000**	**(1,578)**	**89,998,422**
Bonus issue as resolved by the shareholders in their extraordinary meeting of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP	-	-	876	876
2014	**200,000,000**	**100,000,000**	**(702)**	**99,999,298**

The fully paid-up share capital amounts to €100,000,000 and is comprised of 200,000,000 ordinary shares with a nominal amount of €0.50 each. On 14 July 2014, as resolved by the shareholders in their extraordinary meeting of 23 April 2010, the company carried out the fifth and last instalment of the bonus issue (€10,000,000), issuing 20,000,000 ordinary shares with a nominal amount of €0.50 each.
During the above meeting, pursuant to article 2442 of the Italian Civil Code, the shareholders approved a bonus issue of €50,000,000, to be carried out using available reserves: specifically €47,678,624.34 from the "Capital injection" reserve, which will be consequently zeroed, and €2,321,375.66 from the reserve for "Negative goodwill" which will be decreased by the same amount. The bonus issue was concluded in 2014 with the issue of the fifth instalment.
Treasury shares are equal to €0.7 thousand and relate to the 1,405 residual shares following the completion of the process to purchase and grant shares to the group managers who are part of the Stock grant plan ("SGP").

Based on the shareholders' register and considering the communications sent to CONSOB and received by the company pursuant to article 120 of Legislative decree no. 58 of 24 February 1998, and other available information, the table below gives a list of the investors which hold more than 2% of Ansaldo STS S.p.A.'s share capital at 31 December 2014:

Investor	% held
Finmeccanica S.p.A.	40.066
Norges Bank	2.050
Other shareholders with an investment of less than 2%	57.884

13.14 Retained earnings

(€'000)	
31 December 2013 restated	**395,178**
Changes in the consolidation scope	897
Profit for the year	80,636
Dividends	(28,800)
Reclassifications	(2,321)
Other changes	(9)
At 31 December 2014	**445,581**

At 31 December 2014, retained earnings, including profit for the year and consolidation reserves, amounted to €445,581 thousand. The increase is mainly due to the group's profit for the year of €80,636 thousand, the dividend distribution of €28,800 thousand and the utilisation of negative goodwill of €2,321 thousand as resolved by the shareholders at their meeting of 23 April 2010 to follow up the last instalment of the bonus issue.

13.15 Other reserves

(€'000)	Legal reserve	Reserve for legal reserve adjustments	Hedging reserve	Stock grant reserve	Deferred tax reserve	Translation reserve	Other	Total
31 December 2013 restated	**18,000**	**2,000**	**(438)**	**2,453**	**139**	**(17,592)**	**8,976**	**13,538**
Reclassification from retained earnings or losses carried forward and consolidation reserves	-	-	-	-	-	-	-	-
Change in the consolidation scope	-	-	-	-	-	(216)	-	(216)
Transfers to profit and loss	-	-	1,063	-	(61)	-	-	1,002
Net exchange rate gains	-	-	-	-	-	21,266	-	21,266
Increase/decrease	-	-	-	1,925	-	-	(5,275)	(3,350)
Fair value gains	-	-	3,390	-	229	-	-	3,619
Reserve for legal reserve adjustments	2,000	(2,000)	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	(7,679)	(7,679)
Other changes	-	-	-	(116)	-	-	-	(116)
31 December 2014	**20,000**	**-**	**4,015**	**4,262**	**307**	**3,458**	**(3,978)**	**28,064**

Legal reserve

The legal reserve amounts to €20,000 thousand (31 December 2013: €18,000 thousand). The €2,000 thousand increase is a consequence of the shareholders' decision taken during their meeting to approve the 2009 financial statements to adjust this reserve, bringing it to 20% of share capital, in addition to allocating 5% of the profit for the year to reserves. Moreover, having decided to increase share capital by €50,000 thousand in five equal annual instalments in order to ensure that this reserve is always equal to 20% of share capital, a reserve for legal reserve adjustments was set up which converts automatically into a legal reserve when the bonus issue becomes effective. During the year, as resolved by the shareholders, following the fifth instalment of the share capital increase, €2,000 thousand was transferred from the reserve for legal reserve adjustments to the legal reserve.

Reserve for legal reserve adjustments
It was fully used and was set up in 2010 for an amount of €10,000 thousand as resolved by the shareholders in their meeting called to approve the 2009 financial statements and the bonus issue. Based on the above resolution, on 14 July 2014, following the fifth and last instalment of the €10,000 thousand bonus issue, the legal reserve was adjusted to 20% of share capital using €2,000 thousand of the reserve for legal reserve adjustments.

Hedging reserve
This reserve comprises the fair value gains or losses on the derivatives the group uses to hedge its foreign currency or interest rate exposure (€4,015 thousand at 31 December 2014), gross of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this takes place, the reserve is reclassified to profit or loss to offset the effects of the hedged transaction.

Stock grant reserve
This reserve was set up in 2007 following the board of directors' approval of the Stock Grant Plan (SGP) under which Ansaldo STS shares are awarded to "strategic" and "key" resources and high potential managers upon reaching the agreed targets. For additional information, reference should be made to section 7 "Human resources and organisation" in the directors' report.
At 31 December 2014, it amounted to €4,262 thousand. It can be analysed as follows:
- -€363 thousand related to awarding of shares in the years from 2007 to 2014;
- €4,625 thousand accrued to the Stock grant plan.

The €1,809 thousand increase is mainly due to the increase of €1,925 thousand attributable to the shares related to 2014 vesting conditions (2014-2016 plan) recognised at the grant date (€8,061 per share at 17 February 2014). Following the bonus issue of 14 July 2014, the unit value was re-calculated as €7.2549 per share.

Deferred tax reserve
The deferred tax reserve amounts to €307 thousand and changed in relation to the recognition of deferred taxation generated by: actuarial gains (losses) following the adoption of the equity method for defined benefit plans and fair value gains and losses on hedging transactions.

Translation reserve
This reserve is used to recognise the exchange rate gains and losses generated by the translation of the financial statements of consolidated companies (31 December 2014: €3,458 thousand). The largest amounts are generated by the consolidation of the subsidiaries Ansaldo STS USA and Ansaldo STS Australia.

Other
The €7,679 thousand decrease refers to the shareholders' approval of the 2009 financial statements and the bonus issue. In their meeting, the shareholders decided to allocate the entire reserve for "capital injections" and that for "negative goodwill" (€2,321 thousand) to the bonus issue. On 14 July 2014, following the issue of the fifth and last instalment of the bonus issue, €7,679 thousand of the reserve for capital injections was allocated to share capital.
This caption also includes the reserve for defined benefit plans (€-6,055 thousand), to which the decrease for the year refers (€5,275: actuarial losses on defined benefit plans), the revaluation reserve pursuant to Law no. 413/91 and the reserves set up following the parent's receipt of research grants.

13.16 Equity attributable to non-controlling interests

(€'000)	
31 December 2013 restated	**346**
Change in the consolidation scope	779
Profit for the year attributable to non-controlling interests	58
Translation reserve attributable to non-controlling interests	95
31 December 2014	**1,278**

Equity attributable to non-controlling interests relates to Ansaldo STS Beijing Ltd., with its registered office in Beijing (China) (20%), controlled by Ansaldo STS France S.A.S.. The change in scope is due to the sale of Ansaldo STS Sinosa Rail Solutions South Africa (PTY) LTD during the year (for additional information, reference should be made to the introductory paragraph of the directors' report).

13.17 Loans and borrowings

	31.12.2014			31.12.2013 restated		
(€'000)	**Current**	**Non-current**	**Total**	Current	Non-current	Totale
Bank loans and borrowings	5,363	-	5,363	7,616	-	7,616
Other loans and borrowings	1,973	-	1,973	2,464	-	2,464
Related party loans and borrowings	10,351	-	10,351	-	-	-
Total	**17,687**	**-**	**17,687**	**10,080**	**-**	**10,080**

Changes of the year are as follows:

(€'000)	31.12.2013 restated	**Increases**	**Decreases**	**Other changes**	**31.12.2014**
Bank loans and borrowings	7,616	-	(2,937)	684	5,363
Other loans and borrowings	2,464	1,973	(2,464)	-	1,973
Related party loans and borrowings	-	10,351	-	-	10,351
Total	**10,080**	**12,324**	**(5,401)**	**684**	**17,687**

Bank loans and borrowings

The current portion of bank loans and borrowings amounts to €5,363 thousand, mainly related to Ansaldo STS Transportation Systems India Private Limited (€5,344 thousand).

