Ansaldo STS A Hitachi Group Company

INTERIM FINANCIAL REPORT
OF ANSALDO STS GROUP
AS OF 30 JUNE 2018

ANSALDO STS S.p.A.
Registered office in Genoa, Via P. Mantovani 3-5
Share capital paid up Euro 100,000,000
Genoa Business and Trade Registry - Tax ID 01371160662

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COMPANY BODIES AND COMMITTEES

BOARD OF DIRECTORS
(Elected by the Shareholders' Meeting on 13 May 2016 for the 2016/2018 three-year period)

ALISTAIR DORMER (1)
Chairman

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

ANDREW THOMAS BARR (1)
Chief Executive Officer
and General Manager

ROSA CIPRIOTTI (4)

MICHELE ALBERTO FABIANO CRISOSTOMO * (4)

MARIO GARRAFFO (2)(3)(4)

FABIO LABRUNA (4)

KATHERINE JANE MINGAY (1)

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

FRANCESCO GIANNI
Board Secretary

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

ANTONIO ZECCA
Chairman

GIOVANNI NACCARATO

ALESSANDRA STABILINI

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

VALERIA GALARDI

CRISTIANO PROSERPIO

ALESSANDRO SPERANZA

INDEPENDENT AUDITORS
(for the 2016/2024 period)

EY S.p.A. **

(1) Member of the Executive Committee (i.e. Bid Committee)
(2) Member of the Control and Risks Committee
(3) Member of the Appointment and Remuneration Committee
(4) Member in possession of the requirements of independence

*Michele Alberto Fabiano Crisostomo was appointed as Director of Ansaldo STS S.p.A. by the Shareholders' Meeting of 19 January 2017, replacing Giuseppe Bivona whose appointment as the Director of the company was revoked, pursuant to art. 2393 of the Italian Civil Code.
** Following the decision of KPMG S.p.A. to resign on 14 November 2016, the Shareholders' Meeting of 19 January 2017 appointed EY S.p.A. as external auditor to audit the company's accounts for the 2016-2024 years.

DIRECTORS' REPORT AS AT 30 JUNE 2018

Introduction

The group's financial performance was satisfactory for the first six months of 2018 and may be summarised as follows:

Key performance indicators of the Ansaldo STS Group

(K€)	**30.06.2018**	30.06.2017	Change	31.12.2017
New orders	**496,613**	652,670	(156,057)	1,500,823
Order backlog	**6,259,652**	6,453,841	(194,189)	6,457,458
Revenues from contracts with customers	**660,086**	635,819	24,267	1,360,967
Operating profit (EBIT)	**54,411**	56,482	(2,071)	100,827
Net profit/loss	**41,259**	42,827	(1,568)	64,868
Net working capital	**140,621**	199,568	(58,947)	127,168
Net invested capital	**397,081**	450,720	(53,639)	371,458
Net Financial Position (receivables)	**(349,520)**	(280,146)	(69,374)	(357,535)
Free Operating Cash Flow	**(9,019)**	(54,667)	45,648	30,570
R.O.S.	**8.2%**	8.9%	-0.7 p.p.	7.4%
R.O.E.	**8.6%**	13.6%	-5.0 p.p.	9.0%
V.A.E.	**22,161**	20,919	1,242	34,002
Research and development	**21,857**	18,325	3,532	41,344
Headcount (no.)	**4,207**	4,127	80	4,228

Ansaldo STS Group recorded a net profit of €41.3 million in the period in question, (€42.8 million in the first six months of 2017), a production volume of €660.1 million (€635.8 million during the same period the previous year) and an operating profitability (ROS) of 8.2% (8.9% as of June 2017).

It should be noted that the new IFRS15 accounting standard on revenue recognition has been in force from 1 January 2018; in particular, for the first six months of 2018, the overall differential in terms of revenue and EBIT, if the new rule had not been applied, would amount to approximately €3.7 million, which would result in a ROS of approximately 8.8%, generally in line with the first six months of the previous year.

In detail:

Orders totalled €496.6 million compared to €652.7 million for the first six months of 2017; the orders portfolio amounted to €6,259.7 million (€6,453.8 million as at 30 June 2017 and €6,457.5 million as at 31 December 2017).

Revenue totalled €660.1 million compared to €635.8 million in the first six months of 2017 (+3.8%); specifically, the increase is due to the further advancement of projects in Italy and in the Asia Pacific area.

The operating profit (EBIT) amounts to €54.4 million, with a ROS of 8.2% compared with €56.5 million recorded in June 2017 with an ROS of 8.9%. The reasons for this decrease are expounded upon below in the Notes to the Income Statement.

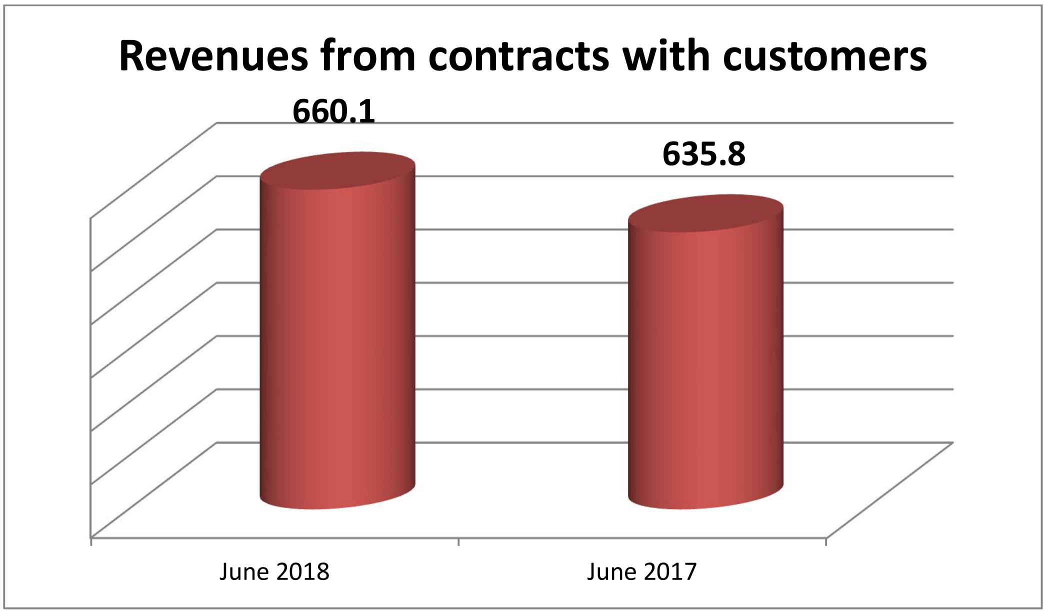
The net profit amounts to €41.3 million (€42.8 million as of 30 June 2017).