Other loans and borrowings

Other loans and borrowings amount to €1,973 thousand. They mainly relate to the parent Ansaldo STS S.p.A. for subsidised research project funding which pertain to the partner and which was transferred in early 2015.

Financial debt

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

	Bank loans and borrowings		**Other**		**Total**	
31 December 2014 (€'000)	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within one year	5,363	-	12,324	-	17,687	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**5,363**	**-**	**12,324**	**-**	**17,687**	**-**

31 December 2013 restated (€'000)	Bank loans and borrowings Floating rate	Bank loans and borrowings Fixed rate	Other Floating rate	Other Fixed rate	Total Floating rate	Total Fixed rate
Within one year	7,616	-	2,464	-	10,080	-
2-5 years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
Total	**7,616**	**-**	**2,464**	**-**	**10,080**	**-**

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

	(€'000)	**31.12.2014**	31.12.2013 restated
A	Cash-in-hand	105	96
B	Other cash and cash equivalents (bank current accounts)	269,962	191,425
C	Securities held for trading	-	-
D	**CASH AND CASH EQUIVALENTS (A+B+C)**	**270,067**	**191,521**
E	**CURRENT LOAN ASSETS**	**41,035**	**64,057**
F	Current bank loans and borrowings	5,363	7,616
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	12,324	2,464
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**17,687**	**10,080**
J	**NET CURRENT FINANCIAL POSITION (I-E-D)**	**(293,415)**	**(245,498)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	-	-
N	**NON-CURRENT FINANCIAL DEBT/(POSITION) (K+L+M)**	**-**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(293,415)**	**(245,498)**

13.18 Provisions for risks and charges and contingent liabilities

(€'000)	**Product warranties**	**Disputes with employees**	**Restructuring**	**Other**	**Total**
At 31 December 2013 restated	**8,661**	**681**	**211**	**5,272**	**14,825**
Accruals	2,630	372	-	10	3,012
Reversals	(1,227)	(82)	-	(4,175)	(5,484)
Utilisation	(1,737)	(110)	(211)	(13)	(2,071)
Other changes	139	-	-	1	140
At 31 December 2014	**8,466**	**861**	**-**	**1,095**	**10,422**
Current	*8,661*	*681*	*211*	*5,272*	*14,825*
Non-current	-	-	-	-	-
At 31 December 2013 restated	**8,661**	**681**	**211**	**5,272**	**14,825**
Current	*8,466*	*861*	-	*1,095*	*10,422*
Non-current	-	-	-	-	-
At 31 December 2014	**8,466**	**861**	**-**	**1,095**	**10,422**

At 31 December 2014, the provision for risks and charges amounted to €10,422 thousand, down €4,403 thousand on the restated balance at 31 December 2013 (€14,825 thousand). The decrease is mainly related to the settlement of a dispute by the parent for which €3,998 thousand of the provision was released (for additional information, reference should be made to the "Litigation" paragraph of the separate financial statements).
In relation to the provisions for risks, the activities of the Ansaldo STS group companies relate to business units and markets where disputes are generally only settled after a significant time lapse, especially in cases where the counterparty is a public body.
Provisions have been made for risks that are probable and for which the amount can be determined.
Based on current information, specific provisions have not been set aside for the various disputes as they are expected to be resolved satisfactorily and without significantly impacting results.

13.19 Employee benefits

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

(€'000)	**31.12.2014**	31.12.2013 restated
Italian post-employment benefits	20,120	18,348
Defined benefit pension plans	14,555	11,632
Total	**34,675**	**29,980**

	Italian post-employment benefits		**Defined benefit plans**	
(€'000)	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013 restated
Present value of obligations	20,120	18,348	14,555	11,632
Total	**20,120**	**18,348**	**14,555**	**11,632**

Changes in defined benefit plans and Italian post-employment benefits are as follows:

	31.12.2014	
(€'000)	**Italian post-employment benefits**	**Defined benefit plans**
31 December 2013 restated	**18,348**	**11,632**
Current costs	716	848
Benefits paid	(1,225)	(814)
Actuarial losses taken to equity	2,281	2,888
of which:		
Actuarial losses taken to equity following changes to financial assumptions	*2,239*	*2,600*
Actuarial gains taken to equity following experience-based adjustments	*42*	*288*
31 December 2014	**20,120**	**14,555**

The amount recognised in the income statement is as follows:

	Italian post-employment benefits		**Defined benefit plans**	
(€'000)	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013 restated
Current service costs	269	238	470	487
Interest expense	447	511	378	360
Total	**716**	**749**	**848**	**847**

The following main actuarial assumptions were used:

	Italian post-employment benefits		Defined benefit plans	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013 restated
Discount rate (p.a.)	1.75%	2.91%	1.8%	3.3%
Salary increase rate	N.A.	N.A.	2.5%	2.5%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.81%	3.5%

A sensitivity analysis was performed for each significant actuarial assumption, showing the effects on the value of obligations:

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	**0.25**	**-0.25%**	**0.25%**
Discount rate (p.a.)	20,562	19,702	15,120	13,784
Inflation rate	19,809	20,505	13,786	15,114
Turnover frequency	20,121	20,118	14,195	14,671

The average term of the Italian post-employment benefits is equal to 12 years, while that of other defined benefit plans is 18 years.

13.20 Other current and non-current liabilities

	31.12.2014		31.12.2013 restated	
(€'000)	**Current**	**Non-current**	Current	Non-current
Employees	40,119	6,795	28,862	5,452
Indirect and other tax liabilities	13,691	-	14,795	-
Amounts due to social security institutions	16,048	-	14,450	-
Derivatives	5,194	-	5,021	-
Other	34,593	5,063	27,383	3,718
Total other third party liabilities	**109,645**	**11,858**	**90,511**	**9,170**
Other related party liabilities	602	-	629	-
Total	110,247	11,858	91,140	9,170

Other current and non-current third party liabilities amount to €121,503 thousand, up €21,822 thousand on 31 December 2013 restated (€99,681 thousand). The increase is mainly due to liabilities to employees for accruals for short-term deferred remuneration, amounts due to social security institutions and other liabilities.
Specifically, other third party liabilities include the outstanding 62% of the consideration to be paid for the acquisition of the investment in Metro C S.c.p.A. (€12,950 thousand) (31 December 2013: €12,950 thousand) and SPV Linea M4 S.p.A. (€4,000 thousand) and advances for R&D grants of the parent of €8,097 thousand.
Other current and non-current related-party liabilities amount to €602 thousand (31 December 2013: €629 thousand).
For additional information on derivatives, reference should be made to note 13.22.

13.21 Trade payables

(€'000)	**31.12.2014**	31.12.2013 restated
Trade payables	314,860	297,974
Total trade payables	**314,860**	**297,974**
Related party trade payables	54,005	57,211
Total	**368,865**	**355,185**

Trade payables increased €16,886 thousand on 2013, mainly due to the subsidiary Ansaldo STS Australia Pty. Related party trade payables fell €3,206 thousand on 2013. They mainly relate to payables due to related parties (AnsaldoBreda S.p.A. and Metro Service AS.).
There are no trade payables due after five years.

13.22 Derivatives

Derivative assets and liabilities may be analysed as follows.

	31.12.2014		31.12.2013 restated	
(€'000)	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges	3,726	1,385	3,025	421
Cash flow hedges	4,709	3,809	5,263	4,600
Currency hedges	**8,435**	**5,194**	**8,288**	**5,021**

Derivative assets and liabilities are substantially in line with those of the previous year.

Fair value measurement

The group does not hold listed derivative instruments at 31 December 2014. The fair value of unlisted derivatives is measured using financial valuation techniques. Specifically, the fair value of currency forwards is determined on the basis of market rates at the reporting date and the exchange rate spreads between the relevant currencies. The fair value of swaps is calculated discounting the future cash flows at market rates.

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

(€'000)	**31.12.2014**	31.12.2013 restated
Euro	98,022	163,412
US dollar	155,986	172,884
Pound sterling	9,629	8,878
Swedish krona	28,609	27,369
Australian dollar	43,159	55,359
Hong Kong dollar	451	248
South African rand	-	1,397
Indian rupee	4,819	4,331
Abu Dhabi dirham	4,485	15,399

Although it is exposed to the risk of fluctuations in interest rates, the group does not hedge the interest rate risk.

13.23 Guarantees and other commitments

Leases

The group is party to certain operating leases, mainly for use of property, plant and equipment. Minimum future lease payments are as follows:

(€'000)	**Operating leases**
Within one year	3,927
Between two and five years	8,904
After five years	3,631
	16,462

Guarantee portfolio
Sureties and bonds issued by banks or insurance companies to customers for trading transactions play a fundamental role in the finalisation of national/international tenders and a basic requirement in the awarding of contracts.

Bid bond
This guarantee is required to participate in bids. Usually, it has a 3/6-month term and reflects 1-3% of the basic bid amount or the estimated bid amount.
Because of its nature, the total value of the bid bond with respect to guarantees is usually modest. At 31 December 2014, it accounted for approximately €39 million in the guarantee portfolio.

Performance bond
This guarantee ensures the successful performance of the project or the supply. It is usually required when signing contracts. The term of performance bonds reflects that of the works or the supply for which they were issued.
They can be of a short-term nature in the case of supply contracts, while they can reach the maximum term for turn-key contracts as they include the Operation & Maintenance stage. The amount depends on the type of contract and the relevant context. Usually, it ranges between 10-15% of the contractual value.
This type of guarantee accounted for approximately €1,078 million in the guarantee portfolio at 31 December 2014.

Retention money bond
Where contractually provided for, the retention money bond represents the guarantee given to release the amounts held by the customer as a guarantee on the services provided and invoiced. Guarantees are released progressively and for minimum amounts (for example, 5% of works/supplies performed and invoiced). Where not explicitly provided for in the contract, the bond can also be released upon completion of works.
This type of guarantee accounted for approximately €49 million in the guarantee portfolio at 31 December 2014.

Advance payment bond
The advance payment bond, also called down payment bond, enables the customer to recover an advance payment made to the supplier at the beginning of the project/supply. It decreases as the advance is reabsorbed through the invoicing of the supplier to the customer. The amount of this guarantee varies on the basis of the contract type and of the context in which it has been issued. Generally, it can vary from 10% to 15% of the contractual amount up to 25%-35% in some international contexts. At 31 December 2014, this type of guarantee amounted to over €631 million.

Counter guarantee
Counter guarantees are another type of guarantee. They are presented by the parent Ansaldo STS S.p.A. in the scope of contracts agreed as member of consortia and joint ventures. At 31 December 2014, this type of guarantee amounted to approximately €281 million.

Part of the sureties detailed above were released at 31 December 2014 by using the credit lines of the ultimate parent Finmeccanica S.p.A. (€251 million) and part of those of Ansaldo STS S.p.A. (€294 million) for transactions on behalf of the subsidiaries.

Parent company guarantee - Ansaldo STS S.p.A.
The parent company guarantee (PCG) represents the guarantee given by the ultimate parent in favour of third parties to guarantee the commitments of a subsidiary. This guarantee can be given for various purposes: issuing commercial guarantees, where the parent Ansaldo STS S.p.A. is replaced as guarantor with the banks, for a total of approximately €770 million at 31 December 2014, to the guarantees released by the parent to the banks for the credit lines granted to Ansaldo STS group companies totalling €235 million at 31 December 2014.

Parent company guarantee - Finmeccanica
The ultimate parent Finmeccanica also issued a parent company guarantee (PCG) to Ansaldo STS for €1,199 million on 31 December 2014 on behalf of the company's foreign customers.

The group has the following guarantees at 31 December 2014:

Direct guarantees and hold harmless agreements for guarantees issued by third parties in the interest of the group to customers and other third parties (€'000)	**ASTS group**
Personal guarantees issued by Finmeccanica (parent company guarantees) and Finmeccanica Finance S.A. (advance payment bonds, performance bonds and retention money bonds) to customers for trading transactions	1,198,702
Personal guarantees issued by Ansaldo STS (parent company guarantees) to customers for trading transactions	769,995
Sureties and bonds (advance payment bonds, performance bonds, bid bonds and retention bonds) issued by banks or insurance companies to customers for trading transactions	2,078,416
of which, counter-guaranteed by Finmeccanica	250,682*
of which, counter-guaranteed by Ansaldo STS	294,281
Direct and other guarantees issued by Finmeccanica and Ansaldo STS, banks or insurance companies to other third parties for non-contractual/trading guarantees (financial transactions and tax)	4,929
of which, issued or counter-guaranteed by Finmeccanica	
of which, issued or counter-guaranteed by Ansaldo STS	*4,929*
Total	**4,052,042**

* including USD 194 million related to the Honolulu project.

14 Notes to the income statement

14.1 Impact of related party transactions on profit or loss

2014 (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Ultimate parent						
Finmeccanica S.p.A.	-	-	4,656	60	37	35
Subsidiaries						
Alifana S.c.r.l.	25	-	84	-	-	-
Alifana Due S.c.r.l.	687	-	687	-	-	-
Associates						
International Metro Service S.r.l.	-	21	-	-	-	-
Metro 5 S.p.A.	2,993	613	65	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	345	-	-	-
SP M4 S.c.p.a.	-	-	-	400	-	-
Metro Brescia S.r.l.	206	-	31	-	-	-
Metro 5 Lilla S.r.l.	19,727	-	236	-	-	-
Metro Service S.p.A.	-	-	48,149	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	10,314	-	16	-	-	-
Consortia						
Ascosa Quattro consortium	156	-	86	-	-	-
Cesit consortium	-	-	-	-	-	24
Ferroviario Vesuviano consortium	-	-	125	-	-	-
Cris consortium	-	-	1	-	-	-
San Giorgio Volla 2 consortium	584	-	77	-	-	-
San Giorgio Volla consortium	4	-	24	-	-	-
MM4 consortium	19,909	-	1,345	-	-	-
Saturno consortium	18,435	-	1,720	-	-	-
Other group companies						
AnsaldoBreda S.p.A.	9,265	-	28,664	-	-	-
I.M. Intermetro S.p.A. (in liq.)	1	-	-	-	-	-
Electron Italia S.r.l.	4	-	-	-	-	-
Selex ES S.p.A.	683	-	30,868	-	-	-
Fata S.p.A.	-		232			
Fata Logistic Systems S.p.A.	-	-	1,578	-	-	-
Finmeccanica UK LTD	-	-	127	-	-	-
AnsaldoBreda España SLU	(5)	-	-	-	-	-
Finmeccanica Global Services S.p.A.	-	5	867	-	-	14
Telespazio S.p.A.	-	-	2	-	-	-
E-Geos S.p.A.	-	-	36	-	-	-
Other - MEF						
Ferrovie dello Stato group	116,261	350	1,696	-	-	-
Eni group	22,521	-	20	-	-	-
Enel group	-	-	101	-	-	-
Total	**221,770**	**989**	**121,838**	**460**	**37**	**73**
% of the total corresponding consolidated financial statements caption	**17%**	**4%**	**14%**	**1%**	**0.1%**	**0.5%**