The net financial position (receivables) is - €349.5 million compared to the receivables value of - €357.5 million recorded in December 2017 (- €280.1 million as at 30 June 2017).

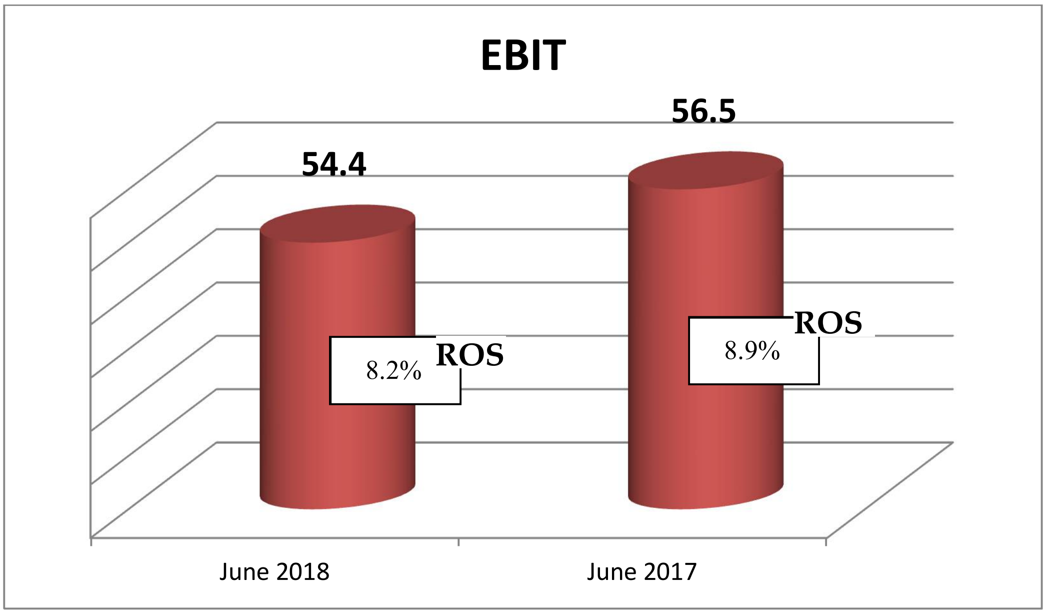
R&D expenses directly attributable to the income statement amount to €21.9 million compared to €18.3 million as at 30 June 2017.

The Group headcount as at 30 June 2018 amounted to 4,207 units, increased by 80 units compared with 4,127 units as at 30 June 2017 (4,228 units as at 31 December 2017).
The average headcount amounted to 4,168 units compared to the value of 4,037 units in the first six months of 2017 (4,081 units for 2017).

Revenues from contracts with customers for the six months ended 30 June 2018 and 2017 (M€)



EBIT and ROS for the six months ended 30 June 2018 and 2017 (M€)



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

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

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

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

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

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

Consolidated income statement	For the first six months of	
(K€)	**2018**	**2017**
Revenues from contracts with customers	**660,086**	**635,819**
Purchase and personnel costs *(*)*	(606,443)	(571,932)
Amortisation, depreciation and impairment losses	(10,885)	(8,627)
Other net operating income (costs) *(**)*	6,965	299
Change in work in progress, semi-finished and finished products	4,688	923
Operating profit (EBIT)	**54,411**	**56,482**
Net financial income (charges)	2,190	3,857
Income taxes	(15,342)	(17,512)
Profit (Loss) before non-current assets held for sale	**41,259**	**42,827**
Residual profit (loss)	**41,259**	**42,827**
attributable to the owners of the Parent	41,276	42,832
attributable to non-controlling interests	(17)	(5)
Earnings per share		
Basic and Diluted	0.21	0.21

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

(*) Includes the items "Costs for purchases", "Services", "Personnel costs" (net of restructuring costs) and "Accruals for loss on orders", net of "Internal work capitalised".

(**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs, write-downs and accruals for loss on orders).

In summary, the value of the operating profit decreased compared to that recorded in the first six months of the previous financial year (- €2.1 million) as the effect of higher production volumes was offset by increased research and development activities and by the impact, as previously reported, of the application of the new IFRS 15 accounting standard (- €3.7 million). The combined effect of lower overall net financial income and charges (- €1.7 million) and lower tax burden (+ €2.2 million), due in part to lower taxable income and in part to the different mix of pre-tax profits (losses), together with the above, determined the change in net profit (- €1.6 million).

Consolidated statement of financial position

(K€)	30.06.2018	31.12.2017
Non-current assets	316,738	305,070
Non-current liabilities	(60,278)	(60,780)
	256,460	**244,290**
Inventories	124,261	110,995
Contract Assets	465,597	379,590
Trade receivables	654,469	736,664
Trade payables	(390,897)	(413,639)
Contract Liabilities	(675,371)	(683,036)
Working capital	**178,059**	**130,574**
Provisions for risks and charges	(39,331)	(15,967)
Other net assets/(liabilities) *(*)*	1,893	12,561
Net working capital	**140,621**	**127,168**
Net invested capital	**397,081**	**371,458**
Group Equity	746,515	728,892
Minority Interests	86	101
Shareholders' equity	**746,601**	**728,993**
Net financial position	**(349,520)**	**(357,535)**

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

The consolidated net invested capital totals €397.1 million, up on €371.5 million as at 31 December 2017 (€450.7 million as at 30 June 2017); the increase of €25.6 million is due to the rise in other net non-current assets and liabilities (€12.2 million) due to the recognition of deferred tax assets following the adoption of the new IFRS15 accounting standard and of the net working capital (€13.5 million) as a result of the increase in total net inventories and the reduction in trade payables, partly offset by the decrease in trade receivables.