2013 restated (€'000)	Revenue	Other operating income	Costs	Financial income	Financial expense	Other operating expense
Ultimate parent						
Finmeccanica S.p.A.	-	-	3,232	218	250	19
Subsidiaries						
Alifana S.c.a.r.l.	25	-	94	-	-	-
Alifana Due S.c.r.l.	317	-	419	-	-	-
Associates						
International Metro Service S.r.l.	1,000	4	(4)	-	-	-
Metro 5 S.p.A.	20,950	247	101	-	-	-
Pegaso S.c.r.l. (in liq.)	-	-	448	-	-	-
SP M4 S.C.p.A.	-	-	(133)	45	-	-
Metro Brescia S.r.l.	199	-	(256)	-	-	-
Metro 5 Lilla S.r.l.	14,618	-	211	-	-	-
Metro Service S.p.A.	6,236	-	46,745	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	16,389	-	160	-	-	-
Consortia						
Ascosa Quattro consortium	326	-	224	-	-	-
Cesit consortium	-	-	1	-	-	32
Ferroviario Vesuviano consortium	(3)	-	130	-	-	-
Cris consortium	-	-	1	-	-	-
San Giorgio Volla 2 consortium	644	-	45	-	-	-
San Giorgio Volla consortium	51	-	28	-	-	-
MM4 consortium	6,547	-	721	-	-	-
Saturno consortium	8,475	-	2,047	-	-	-
Other group companies						
AnsaldoBreda S.p.A.	10,726	-	12,120	-	-	-
AnsaldoBreda España SLU	31	-	-	-	-	-
Telespazio S.p.A.	-	-	1	-	-	-
DRS Technologies INC.	-	-	3	-	-	-
Electron Italia S.r.l.	15	-	-	-	-	-
Selex ES S.p.A.	484	-	18,918	-	-	-
Selex Sistemi Integrati LTD	22	-	-	-	-	-
Fata S.p.A.	-		215			
Fata Logistic Systems S.p.A.	-	-	1,826	-	-	-
Finmeccanica UK LTD	-	-	93	-	-	-
Finmeccanica Global Services S.p.A.	-	19	923	-	-	62
E-Geos S.p.A.	-	-	40	-	-	-
Other - MEF						
Ferrovie dello Stato group	126,873	-	1,463	-	-	-
Eni group	23,389	-	489	-	-	-
Enel group	-	-	1,602	-	-	-
Total	**237,314**	**270**	**91,907**	**263**	**250**	**113**
% of the total corresponding consolidated financial statements caption	**19%**	**1%**	**12%**	**1%**	**1%**	**0.4%**

14.2 Revenue

(€'000)	2014	2013 restated
Sales	851,464	713,605
Services	146,439	72,551
	997,903	**786,156**
Change in work in progress	83,835	206,332
Third party revenue	**1,081,738**	**992,488**
Related party revenue	**221,770**	**237,314**
Total revenue	**1,303,508**	**1,229,802**

Third party revenue amounted to €1,081,738 thousand in 2014, up €89,250 thousand on the €992,488 thousand restated balance in 2013. The increase was mainly due to projects of the parent and the subsidiary Ansaldo STS France.
Related party revenue decreased €15,544 thousand on the previous year, mainly due to lower amounts with the associate Metro 5 S.p.A..

14.3 Other operating income

(€'000)	2014	2013 restated
R&D grants	3,773	2,527
Training grants	502	254
Gains on sales of property, plant and equipment and intangible assets	8	21
Reversals of impairment losses on loans and receivables	1,227	284
Reversals of provisions for risks and charges	4,175	570
Insurance compensation	-	1
Royalties	443	483
Financial income and exchange rate gains on operating items	2,025	9,779
Tax asset for R&D	3,111	2,639
Other operating income	11,210	10,687
Other third party operating income	**26,474**	**27,245**
Other related party operating income	**989**	**270**
Total other operating income	**27,463**	**27,515**

Other operating income amounted to €27,463 thousand, more or less in line with the previous year (€27,515 thousand). Within the individual captions comprising this balance, there was an increase in R&D grants and the provision for risks and charges was released (for additional information reference should be made to the paragraph on "Provisions for risks and charges and contingent liabilities") offset by lower financial income and exchange rate gains on operating items.

14.4 Purchases and services

(€'000)	**2014**	2013 restated
Materials	296,952	246,766
Change in inventories	(1,559)	7,963
Services	414,488	413,220
Rentals and operating leases	24,487	28,402
Total third party purchases and services	**734,368**	**696,351**
Total related party purchases and services	**121,838**	**91,907**
Total purchases and services	**856,206**	**788,258**

Total purchases and services of €856,206 thousand increased €67,948 thousand on those for the previous year (restated €788,258 thousand) due to larger production volumes in the year.
Purchases of materials and the change in inventories amount to €295,393 thousand (restated 2013: €254,729 thousand), up €40,664 thousand.
Services amount to €414,488 thousand (restated 2013: €413,220 thousand), up €1,268 thousand.
Rentals and operating leases amount to €24,487 thousand (restated 2013: €28,402 thousand), down €3,915 thousand. They mainly relate to long-term rentals of company cars, software licences and the lease of premises.
Related party purchases and services are up €29,931 thousand. The increase is mainly due to the related companies AnsaldoBreda S.p.A. and Selex ES S.p.A. and the associate Metro Service AS.

14.5 Personnel expense

(€'000)	**2014**	2013 restated
Wages and salaries	245,585	245,060
Stock grant plans	1,926	892
Social security and pension contributions	52,342	50,149
Italian post-employment benefits	269	238
Other defined benefit plans	470	487
Other defined contribution plans	4,150	4,070
Recovery of personnel expense	(1,617)	(808)
Disputes with personnel	284	162
Restructuring costs	5,970	496
Other costs	7,143	2,606
Total	**316,522**	**303,352**

The headcount at 31 December 2014 numbered 3,799, down 130 employees on the previous year (3,929). This decrease is partly related to the parent due to the redundancy plan implemented during the year and partly to the Australian subsidiary.
The average headcount on the payroll in 2014 numbered 3,854, down 45 employees compared to 3,899 in 2013 restated.
Personnel expense came to €316,522 thousand, up €13,170 thousand on the previous year (€303,352 thousand). This is due to the higher restructuring costs for the redundancy plan implemented by the parent in 2014 and the voluntary redundancies.
On 1 March 2012, the appointments and remuneration committee of Ansaldo STS approved a stock grant plan for 2012 and 2013 which was subsequently approved by the shareholders in their meeting of 7 May 2012. This plan, which applies to a maximum of 56 employees plus the CEO and key managers, has the same vesting conditions as the 2011 plan (EVA, FOCF and share performance against the FTSE Italia All-Share). The plan provides for a three-year vesting period for all beneficiaries.
On 17 February 2014, the Remuneration committee approved a three-year stock grant plan (2014-2016) which was subsequently passed by the shareholders on 15 April 2014. The plan, which applies to a maximum of 46 employees plus the CEO and key managers, has the same vesting conditions as the 2012-2013 plan (EVA, FOCF and share performance against the FTSE Italia All-Share).

The stock grant plan cost is recognised on an accruals basis in the reporting period in which the services are rendered. The amount therefore relates to the portion pertaining to the year of the shares related to the 2014 vesting conditions (as per the 2014-2016 plan), which will be assigned in 2014, considering the three-year vesting conditions.
The cost is determined on the basis of the estimated number of shares to be assigned and their fair value at the date the related parameters were approved by the appointments and remuneration committee (17 February 2014 for the 2014-2016 plan, i.e., the grant date).
In accordance with IFRS 2 “Share-based payment” and IFRIC 11 “Group and treasury share transactions” and their current interpretations, the cost for the 2014 stock grant plan, equal to €1,926 thousand (2013: €892 thousand), was recognised with a balancing entry in an equity reserve.
The Italian post-employment benefit and other defined benefit plan expense represent only the service cost as interest cost is classified under financial expense following the adoption of the equity method.

14.6 Amortisation, depreciation and impairment losses

(€’000)	**2014**	2013 restated
Amortisation and depreciation:		
- intangible assets	5,604	5,375
- property, plant and equipment	9,096	9,574
	14,700	**14,949**
Impairment losses:		
- current loans and receivables	3,627	1,873
- other assets	20	156
	3,647	**2,029**
Total amortisation, depreciation and impairment losses	**18,347**	**16,978**

Amortisation, depreciation and impairment losses amount to €18,347 thousand and increased €1,369 thousand on 2013 (restated €16,978 thousand). The increase was due to higher impairment losses on current loans and receivables recorded by the parent for doubtful debts.
Specifically, €5,604 thousand relates to intangible assets and €9,096 thousand to property, plant and equipment.

14.7 Other operating expense

(€'000)	2014	2013 restated
Accruals to the provisions for risks and charges	2,646	1,542
Losses to complete contracts	(2,193)	9,584
Membership fees	803	829
Losses on sales of property, plant and equipment and intangible assets	30	31
Exchange rate losses on operating items	6,745	9,159
Interest and other operating expense	1,739	5,781
Indirect taxes	4,326	2,939
Other operating expense	1,589	2,022
Total other third party operating expense	**15,685**	**31,887**
Other related party operating expense	**73**	**113**
Total other operating expense	**15,758**	**32,000**

Other third party and related party operating expense amounted to €15,758 thousand, down €16,242 thousand on 2013 (€32,000 thousand). Specifically, the decrease related to losses to complete contracts and exchange rate losses on operating items and interest and other operating expense.
Starting from 2012, expected losses to complete contracts are no longer recognised against revenue, rather under "Other operating expense".

14.8 Internal work capitalised

(€'000)	2014	2013 restated
Internal work capitalised	(4,885)	(2,577)

Internal work capitalised mainly relates to:
- the parent Ansaldo STS S.p.A. (€4,388 thousand), almost entirely related to the Satellite and Rail Telecom project began in 2012 to develop satellite technologies for new railway signalling systems. This project is co-financed with the European Space Agency and the Galileo Supervisory Authority;
- the French subsidiary Ansaldo STS France S.A.S. (€497 thousand), with respect to costs for the internal construction (personnel, materials and services) of intangible assets and property, plant and equipment.

14.9 Net financial income/(expense)

	2014			2013 restated		
(€'000)	Income	Expense	Net	Income	Expense	Net
Interest and fees	919	1,636	(717)	489	2,224	(1,735)
Exchange rate gains and losses	29,206	29,154	52	19,090	19,201	(111)
Fair value gains and losses	1,378	1,781	(403)	667	1,914	(1,247)
Interest on Italian post-employment benefits	-	447	(447)	-	511	(511)
Interest on other defined benefit plans	-	378	(378)	-	360	(360)
Other financial income and expense	-	851	(851)	672	930	(258)
Total net financial income (expense)	**31,503**	**34,247**	**(2,744)**	**20,918**	**25,140**	**(4,222)**
Net related party financial income/ (expense)	**460**	**37**	**423**	**263**	**250**	**13**
Total	**31,963**	**34,284**	**(2,321)**	**21,181**	**25,390**	**(4,209)**

In 2014, net third party financial expense amounted to €2,744 thousand, compared to €4,222 thousand in 2013. The €1,478 thousand improvement is due to:

- the €1,018 thousand improvement in interest and fees which went from a net -€1,735 thousand in 2013 to -€717 thousand in 2014, mainly due to lower interest expense of the Indian subsidiary Ansaldo Transportation Systems India Private Limited;
- the €844 thousand increase in the fair value of derivatives still in place at year end.

In 2014, net related party financial income increased by €410 thousand, mainly as a consequence of greater interest expense due to an interest-bearing loan granted to SP M4 S.C.p.A..
As shown in the table, interest on the Italian post-employment benefits and defined benefit plans amount to €825 thousand in 2014, compared to €871 thousand in 2013.

14.10 Share of profits (losses) of equity-accounted investees

	2014			2013 restated		
(€'000)	**Income**	**Expense**	**Net**	Income	Expense	Net
Share of profits/(losses) of equity-accounted investees	2,700	896	1,804	1,138	129	1,009
Total	**2,700**	**896**	**1,804**	**1,138**	**129**	**1,009**

The share of profits/(losses) of equity-accounted investees is a positive €1,804 thousand and comprises the profit of the investees International Metro Service S.r.l. (€1,811 thousand), the associates Metro 5 S.p.A. (€863 thousand) and Metro Brescia S.r.l. (€26 thousand) which was partly offset by the loss of Balfour Beatty Ansaldo Systems JV SDN BHD (€896 thousand).

14.11 Income taxes

This caption comprises:

(€'000)	**2014**	2013 restated
IRES	12,385	12,211
IRAP	4,887	4,814
Other foreign taxes	27,725	19,250
Prior year taxes	(51)	(1,119)
Net deferred tax (income)/expense	(1,665)	3,940
Total	**43,281**	**39,096**

Income taxes increased by an overall €4,185 thousand compared to the previous year. Specifically, the increase is due to the following:

- an increase (€8,475 thousand) in income taxes of foreign companies given the greater pre-tax profit compared to the previous year;
- the €5,605 thousand decrease from net deferred tax income of €3,940 thousand to net deferred tax expense of €1,665 thousand, mainly due to the use of deferred tax assets on the provisions for risks and charges by Ansaldo STS USA INC. (€4,532 thousand);
- IRES (€12,385 thousand) and IRAP (€4,887 thousand), related to the parent, are substantially in line with those of the previous year.

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

		2014			2013 restated	
(€'000)		amount	%		amount	%
Pre-tax profit	**123,975**	**-**		**113,819**	**-**	
Taxes calculated at ruling tax rates		34,093	27.50%		31,300	27.50%
Permanent differences	8,718	2,397	1.93%	13,469	3,704	3.25%
	132,693	**36,490**	**29.43%**	**127,288**	**35,004**	**30.75%**
Different rates on foreign taxes and/or due to losses of the year	-	3,232	2.61%	-	1,918	1.69%
IRAP and other taxes calculated on a basis other than pre-tax profit	-	3,720	3.00%	-	3,293	2.89%
Prior year taxes	-	(162)	-0.13%	-	(1,119)	-0.98%
Total effective taxes recognised in profit or loss		**43,281**	**34.91%**		**39,096**	**34.35%**

At 31 December 2014, the effective tax rate was equal to 34.91%, compared to 34.35% in the previous year. The 0.56% increase is the effect of the different composition of pre-tax profits/(losses) of individual companies.

	Income statement		Statement of financial position	
(€'000)	Income	Expense	Assets	Liabilities
Italian post-employment benefits and pension funds	5	627	5,101	-
Property, plant and equipment and intangible assets	(224)	207	1,688	350
Provisions for risks and charges	2,865	-	21,121	-
Research grants	-	482	(275)	1,662
Allowances for WIP and inventory write-down	(576)	-	2,684	-
Cash flow hedges - defined benefit plans	74	(2)	1,857	1,939
Tax losses	(1,398)	-	1,888	-
Other	1,389	(844)	5,961	6,643
Total	**2,135**	**470**	**40,025**	**10,594**

The deferred tax assets generated by the "Provisions for risks and charges" mainly relate to the US subsidiaries (€6,953 thousand) and the parent (€13,966 thousand).
The deferred tax assets on tax losses fully relate to the subsidiary Ansaldo STS USA (€1,888 thousand).
The deferred tax assets related to the allowance for work-in-progress and inventory write-down mainly relate to the subsidiary Ansaldo STS USA (€220 thousand), Ansaldo STS France (€1,491 thousand) and the parent Ansaldo STS S.p.A. (€973 thousand).
"Other" mainly relates to the parent, Ansaldo STS S.p.A. (€3,059 thousand), the subsidiary Ansaldo STS Australia (€1,147 thousand) and the subsidiary Ansaldo STS USA INC. (€1,755 thousand).
Deferred tax liabilities mainly relate to the parent.
Deferred tax assets and liabilities include those recognised with a balancing entry directly in equity, on derivatives recognised as cash-flow hedges and actuarial gains/losses following the adoption of the equity method for defined benefit plans.
This equity item changed as follows during the year.

(€'000)	2013 *restated*	Transfers to profit or loss	Fair value gains or losses	Other changes	2014
Deferred taxes directly recognised in equity	**139**	**(61)**	**229**	**-**	**307**

15 Earnings Per Share

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

Basic EPS	**31.12.2014**	31.12.2013
Average shares outstanding during the year	189,313,578	189,313,195
Profit for the year	80,694	74,815
Basic and diluted EPS	**0.43**	**0.40***

*Recalculated following the bonus issue of 14 July 2014.

For comparative purposes, the EPS was recalculated for 2013. Specifically, the average number of ordinary shares outstanding in the year was recounted.
This was necessary following the fifth and last instalment of the bonus issue on 14 July 2014, when 20,000,000 newly-issued shares with a nominal amount of €0.50 each were freely assigned to the existing shareholders at that date, in the ratio of one new share to every nine shares held.