The net financial position as at 30 June 2018 compared with the figures as at 31 December 2017 is shown in the following table:

Consolidated Financial Position

Consolidated Financial Position *(K€)*	**30.06.2018**	**31.12.2017**
Short-term debts	1,637	424
Cash and cash equivalents	(312,792)	(327,326)
BANK LOANS AND BORROWINGS	**(311,155)**	**(326,902)**
Financial receivables from related parties	-	(232)
Other financial receivables	(38,365)	(30,401)
FINANCIAL RECEIVABLES	**(38,365)**	**(30,633)**
Financial liabilities toward related parties	-	-
Other short-term financial debts	-	-
OTHER DEBTS	**-**	**-**
NET FINANCIAL POSITION	**(349,520)**	**(357,535)**

At 30 June 2018, the Group's net financial position (greater financial receivables and cash and cash equivalents than loans and borrowings) was - €349.5 million, compared to - €357.5 million as at 31 December 2017 and - €280.1 million as at 30 June 2017.

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

The consolidated statement of cash flows as at 30 June 2018 is as follows:

(K€)	**30.06.2018**		**30.06.2017**	
Opening cash and cash equivalents	**327,326**		**305,586**	
Profit for the period	41,259		42,827	
Share of profits of equity-accounted investees	(3,266)		(5,864)	
Income taxes	15,342		17,512	
Italian post-employment and other employee benefits	511		447	
Stock grant plans	1,078		1,066	
Gains (losses) on the sale of assets	1		103	
Net financial income (charges)	1,076		2,007	
Amortisation, depreciation and impairment losses	10,885		8,627	
Other net operating income/expense	(4,034)		1,429	
Changes in provisions for risks and charges	158		2,365	
Write-downs/write-backs of inventories and work in progress	11,785		6,355	
Gross cash flows from operating activities	**74,795**		**76,874**	
Net change in other operating assets and liabilities	1,897		(46,065)	
Funds from Operations		**76,692**		**30,809**
Changes from (used in) working capital	(80,093)		(77,944)	
Cash flows from (used in) operating activities	**(3,401)**		**(47,135)**	
Cash flow from regular investing activities	(5,618)		(7,532)	
Free Operating Cash Flow		**(9,019)**		**(54,667)**
Strategic investments	-		-	
Other changes in investing activities	226		402	
Cash flows from (used in) investing activities	**(5,392)**		**(7,130)**	
Cash flow from financing activities	(6,746)		(8,097)	
Cash flow from (used in) financing activities	**(6,746)**		**(8,097)**	
Net exchange rate gains (losses)	**1,005**		**(3,227)**	
Closing cash and cash equivalents	**312,792**		**239,997**	

Cash and cash equivalents as at 30 June 2018 amounted to €312.8 million, up €72.8 million compared to the same period in the 2017 financial year.

The Free Operating Cash Flow (FOCF) before strategic investments indicates a cash flow of €9.0 million, down from €54.7 million as at 30 June 2017.

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

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

(K€)	Shareholders' equity	of which: Profit for the period
Net equity and results of the Parent Company as of 30.06.2018	**537,148**	**36,875**
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in companies consolidated on a line-by-line basis	140,662	14,944
Difference between the equities shown in the annual financial statements (including profits for the year) compared with the carrying amounts of investments in equity-accounted investees	9,051	3,263
Goodwill	34,569	-
Consolidated adjustments for:		
- Dividends from consolidated companies	-	(16,960)
- Net exchange rate gains (losses)	14,317	-
- Impairment losses on consolidated companies and loan assets of subsidiaries	10,768	3,154
- Other adjustments	-	-
Total attributable to the owners of the Parent	**746,515**	**41,276**
- Non-controlling interests	86	(17)
Total equity as at 30 June 2018 and profit for the period then ended	**746,601**	**41,259**

Composition of “non-GAAP” alternative performance indicators and other indicators

Alternative “non-GAAP” performance indicators

The management of Ansaldo STS assesses the economic performance and financial position of the Group also on the basis of a number of indicators not provided by the IFRS - EU.
Below are described, as required by the CESR/05-178 b Communication, and taking into account the guidelines outlined in the ESMA Communication of 30 June 2015 Guidelines on Alternative Performance Measures, the components of each of these indicators:

- **EBIT**: represents an indicator for the valuation of the operating performance and it is equal to the pre-tax result and before-tax income and financial charges, without any adjustment. EBIT also excludes income and expenses deriving from the management of equity not included in the consolidation and securities, as well as the results of any sale of consolidated equity investments classified under the accounts within “financial income and charges” or, for the results of equity investments only valued according to the net equity method, within the item “share of profits (losses) of equity-accounted investees”.

- ***Free Operating Cash Flow (FOCF)***: obtained as the sum of the cash flow generated (used) by the operations and cash flow generated (used) by investing activities and divestments in tangible and intangible assets and in equity, net of cash flows attributable to purchase or sale of shares that, by their nature or significance, constitute themselves as “strategic investments”. The FOCF construction method for the financial years compared is presented in the reclassified consolidated statement of cash flows in the paragraph relating to the consolidated financial position.

- ***Funds From Operations (FFO)***: given by the cash flow generated (used) by operations, net of the component represented by changes in the working capital. The FFO construction method for the financial periods compared is presented in the reclassified consolidated statement of cash flows in the paragraph relating to the consolidated financial position.

- ***Economic Value Added (EVA)***: calculated as the difference between EBIT net of taxes and the cost of the average value of the invested capital in the two comparative periods measured on the basis of the weighted average cost of capital (WACC).

- ***Net Working Capital***: includes trade receivables and payables, inventories, assets and liabilities from contracts and provisions for liabilities and charges, net of other current assets and liabilities.

- ***Net Invested Capital***: defined as the algebraic sum of non-current assets, non-current liabilities, and Net Working Capital.

- ***Net Debt (cash) or Net Financial Position***: the calculation scheme complies with that set forth in paragraph 127 of the CESR/05-054b recommendations implementing Regulation EC 809/2004.
- ***Return on Sales (ROS)***: calculated as the ratio between EBIT and revenue.
- ***Return on Equity (ROE)***: calculated as the ratio between the twelve-month net result and the average value of the net assets in the two periods compared.
- ***Research and Development Costs***: the sum of costs incurred for research and development, expensed and sold. Normally, research costs means costs referring to the so-called "basic technology", i.e., aimed at achieving new scientific and/or technical knowledge applicable to different new products and/or services. The research costs sold are those commissioned by the customer in respect of which there is a specific sales order and which are treated from an accounting and management perspective identical to an ordinary supply (sales order, profitability, billing, advances, etc.).