16 Cash Flows From Operating Activities

The following table shows the cash flows from operating activities:

(€'000)	**2014**	2013 *restated*
Profit for the year	80,694	74,815
Share of profits (losses) of equity-accounted investees	(1,804)	(1,009)
Income taxes	43,281	39,096
Italian post-employment and other employee benefits	739	725
Stock grant plans	2,043	996
Gains/(losses) on the sale of assets	22	10
Net financial income	2,321	4,209
Restructuring costs	-	-
Litigation costs	284	162
Profit from discontinued operations	-	(92)
Amortisation, depreciation and impairment losses	18,347	16,978
Accruals to/reversals of provisions for risks	(2,756)	688
Other operating income/expense	(298)	(46)
Write-downs/reversals of write-downs of inventories and work in progress	6,262	3,005
Total	**149,135**	**139,537**

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

(€'000)	**2014**	2013 *restated*
Inventories	5,807	9,710
Work in progress and progress payments and advances from customers	29,741	(33,745)
Trade receivables and payables	(69,410)	(37,555)
Total	**(33,862)**	**(61,590)**

The change in other operating assets and liabilities, shown net of the impacts of acquisitions and sales of consolidated companies and exchange rate gains and losses, comprises:

(€'000)	**2014**	2013 *restated*
Payment of Italian and other post-employment benefits	(2,135)	(946)
Taxes paid	(29,039)	(34,334)
Changes in other operating items	758	(23,959)
Total	**(30,416)**	**(59,239)**

Reference should be made to paragraph 2.3 on the group's financial position for a discussion of changes in the consolidated statement of cash flows.

17 Financial Risk Management

The group's operations expose it to the following financial risks:
- market risks, related to currency risk, operations in currencies other than the functional currency, interest rate risk;
- liquidity risks, related to the availability of financial resources and access to the credit market;
- credit risk, arising from normal trading transactions or financing activities.

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

Currency risk

As described in the "treasury management" policy, Ansaldo STS group manages currency risk by pursuing the following objectives:
- limiting potential losses generated by unfavourable exchange rate fluctuations against the currency used by Ansaldo STS S.p.A. and its subsidiaries;
- limiting forecast or actual costs related to the implementation of currency risk management policies.

Currency risk shall only be hedged if it has a material impact on cash flows, compared to the functional currency. Costs and risks related to a hedging policy (hedge, no hedge or partial hedge) must be acceptable in both financial and commercial terms.
Currency risk may be hedged using the following tools:
- purchase and sale of currency forwards: these are the most commonly used cash flows hedges;
- funding/lending in foreign currency: used to mitigate the currency risk related to similar receivable and payable positions with banks or group companies.

The use of funding and lending in foreign currency as a hedging instrument shall only take place when consistent with Ansaldo STS group's overall treasury management and financial position (both long- and short-term).
The purchase and sale of foreign currency is generally the hedge tool used when foreign markets are not sufficiently liquid or when it is the most cost effective hedging method.

Currency risk hedging

There are three main types of currency risk:
1. The economic risk is the impact exchange rate fluctuations can have on capital budgeting decisions (investments, the location of production facilities and supply markets).
2. Transaction risk is the possibility that exchange rates may fluctuate between the time a commitment is undertaken to make future collections or payments in foreign currency (price list, budgets, orders preparation and invoicing) and when the actual collection or payment takes place, generating either exchange rate gains or losses.
3. The translation risk is the effect on the financial statements of multinational companies of translating dividends, or of consolidating assets and liabilities when exchange rates adopted for consolidation purposes differ from one reporting period to the next.

Ansaldo STS group hedges the transaction risk in line with the Foreign Exchange Risk management policy, i.e., via the systematic hedge of cash flows generated by firm contractual commitments to buy and sell, in order to fix the exchange rates at the date the construction contracts are agreed, thereby neutralising the effects of exchange rate fluctuations.

Cash flow hedge

Hedges are entered into at the time sales contracts are agreed, using plain vanilla instruments (currency swaps and forwards) that qualify for hedge accounting under IAS 39. They are recognised as cash flow hedges, whereby the effective portion of fair value gains or losses on hedging derivatives is recognised in the relevant hedging reserve once the hedging strategy is demonstrated to be effective.
If the hedge is not deemed effective (i.e., does not fall within the 80% and 125% range), fair value gains or losses on hedging instruments are immediately expensed as financial items and the related fair value gains or losses accumulated in the hedging reserve up to the date of the most recent successful test of effectiveness are reclassified to profit or loss.
The calculation of hedge effectiveness does not include the fair value of financial income and expense as it is directly recognised in profit or loss. Accordingly, the impact on profit or loss of this component is not deferred, improving the transparency and consistency of the hedging reserve. Moreover, the result of the forex effectiveness test is simplified as comparison is limited to two notional amounts: the forex and the hedged underlying.

Fair value hedge

These hedge fair value changes in a recognised asset or liability, an unrecognised firm commitment, an identified portion of this asset, liability or irrevocable commitment, related to a particular risk and that could impact profit or loss.
The group hedges fair value gains or losses related to the currency risk on recognised assets and liabilities. Hedges are mainly undertaken with banks. The group has contracts in place for the following notional foreign currency amounts at the reporting date:

local currency in €'000	***Sell14***	***Buy14***	**31.12.2014**	*Sell13**	*Buy13**	31.12.2013*
Euro	38,630	59,392	**98,022**	88,262	75,150	163,412
US dollar	77,882	78,104	**155,985**	114,537	58,347	172,884
Pound sterling	9,629	-	**9,629**	8,878	-	8,878
Swedish krona	861	27,748	**28,609**	1,312	26,057	27,369
Australian dollar	-	43,159	**43,159**	-	55,359	55,359
Hong Kong dollar	451	-	**451**	248	-	248
South African rand	-	-	**-**	1,397	-	1,397
Indian rupee	4,819	-	**4,819**	4,331	-	4,331
Abu Dhabi dirham	4,485	-	**4,485**	15,399	-	15,399

* Restated data.

The net fair value of the derivatives in place at 31 December 2014 was a positive €3,241 thousand.

Sensitivity analysis of exchange rates

For the purposes of the presentation of market risks, IFRS 7 requires a sensitivity analysis that shows the effects of the hypothetical changes in the most relevant market variables on profit or loss and equity.
Currency risks arise from recognised financial instruments (including trade receivables and payables) or highly probable cash flows denominated in a currency other than the functional currency.
Since the US dollar is the primary foreign currency used by the group, a sensitivity analysis was performed on financial instruments denominated in dollars in place at 31 December 2014, assuming a 5% appreciation (depreciation) of the euro against the US dollar.

This analysis showed that an appreciation or depreciation of the euro against the US dollar would have the following impact on the group's financial statements:

(€'000)	**31.12.2014**		31.12.2013	
	+5% - appreciation of the euro against the US dollar	**-5% - depreciation of the euro against the US dollar**	+5% - appreciation of the euro against the US dollar	-5% - depreciation of the euro against the US dollar
Income statement	(4,740)	5,239	2,354	(2,602)
Hedging reserve	79	(108)	(884)	574

The sensitivity of the income statement to the Euro/US dollar exchange rate fluctuations is higher than in 2013, whereas the impact on the financial position decreased, following the lack of new significant forex positions opened by the parent Ansaldo STS S.p.A. during the year.

Interest rate risk

Under the policy, the aim of interest rate risk management is to reduce the negative effects of interest rate fluctuations on the group's financial position, results of operations and weighted average cost of capital.
Ansaldo STS group manages interest rate risk to pursue the following objectives:

- stabilising the weighted average cost of capital;
- minimising Ansaldo STS group's medium- and long-term weighted average cost of capital by focusing on the effects of interest rates on both debt funding and equity funding;
- optimising the return on financial investments within a general risk/return trade-off;
- limiting costs related to the implementation of interest rate management policies, including direct costs related to the use of specific instruments and indirect costs linked to the internal structure needed to manage the risk.

Also in 2014, the group managed this risk without the use of derivatives.

Sensitivity analysis of interest rates

A sensitivity analysis was performed on the assets and liabilities exposed to interest rate risk to assess the impact on profit or loss, assuming a parallel and symmetric 50 basis point rise (fall) (0.5%) in interest rates; the adopted range has been chosen by IFRS for the analysis.
The impact of these scenarios on the group's consolidated financial statements at 31 December 2014 is summarised in the following table:

	2014		2013	
(€'000)	**+50 bps**	**-50 bps**	+50 bps	-50 bps
Income statement	217	(217)	345	(345)

These impacts are the result of lower interest income that would be produced by floating rate net financial position, in the case of interest rates greater or lower by 50 basis points, respectively.
The change in interest rates would have no impact on the measurement of recognised financial instruments, as there are no financial assets or liabilities (not derivative) recognised at fair value through profit or loss.
Moreover, the derivatives entered into by the group are exclusively exchange rate derivatives and a change in the interest rates of the various currencies would have no relevant impacts on fair value at year end.
There are no impacts on equity, as the group has no cash flow hedges on the interest rate risk.
The results achieved at 31 December 2014 improved considerably on those of the previous year thanks to the halving of receivables and payables exposed to interest rate fluctuations.

Liquidity risk

Ansaldo STS group has rolled out a series of tools to optimise treasury management with a view to the efficient management of cash and cash equivalents and to help its business grow. This was achieved by centralising the treasury function (current accounts between the parent and the group companies) and an active presence on financial markets to obtain short- and long-term non-revolving cash and unsecured credit lines to meet its needs. It had a net financial position of €293,415 thousand at 31 December 2014 and a net financial position of €245,498 thousand at 31 December 2013.

Liquidity analysis – amounts in thousands of euros – figures at 31.12.2014 (€'000)

A – Financial liabilities excluding derivatives	Within one year	Between one and five years	After five years
Non-current liabilities			
Other non-current liabilities	3,051	4,075	907
Current liabilities			
Related party trade payables	54,005	-	-
Third party trade payables	313,919	941	-
Third party financial liabilities	7,336	-	-
Related party financial liabilities	10,351	-	-
Total A	**388,662**	**5,016**	**907**
B – Negative value of derivatives			
Hedging derivatives	5,194	-	-
Total B	**5,194**	**-**	**-**
Total A + B	**393,856**	**5,016**	**907**

The following financial assets were recognised against financial liabilities and trade payables of €399,779 thousand:

C - Financial assets	
Cash-in-hand and cash and cash equivalents	270,067
Third party trade receivables	540,748
Related party trade receivables	169,901
Loan assets	41,035
Positive value of derivatives	8,435
TOTAL FINANCIAL ASSETS	**1,030,186**
D – Unsecured credit lines	**83,804**
TOTAL C + D	**1,113,990**
C+D-(A+B)	**714,211**

The group has a net credit position and has available liquidity to self-finance and does not have to use banks to finance its operations. Consequently, it has relatively limited exposure to the liquidity market tensions.

Credit risk

The group does not have significant credit risks, either in terms of its trading counterparties or its financing and investing activities. Its main customers are public entities or related to public bodies, mostly in the European, US and South-East Asia areas. Ansaldo STS group's typical customer rating is therefore medium-to-high. However, for contracts with customers/counterparties with which the group does not have regular trading transactions, solvency is analysed at the time the offer is placed, in order to identify future credit risks.
Given the nature of the group's customers, collection times are longer (and, in certain countries, significantly longer) than those typical of other businesses, leading to overdue amounts, which are sometimes considerable.
At 31 December 2014, third party trade receivables amounted to €540,748 thousand (31 December 2013: €485,072 thousand) and were overdue for €216,326 thousand, of which €98,554 thousand by more than 12 months.
Third party trade receivables mainly relate to the parent Ansaldo STS S.p.A. (€362,311 thousand), overdue for €205,626 thousand.

The following table gives a breakdown of receivables at 31 December 2014:

	Public bodies			Other customers			
31.12.2014 (€'000)	**Europe**	**America**	**Other**	**Europe**	**America**	**Other**	**Total**
- Retentions	27,193	8,282	6,413	15,733	1,852	1,851	61,324
- Not overdue	89,558	8,545	873	97,189	8,505	58,428	263,098
- Overdue by less than six months	20,240	6,755	733	39,969	5,777	5,565	79,039
- Overdue due between 6 months and 1 year	19,806	-	-	18,372	24	531	38,733
- Overdue between one and five years	75,006	3,730	1,954	16,487	1,013	364	98,554
Total	**231,803**	**27,312**	**9,973**	**187,750**	**17,171**	**66,739**	**540,748**

The allowance for impairment changed as follows:

	2014	2013
1 January	**18,138**	**17,079**
Accruals	3,627	1,873
Releases/Utilisation	(298)	(753)
Other changes	(997)	(61)
31 December	**20,470**	**18,138**

During the year, the allowance for impairment rose by €2,332 thousand, mainly as a result of the amounts accrued by the parent Ansaldo STS S.p.A. for the collection risk of receivables for interest in arrears and late payment. Other changes include the exchange rate gains and losses which arose from the consolidation of foreign subsidiaries.

With respect to the credit risk arising from the positive value of derivatives, the counterparties of derivative contracts are mainly banks.
The table below breaks down the positive value of derivatives by the counterparty's rating class.

The ratings below are based on S&P's data.

Rating class	Positive fair value
AA -	42.90%
A+	17.47%
A	22.54%
A-	17.09%
Total positive fair value	**100.00%**

Classification and fair value of financial assets and liabilities

The tables below give a breakdown of the group's financial assets and liabilities by the measurement category set out in IAS 39.
Financial liabilities are all recognised using the amortised cost method, since the group did not use the fair value option.
Derivatives are analysed separately.

31.12.2014 (€'000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Non-current related party financial assets	-	16,371	-	-	16,371	16,371
Loans and receivables	-	23,548	-	-	23,548	23,548
Current assets						
Current related party loans assets	-	169,901	-	-	169,901	169,901
Trade receivables	-	540,748	-	-	540,748	540,748
Financial assets measured at fair value through profit or loss	-	41,035	-	-	41,035	41,035

31.12.2014 (€'000)	**Fair value through profit or loss**	**Amortised cost**	**Held to maturity**	**Total**	**Fair value**
Current liabilities					
Current related party liabilities	-	54,005	-	54,005	54,005
Trade payables	-	314,860	-	314,860	314,860
Loans and borrowings	-	17,687	-	17,687	17,687
Other current liabilities	-	-	-	-	-

31.12.2013 (€'000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair value
Non-current assets						
Non-current related party financial assets	-	11,775	-	-	11,775	11,775
Loans and receivables	-	19,330	-	-	19,330	19,330
Current assets						
Current related party loans assets	-	140,421	-	-	140,421	140,421
Trade receivables	-	485,072	-	-	485,072	485,072
Financial assets measured at fair value through profit or loss	-	64,057	-	-	64,057	64,057

31.12.2013 (€'000)	Fair value through profit or loss	Amortised cost	Held to maturity	Total	Fair Value
Current liabilities					
Current related party liabilities	-	57,211	-	57,211	57,211
Trade payables	-	297,974	-	297,974	297,974
Loans and borrowings	-	10,080	-	10,080	10,080
Other current liabilities	-	-	-	-	-

The carrying amount of short-term financial instruments, such as trade receivables and payables, represents a fair approximation of fair value.

Derivatives

IFRS require the classification of fair value of derivatives on the basis of reference parameters that can be inferred from the market or from other financial indicators (for example: exchange rates, interest rate curve, etc.). Financial derivatives on currencies to hedge the currency risk fall within Level 2 of the hierarchy since the fair value of these instruments is determined by recalculating the present value through official fixing of closing exchange and interest rates listed on the market.

The table below shows the fair values of financial instruments in portfolio.

Fair value hierarchy at the reporting date	**Fair Value at 31.12.2014** Level 2	*Fair Value* at 31.12.2013 *restated* Level 2
Assets		
Currency forwards/swaps/options		
Fair value hedges	3,726	3,025
Cash flow hedges	4,709	5,263
Liabilities		
Currency forwards/swaps/options		
Fair value hedges	1,385	421
Cash flow hedges	3,809	4,600

The group uses cash flow hedges to hedge the currency risk of highly probable future transactions and fair value hedges to hedge the exposure to currency risk of recognised assets and liabilities.
With respect to derivatives hedging future cash flows and outflows in currencies other than the functional currency, the table below shows the maturities of these cash flows, hedged in US dollars.

	31.12.2014		31.12.2013	
	Notional (in thousands of USD)		Notional (in thousands of USD)	
Maturity	**Collection**	**Payment**	Collection	Payment
Within one year	22,583	28,019	114,207	33,596
Between one and three years	20,426	170	2,868	76
Between three and nine years	1,507	-	2,675	-
Total	**44,516**	**28,180**	**119,750**	**33,672**

18 Key Managers' Remuneration

Fees paid to those who have the power to plan, manage and control the group, including executive and non-executive directors, are as follows:

(K€)	**31.12.2014**	31.12.2013
Fees	2,965	1,901
Post-employment benefits	288	-
Total	**3,253**	**1,901**

Fees paid to directors, key managers and the general manager amounted to €3,253 thousand in 2014 (2013: €1,901 thousand).
These amounts include fees and any other type of remuneration and social security sums due for the position of director or key manager in the parent or in other companies included in the consolidation scope, which represented a cost for the group.
The increase is due to the appointment of new key managers following the definition of a new organisational structure.
Fees include those paid to the members of the board of directors and the supervisory bodies.
Statutory auditors' fees amounted to €210 thousand in 2014 (2013: €210 thousand).