Other indicators no GAAP

- ***New orders***: sum of the contracts signed with the customers during the period considered, which feature the contractual characteristics to be included in the order book.
- ***Order Backlog***: represent the revenue not yet recorded from the orders already received. The Order Backlog at the end of the accounting period is calculated as follows:
    - order backlog at the beginning of the accounting period;
    - plus new orders received during the period;
    - less revenue for the period;
    - less possible amendments in initial order backlog due to certain changes in the scope of consolidation, exchange rates and cancellation of orders.

- ***Headcount***: the number of employees recorded in the company's register on the last day of the period reviewed.

Related-party transactions

Related-party transactions are attributable to ordinary day-to-day operations and are governed by normal market conditions, unless regulated under specific contractual terms, as in the case of interest-bearing debt and receivables.

These relate mainly to the exchange of goods, the supply of services and the provision and use of financial means to and from the parent company, associated companies, held jointly (joint venture), consortia, as well as unconsolidated subsidiaries.

The relevant section of the "Condensed interim consolidated financial statements as at and for the six months ended 30 June 2018" provides a summary of the income statement and balance sheet items with related parties, as well as the percentage of such reports on their overall balances.

No atypical and/or unusual transactions occurred during the period[1].

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

Report on operations

Market and Business scenario

The orders intake at 30 June 2018 amounted to approximately €497 million (€653 million as at 30 June 2017).

Below is the main information by geographic area:

ITALY

New orders during the period amounted to approximately €149 million, including approximately €14 million relating to the framework agreement with RFI for the supply of LED signals and a further €13 million relating to the contract entered into with Trenitalia for the supply of ETCS level 2 on-board units on 116 trains.

Also worth mentioning are the variations underwritten during the period, relating to the Piscinola-Capodichino section of the Alifana railway (€35 million) and line 4 of the Milan underground (€12 million).

REST OF EUROPE

Orders amount to approximately €75 million, mainly in France (€40 million) and in Denmark (€17 million).

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

In Denmark, approximately €17 million was recorded for the Copenhagen project, of which approximately €8 million was for Hitachi Rail Italy train operations.

MIDDLE EAST

New orders in the period totalled approximately €49 million.

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

An additional €10 million refers to variations on the design of line 3.

AMERICAS

Orders received during the period amounted to approximately €107 million, of which approximately €24 million relates to the sale of components, maintenance and modernisation of freight lines.

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

ASIA-PACIFIC

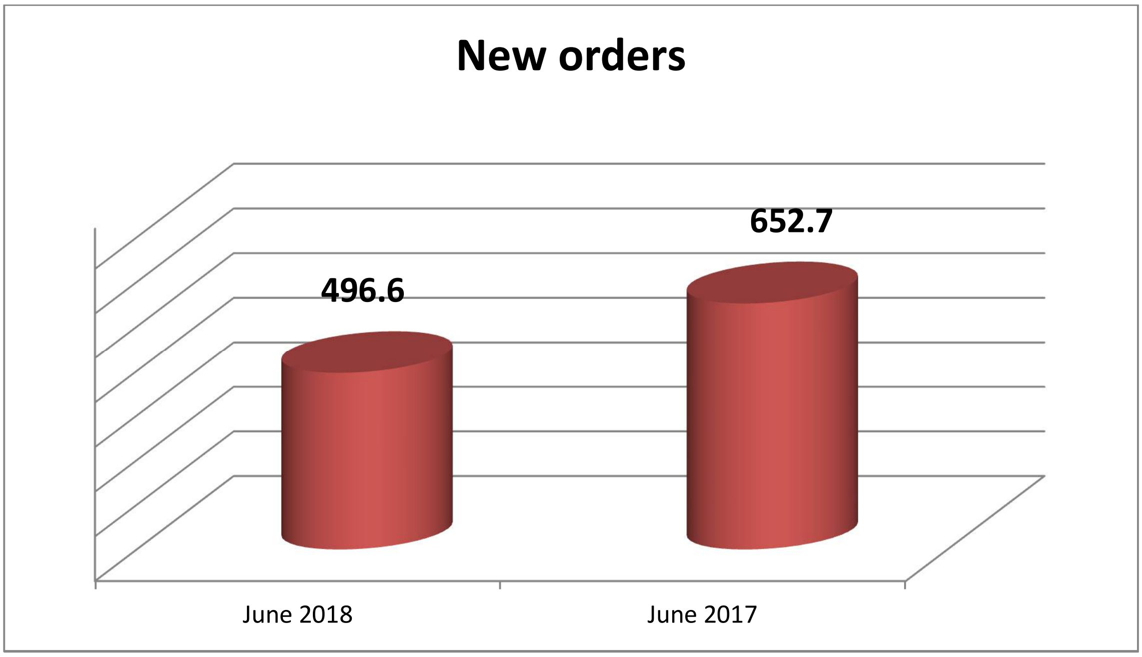
New orders come to approximately €108 million, including roughly €37 million acquired in Australia and mainly relating to variations on mining and freight transport railway lines (Rio Tinto).

As far as the Far East is concerned, orders amount to approximately €47 million, including approximately €7 million relating to the contract entered into with the Shanghai Metro and in partnership with CASCO for the supply of track circuits on 31 new trains for line 2 of the Shanghai metro and another €23 million relating to different contracts entered into with partner Insigma for systems and components on lines 6 and 11 of the Cheng Du metro.

Below is a detailed description of the main orders intake during the first six months of 2018:

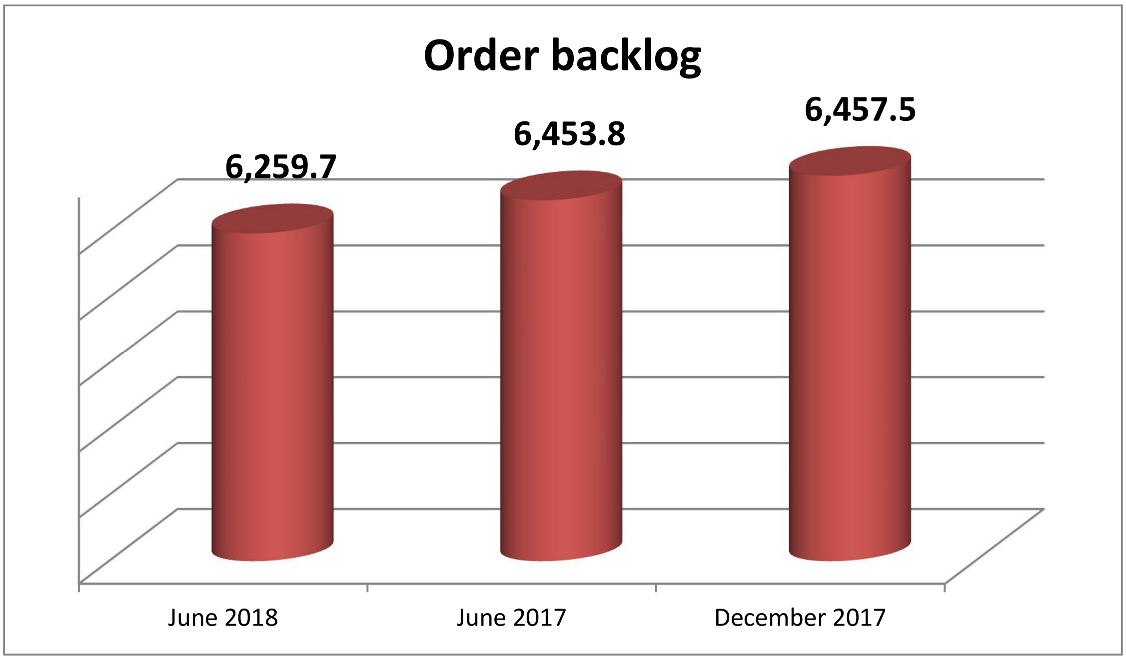
Country	**Project**	**Client**	**Value (M€)**
U.S.A.	LIRR project extension from Floral Park to Hicksville – New York	Third track construction contract JV	38
Australia	Rio Tinto – Change orders	Rio Tinto	37
Italy	Piscinola – Capodichino – Change order	EAV	35
Saudi Arabia	Riyadh O&M (PNU)	Princess Noura Bint Abdulrahman University	34
France	OCTYS L6	RATP	18
U.S.A.	Trip Stop replacement	PAAC	17
U.S.A.	Los Angeles replacement track circuits	LACMTA	15
Various EU / Asia	Components	Other	46
Various EU / Asia	Service & Maintenance	Other	44
U.S.A.	Components	Other	24

New Orders for the first six months of 2018-2017 (M€)



Order Backlog as of 30 June 2018 - 2017 (M€)

The value of the order backlog at 30 June 2018 amounted to €6,259.7 million compared to €6,457.5 million at 31 December 2017 (€6,453.8 million at 30 June 2017).



The orders backlog in June 2018 includes the residual value of the currently-suspended contract for Libya for €426.2m.

Business Performance

Revenue in the first six months of 2018 totalled €660 million (€636 million at 30 June 2017).

Below is the main information by geographic area:

ITALY

RAILWAYS:

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

With regard to the Florence - Rome line project, design and procurement activities have advanced and the impact of changes requested by the client concerning methods of works is currently being assessed.

MAINTENANCE & SERVICE AND SPARE PARTS:

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

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

NAPLES METRO LINE 6:

Even though there have been delays, the civil and plant works for the Mergellina-Municipio line continued. In february 2018, the first version of the safety report for on-board devices was produced.

ROME METRO LINE C:

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

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

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

MILAN METRO LINE 5:

The Milan Metro Line 5 project has been completed, and the entire line is currently operating; the management at the moment pertains to the warranty phase. Delays in obtaining test certificates have been reported, the relative technical and contractual problems are being resolved.

MILAN METRO LINE 4:

During the period, engineering and procurement activities continued; the first access to the line was granted and installation activities in the Expo section are ongoing.
A new schedule of works was defined with the client, which provides for the opening of functional sections.

GENOA METRO:

In March, the final train provided for under the contract successfully became operational. Final negotiations are underway for the start of the second phase of works on the depot.

REST OF EUROPE

TURKEY:

With reference to the Mersin-Toprakkale project, preparatory activities continue for the roll-out of the Level 1 ETCS system for Multi-stations 01 to 08.
Work on the Ankara metro is nearing completion, with the aim of rolling-out line 1 in the second half of the year, with the CBTC system.

GREECE:

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

DENMARK:

In Denmark, testing activities relating to the Cityringen Copenhagen metropolitan line continue.
With regard to the construction of the tram line in the city of Aarhus, installation and testing activities continue on non-urban sections, despite delays in the updated work plan.

SWEDEN:

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

Note that the Red Line project as a whole had gross work in progress for around €98 million and an allowance for impairment of around €35 million allocated following assessment of the risk deriving from the existing contractual termination dispute.

UNITED KINGDOM:

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

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

BELGIUM:

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

FRANCE:

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

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

NORTH AFRICA AND MIDDLE EAST

SAUDI ARABIA:

In Saudi Arabia, work is progressing on the Riyadh Metro Line 3 project despite delays in the completion of civil works in comparison to timeframes in the updated work plan.

Ansaldo STS, within a consortium, is participating in the tender for the management and maintenance of the Riyadh metro.

LIBYA:

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

MOROCCO:

In Morocco, work is progressing on the High Speed project on the Kenitra-Tangier line.
Kenitra station became operational in May.

AMERICA

USA:

In the state of Hawaii, activities related to the Honolulu metro construction advanced in terms of design, production and installation. Delays connected to civil works have been reported.
Installation and testing of the MBTA PTCS (Positive Train Control System) project in Boston is ongoing; technical, contractual and client relations problems have been identified and the Company has taken appropriate corrective action. Installations on 11 lines were completed during the period.
With regard to the project for the technological upgrade of the signalling system of the Media Sharon Hill line in Philadelphia, work continued on design and procurement of materials, despite delays in the work plan.
Design activities are also underway for the MTA project in Baltimore, for the implementation of a CBTC system on the existing line.