In order to implement an incentive and loyalty scheme for the group's employees and consultants, the parent has launched several incentive plans which, upon reaching set vesting conditions, provide for the awarding of Ansaldo STS shares.

No stock grants were awarded in 2014 as the 2013 vesting conditions part of the 2012-2013 plan have a three-year term. Conversely, the shares for the 2014 vesting conditions as part of the 2014-2016 plan were accrued.

The following table gives a breakdown of the parent's directors', statutory auditors' and general managers' fees:

(in euros)

POSITION				Fees for the position held in the reporting company for 2014	Non-monetary benefits	Bonuses and other incentives	Other fees
Name and surname	**Position**	**Date of appointment**	**End of term**				
Calabria Luigi	Deputy chairman of the BoD from 01/01/2014 to 01/10/2014	15/04/2014	01/10/2014	37,500 (1)	-	-	-
De Luca Sergio	Chairman of the BoD as of 01/01/2014	15/04/2014	Approval of 2016 financial statements	75,000 (2)	-	-	64,871*
Pierri Paola (d)	Director	15/04/2014	Approval of 2016 financial statements	53,425 (3)	-	-	-
Siragusa Stefano	Chief executive officer and General manager	15/04/2014	Approval of 2016 financial statements	80,000 (4)	36,513	-	311,398**
Poggiali Barbara (d)	Director	15/04/2014	Approval of 2016 financial statements	53,425 (3)	-	-	-
Braccialarghe Domenico	Deputy chairman CDA as of 01/10/2014	01/10/2014	Approval of 2014 financial statements	12,500 (5)	-	-	-
Genco Alessandra	Director	15/04/2014	Approval of 2016 financial statements	35,616 (6)	-	-	-
Gallazzi Giulio (b)	Director	15/04/2014	Approval of 2016 financial statements	46,301 (7)	-	-	-
Cavallini Giovanni (c) e (b)	Director	15/04/2014	Approval of 2016 financial statements	87,753 (8)	-	-	-
Cereda Maurizio	Director	14/06/2006	15/04/2014	27,206 (9)	-	-	-
Girdinio Paola	Director	05/04/2011	15/04/2014	20,083 (10)	-	-	-
Pavesi Bruno (a)	Director	15/04/2014	Approval of 2016 financial statements	70,000 (11)	-	-	-
Rizzante Tatiana	Director	05/04/2011	15/04/2014	14,384 (12)	-	-	-
Salvetti Attilio	Director	24/03/2006	15/04/2014	21,507 (13)	-	-	-
Garaventa Nicoletta (e)	Chairman of the supervisory body	06/05/2013	Three-year term	25,000	-	-	-
Quagli Alberto (f)	Member of the supervisory body	06/05/2013	Three-year term	20,000	-	-	-
Sarubbi Giacinto	Chairman of the board of statutory auditors	15/04/2014	Approval of 2016 financial statements	75,000	-	-	15,000***
Spinardi Maria Enrica	Statutory auditor	15/04/2014	Approval of 2016 financial statements	35,616	-	-	7,124***
Righetti Renato	Statutory auditor	15/04/2014	Approval of 2016 financial statements	50,000	-	-	10,000***
Scotton Massimo	Statutory auditor	01/04/2008	15/04/2014	14,384	-	-	2,876***

* Variable remuneration paid when position was terminated.
** Fixed remuneration for the position of general manager and other fees. No variable remuneration was paid for such position in 2014.
*** Fees for positions on committees.

(a) Chairman of the appointments and remuneration committee
(b) Member of the appointments and remuneration committee
(c) Chairman of the risk and control committee
(d) Member of the risk and control committee
(e) Chairman of the supervisory body
(f) Member of the supervisory body

(1) 9 months chairman of the BoD
(since 01/10/2014, no longer holds positions within the Company)
(2) 12 months chairman of the BoD
(3) 8 months BoD + 8 months RCC
(4) 12 months GM
(5) 3 months deputy chairman of the BoD
(6) 8 months BoD
(7) 8 months BoD + 8 months appoint. and rem. commit.
(8) 12 months BoD + 12 months appoint. and rem. commit. + 8 months chair. RCC
(9) 4 months BoD + 4 months chair. appoint. and rem. commit. + 4 months RCC
(10) 4 months BoD + 4 months RCC
(11) 12 months BoD + 8 months chair. appoint. and rem. commit. + 4 months appoint. and rem. commit.
(12) 4 months BoD
(13) 4 months BoD + 4 months chair. RCC

in euros	Annual unit fees
Chairman of the board of directors	75,000
Member of the board of directors	50,000
Chairman of the supervisory body	25,000
Member of the supervisory body	20,000
Chairman of the appointments and remuneration committee	20,000
Member of the appointments and remuneration committee	15,000
Chairman of the risk and control committee	30,000
Member of the risk and control committee	25,000

19 Outlook

2015 production volumes and profitability are expected to be in line with those of 2014. Management's expectations are set out in the 2015 guidance.

20 Information Pursuant To Article 149-Duodecies Of Consob Issuer Regulation

The following schedule was prepared in accordance with article 149-duodecies of Consob's Issuer regulation and shows the fees for 2014 for audit and non-audit services provided by the audit company or entities belonging to its network.

(€'000)	**Service provider**	**Beneficiary**	**2014 fees**
Audit	KPMG S.p.A.	Parent	250
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	510
	Other	Subsidiaries	26
Attestation services	KPMG S.p.A.	Parent	48
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	-
Tax consultancy services	KPMG S.p.A.	Parent	-
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	8
Other services	KPMG S.p.A.	Parent	86
	KPMG S.p.A.	Subsidiaries	-
	KPMG network	Subsidiaries	10
			938

Genoa, 6 March 2015

On behalf of the board of directors
The Chairman
Sergio De Luca

21 Statement on the consolidated financial statements pursuant to article 81-ter of consob regulation no. 11971 Of 14 may 1999 and subsequent amendments and integrations and article 154-bis. 2 Of legislative decree no. 58 Of 24 February 1998 and subsequent amendments and integrations

1. The undersigned, Stefano Siracusa, as CEO and General manager, and Roberto Carassai as Manager in charge of financial reporting for Ansaldo STS S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998 and subsequent amendments and integrations, state that the administrative and accounting procedures used to draft the consolidated financial statements at 31 December 2014:
   - are adequate in relation to the nature of the business
   - have been effectively applied.
2. There is nothing to report in this regard.
3. Moreover:
   3.1 the consolidated financial statements:
      a) are drafted in compliance with the IFRS endorsed by the European Community, pursuant to EC regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;
      b) are consistent with the accounting ledgers and accounting entries;
      c) give a true and fair view of the issuer's financial position and results of operations and the companies included in the consolidation scope.
   3.2 The directors' report provides a reliable analysis of the important events taking place in the year and the financial position and results of operations of the issuer and the companies included in the consolidation scope, together with a description of the key risks and uncertainties to which they are exposed.

Genoa, 6 March 2015

(signed on the original) The CEO and General manager	(signed on the original) The manager in charge of financial reporting
Stefano Siragusa	**Roberto Carassai**

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the consolidated financial statements of the Ansaldo STS Group as at and for the year ended 31 December 2014, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements include the corresponding figures presented for comparative purposes. As disclosed in the note "*Effects of amendments to the IFRS*", following the adoption of IFRS 11 – "*Joint Arrangements*", the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 18 March 2014. We have examined the methods used to restate the prior year corresponding figures and related disclosures presented in the note "*Effects of amendments to the IFRS*" for the purposes of expressing an opinion on the financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Ansaldo STS Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true

and fair view of the financial position of the Ansaldo STS Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Ansaldo STS S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure, published in the Corporate Governance section of Ansaldo STS S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the Ansaldo STS Group as at and for the year ended 31 December 2014.

Naples, 16 March 2015

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

Strategic Concept, Graphic Design and Execution by:

mercurio GP
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A Finmeccanica Company

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