PERU:

The design of phase 1B for the construction of line 2 and a section of line 4 of the Lima metro is currently being approved; at the same time, civil works continue to be affected by significant delays generated by the difficulty in acquiring the areas to be expropriated, with a consequent impact on activities relating to Ansaldo STS's scope of work.
An arbitration proceeding was initiated by the Licensee against the assignor, before the ICSID (International Centre for Settlement of Investment Disputes) in Washington, in order to obtain recognition of the costs relating to the aforementioned delays and changes in the construction sequence, as well as works not included in the technical proposal.
Negotiations on the *Adenda 2* variation are in progress. The definition of *Adenda 2*, which also reviews the timetable for implementation of works, is relevant for the recalculation of the complex financing mechanism for the project. Critical issues have been reported concerning

relations with the assignor relating to the prolonged delay in the definition of *Adenda 2* and its annexes.

ASIA-PACIFIC

TAIWAN:

Activities related to the construction of the Circular Line subway line of Taipei continue. Delays recorded by the parties responsible for carrying out civil works heavily impacted the schedule of works, and this lapse is currently being discussed with the client. Installation activities continued, including completion of work relating to the depot, and dynamic testing is underway along the line.

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

CHINA:

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

INDIA:

With regard to the Calcutta metro project, design and production activities are progressing according to plan. On-board devices for the first two trains in the fleet were delivered in January.

Detailed design and production activities for the Noida metro project are also nearing completion, while preparatory testing for the roll-out of the first ATP phase of the project is proceeding with difficulty.

Finally, the detailed design of Line 1 of the Navi Mumbai metro has been completed and is in the process of being approved by the client; procurement activities and on-site delivery of materials are also ongoing.

MALAYSIA:

In Malaysia, design and material procurement activities for the Klang Valley Double Track (KVDT) project continue.

AUSTRALIA:

In Australia, production focused mainly on the AutoHaul project, part of the Framework Agreement with Rio Tinto (RAFA), in which work continued on software upgrades, installation on locomotives and system testing on the line.

The project is scheduled to be completed in the second half of 2018 and negotiations around the maintenance contract are ongoing.

SIGNIFICANT TRANSACTIONS DURING THE PERIOD AND EVENTS AFTER 30 JUNE 2018

RATP (Régie Autonome des Transports Parisiens), the Paris metro operator, awarded Ansaldo STS a contract worth €17.6 million for the implementation of the OCTYS - Open Control of Train Interchangeable & Integrated System - (CBTC-based technology) to modernise the 14 km stretch serving 28 stations on metro line 6.
The project is part of the "Metro 2030" strategic plan launched by RATP for the modernisation of metropolitan operating systems with the development of digital technologies on the Paris metro network. Operational since the end of 2012 on line 3, the Ansaldo STS CBTC provides maximum performance by significantly reducing routes and increasing operational efficiency.

With reference to the "System Delivery Agreement" signed on 3 November 2010 between Ansaldo STS Sweden and AB Storstockholms Lokaltrafik (SL) regarding the upgrade of the signalling system on the line of the Stockholm metro known as the "Red Line", following the unilateral termination of the contract by SL on 7 November 2017, at the beginning of April 2018 Ansaldo STS Sweden filed a request for arbitration against SL with the SCC Arbitration Institute, appointing its own arbitrator. An initial proposal for the timetable and meetings is currently being discussed.
To summarise, with this action, Ansaldo STS Sweden requested the arbitration tribunal to establish that the unilateral termination of the contract was unfounded, that it constitutes a breach of the contract and that Ansaldo STS is entitled to compensation.

RESEARCH AND DEVELOPMENT

As at 30 June 2018 costs for research and development in the profit and loss account net of contributions are equal to €21.9 million (€18.3 million in the same period of 2017).
The comprehensive costs for research and development were equal to €23.6 million (€19.2 million during the same period of 2017), against which income for contributions equal to approximately €1.7 million was recorded (€0.9 million in the same period of 2017).

As regards projects financed by the Ministry of Research, the Tesys Rail project is highlighted, which has the aim of defining appropriate strategies for railway traffic energy optimisation.

Highlighted among the projects funded by the European Commission are:

- MANTIS, funded by the Joint Undertaking ECSEL (public-private subject issuing loans from the European Commission for the innovation of embedded systems) and by the Ministry of Research, with the objective of increasing knowledge with regard to the decision taking process for maintaining railway systems;
- IN2RAIL, in association with the Shift2Rail initiative, entailing the optimisation of the railway infrastructure, lowered implementation and maintenance costs and increased capacity. The project ended in the first part of 2018.

The following projects are underway in relation to the SHIFT2RAIL programme:

- CONNECTA, *CONtributing to Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes*;
- X2RAIL1, *Start-up activities for Advanced Signalling and Automation System*;
- IN2SMART, *Intelligent maintenance systems and strategies*;
- ATTRACTIVE, *Advanced Travel Companion & Tracking Services;*
- FR8RAIL, *Development of functional requirements for sustainable and attractive European rail freight*;
- PLASA, *Smart Planning and Safety for a safer and more robust European railway sector*;
- IMPACT1, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains – Phase* 1;
- ARCC, *Start-up activities for freight automation*;
- IN2STEMPO, *Innovative Solutions in Future Stations, Energy Metering and Power Supply*;
- CONNECTIVE, *Connecting and Analysing the Digital Transport Ecosystem*;
- FR8HUB, *Real-time information applications and energy efficient solutions for rail freigh*t;

- IMPACT-2, *Indicator Monitoring for a new railway PAradigm in seamlessly integrated Cross modal Transport chains–Phase* 2;
- X2RAIL-2, *Enhancing railway signalling systems based on train satellite positioning; on-board safe train Integrity; formal methods approach and standard interfaces, enhancing Traffic Management System functions*.

On the theme of satellite systems, activities are underway as regards the STARS project, which is part of the Research Programme of the European Agency, GSA Horizon 2020. In particular, methodologies and tools for calculating Ground Truth have been defined. Furthermore, at the trial site in Sardinia and Pontremolese, measurements activities continued, with the objective of acquiring Signals In Space (RF signal) and Observational data related to GPS, EGNOS. The definition of the development of EGNSS services was also carried out in order to meet performance and safety requirements in the railway environment and identify any impact on ERTMS / ETCS systems.

The ERSAT GGC project, also financed by the GSA, was launched with the aim of designing a platform for integrating satellite technologies into the ERTMS environment. ERSAT GGC is the natural continuation of the ERSAT EAV project and will support the certification of satellite systems based on CENELEC standards. An important result will be the development of a tool for the implementation, validation and certification of a "track data base". The demonstrator will be built in Sardinia.

Remaining on the theme of satellite systems, but financed by the ESA (European Space Agency), the following projects are ongoing:

- DB4RAIL (Digital Beamforming for RAIL), which will develop a digital beamforming platform in the context of ERTMS and will implement an advanced GNSS antenna and signal processing techniques to increase immunity to electromagnetic interference (EMI);
- SAT4TRAIN, which aims to develop a cost-effective Multi Link Communication Platform (MLCP) to replace the GSM-R system, which will become obsolete in the coming years;
- SIM4RAIL, which will specify and develop easily controllable laboratory equipment for a test bench to test and support the development of PNT technologies for railway signalling applications, including the virtual balises detection system, based on GNSS, in the ERTMS system.

Further development activities not backed by external funding involved:

- Ansaldo STS S.p.A.

    - MacroLok Interlocking platform
        - RBC
        - “FAST” suite of tools
    - “Automazione v2.0”
    - OnBoard (ALA)
- Ansaldo STS France S.A.S.
    - *CBTC (Communication-Based Train Control)*
    - OnBoard (DIVA)
- Ansaldo STS USA Inc.
    - *Automatic Train Supervision (ATS) – Metro applications*
    - “Automazione V2.0”
    - MicroLok Interlocking

Research and development costs net of contributions are formed for the Group Companies as follows:

- Ansaldo STS S.p.A.: €9.3 M;
- Ansaldo STS France S.A.S.: €5.6 M;
- Ansaldo STS USA Inc.: €7.0 M.

HUMAN RESOURCES AND ORGANISATION

Ansaldo STS

The top management positions of the Company have not underwent any changes during the first six months year of 2018.

In office to date, therefore, are:
Chairman of the Board of Directors: Alistair Dormer;
Vice Chairman of the Board of Directors: Alberto de Benedictis;
Chief Executive Officer and General Manager: Andrew Thomas Barr.

On 9 May 2018, the Board of Directors approved the Privacy Organisational Model, which became operational on 9 May 2018.

On the same date, the Board of Directors approved the establishment of the Data Protection Committee, appointing the current managers of the following functions as members: General Counsel & Compliance, HR & Organization, IT Security and IT Infrastructure & Services.

On the same date, the Board of Directors also appointed Rosario Imperiali, as Data Protection Officer (DPO) of Ansaldo STS S.p.A., assigning him all the functions referred to in article 39 of EU Regulation 679/2016.

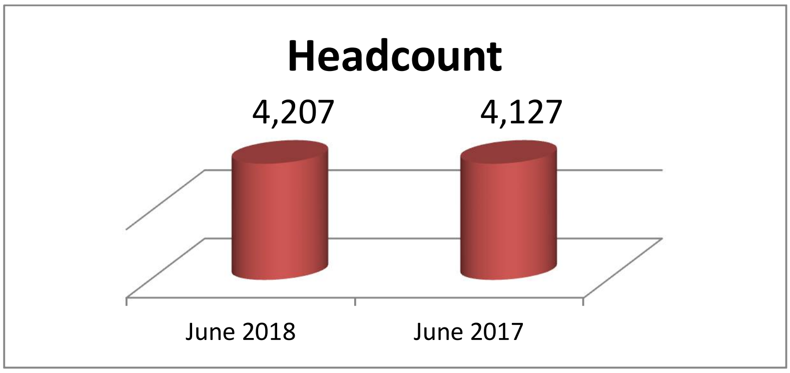
As already mentioned, on 13 June 2018, the Board of Directors approved the project for the new organisational structure of Ansaldo STS S.p.A.; it anticipates 3 implementation phases:

1. Initial organisational changes effective from the fourth quarter of 2018;
2. Interim organisational changes effective from the start of 2019;
3. Final organisational changes effective from mid-2019.

Headcount as at 30 June 2018

The staffing structure as registered on 30 June 2018 is equal to 4,207 resources with a net increase of 80 units compared to 4,127 resources at the end of the first six months of the previous year; instead there is a decrease of 21 units compared to 4,228 resources as at 31 December 2017.

Headcount as at 30 June 2018 – 2017



The average headcount during the first six months of 2018 was 4,168, compared with 4,037 in the first six months of 2017.

FINANCIAL DISCLOSURE

The official share price in the 31 December 2017 to 30 June 2018 period rose from €12.00 to €12.28, up 2.3%.

The share's period high of €12.80 was recorded on 23 March 2018 and its low of €12.01 on 2 January 2018.

An average 109,059 shares were traded daily in the period, compared to 102,123 shares traded in the corresponding period of the previous year.

During the period under consideration, the FTSE Italia All Share index fell by 1.5% and the FTSE Italia STAR slightly rose by 0.5%.

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

Key Shareholders as at 30 June 2018

Considering the communications sent to CONSOB and received by the Company pursuant to Legislative Decree No. 25 of 15 February 2016, which came into force on 18 March 2016, implementing Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013, which amended article 120(2) of the Consolidated Law on Finance, the following is the list of parties holding a significant shareholding of more than 3% in the share capital of Ansaldo STS S.p.A. as at 30 June 2018:

Shareholder	Position no. of shares	Position %
HITACHI RAIL ITALY INVESTMENTS	101,544,702	50.772
PAUL E. SINGER (*) (as a direct or indirect limited partner of limited partnership Elliott International LP and The Liverpool Limited Partnership)	51,330,030	25.665
UBS (**)	10,441,207	5.221

(*) Long term positions held by Paul E. Singer 63,588,837 shares for a percentage equal to 31.794%.
(**) Long term position held by UBS 14,782,813 shares for a percentage equal to 7.391%

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

As of 29 March 2006, Ansaldo STS shares are listed under the Star segment of the markets organised and managed by Borsa Italiana S.p.A.

The company's shares were included in the FTSE MIB index from 23 March 2009 to 23 March 2014 and in the FTSE Italia Mid Cap index from 24 March 2014 until 6 April 2015. They then were re-included in the FTSE MIB index starting from 7 April 2015 until 20 December 2015. As of 21 December 2015, the Company's shares were again included in the FTSE Italia Mid Cap index.

By resolution of the Board of Directors meeting of 19 December 2006, Ansaldo STS adhered to the Self-Regulation Code adopted by Borsa Italiana S.p.A. in March 2006 and completed the requirement during 2007.

On 18 December 2012, following the adoption of a new Self-Regulation Code by the Corporate Governance Committee of Borsa Italiana S.p.A. in December 2011, the Board of Directors of Ansaldo STS resolved to comply with the principles contained in this new Code, thus initiating the process of adaptation of its own Governance system to the new recommendations contained therein. Finally, in July 2014 and July 2015, the Corporate Governance Committee of Borsa Italiana S.p.A. adopted a new version of such code; Ansaldo STS's corporate governance system fundamentally complies with this latest version.

Detailed information on the structure of the Company's Governance System is contained in the Board of Director's Report on the Corporate Governance system and on compliance with the Self-Regulation Code for listed Companies for the 2017 financial year, approved by the Board of Directors on 14 March 2018 and published at the same time as the annual Financial Report for the financial year closed as at 31 December 2017.

The Shareholders' Meeting of the Company held on 13 May 2016, after the number of Directors was agreed at nine, appointed the new Board of Directors of the Company for the financial years 2016-2018. In particular, the Shareholders' Meeting appointed the following as new Directors of Ansaldo STS S.p.A; Alistair Dormer (Chairman), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Consequently, in the meeting held on 16 May 2016, the Board of Directors appointed Ms. Katherine Jane Mingay as Vice Chairman of the Board of Directors. At a meeting held on 24 May 2016, the Board of Directors appointed Andrew Thomas Barr as Chief Executive Officer and General Manager of Ansaldo STS S.p.A. Furthermore, after the resignation on 21 October 2016 of Katherine Jane Mingay from the office of Vice Chairman of Ansaldo STS S.p.A. with immediate effect, the Board of Directors appointed Alberto de Benedictis as Vice Chairman of the Board of Directors on 28 October 2016.

During the meeting held on 28 October 2016, the Board of Directors resolved, by majority, to establish an Executive Committee (i.e. Bid Committee). Such committee was conferred powers, amongst others, to appraise and approve bids aimed at acquiring tender contracts for clients in the public and private sector exceeding €150 million and within the limit of €350 million per single transaction. The Executive Committee is formed of the Chairman, Alistair Dormer, Chief Executive Officer, Andrew Thomas Barr and the Director, Katherine Jane Mingay.

It is noted that the Shareholder's Meeting of 19 January 2017 resolved to bring corporate liability action as per art. 2393 civil code against Giuseppe Bivona who, by effect thereof, was revoked from office with immediate effect. At the same meeting, the Shareholders proceeded to appoint Michele Alberto Fabiano Crisostomo as a new director of the Company, replacing Giuseppe Bivona. Mr. Crisostomo shall remain in office until expiry of the current Board mandate.

The Company's Board of Statutory Auditors, appointed by the Shareholder's Meeting of 11 May 2017 for financial years 2017-2019, is formed of Antonio Zecca (Chairman) and Statutory Auditors Giovanni Naccarato and Alessandra Stabilini, as well as Substitute Auditors, Valeria Galardi, Cristiano Proserpio and Alessandro Speranza.

It should also be noted that on 16 May 2016 the Board of Directors appointed Francesco Gianni as Secretary of the Board.

The Board of Directors meeting of 16 May 2016 proceeded with appointing the members of the Control and Risks Committee (Alberto de Benedictis – Chairman, Mario Garraffo and Katharine Rosalind Painter) and the Appointment and Remuneration Committee (Katharine Rosalind Painter– Chairman, Alberto de Benedictis and Mario Garraffo).

On 27 February 2017, the Board of Directors appointed Renato Gallo, with effect from 1 March 2017, to replace Roberto Carassai, with the favourable opinion of the Board of Statutory Auditors, as the Chief Reporting Officer pursuant to article 154-bis of Legislative Decree No. 58/1998, and on an interim basis, as the Company's Chief Financial Officer. Subsequently, on 28 March 2017, Renato Gallo was confirmed as Chief Financial Officer of Ansaldo STS.

During the meeting held on 13 June 2018, the Board of Directors took note of the statements made by the independent directors (Rosa Cipriotti, Fabio Labruna, Katharine Rosalind Painter, Alberto de Benedictis, Mario Garraffo and Michele Alberto Fabiano Crisostomo) and confirmed that they still meet the independence requirements set out by current legislation and the Self-Regulation Code.

On 24 May 2016, the Board of Directors of the Company, in compliance with Principle 7.P.3 of the Self-Regulation Code, also appointed the General Manager Andrew Thomas Barr as Director in charge of the internal control and risk management system. During said meeting, the Board of Directors also confirmed the assignment of the role of Internal Audit function to the external company Protiviti S.r.l. and Giacomo Galli, Managing Director and Country Leader of said company, as the Internal Audit manager. Subsequently, on 24 March 2017, the Board resolved to confirm Protiviti as the party in charge of the Internal Audit function, on an interim basis, with effect until 30 September 2017. Lastly, on 28 July 2017, the Board resolved to appoint Andrea Crespi, former Protiviti consultant, as the new head of the Internal Audit function with effect from 1 October 2017.

It is further noted that on 24 May 2016, the Board of Directors confirmed Nicoletta Garaventa and Alberto Quagli as Chairman and external member of the Company's Supervisory Body respectively as well as Filippo Corsi, General Counsel of Ansaldo STS, as internal member of the Company's Supervisory Body.

Pursuant to the provisions of the Self-Regulation Code, the members of the Board of Statutory Auditors, Antonio Zecca, Giovanni Naccarato and Alessandra Stabilini also confirmed their possession of the requirements of independence required under the legislation in force and declared the latter upon their appointment, during the first meeting of such Board, held on 5 July 2017.

With respect to the independent auditors appointed to perform the legally-required audit of Ansaldo STS S.p.A.'s financial statements, it is noted that in their meeting of 19 January 2017, the shareholders awarded the audit engagement for the 2016-2024 period to EY S.p.A.

We also point out that the Board of Directors meeting of 14 March 2018 approved the Company Remuneration Policy for the 2018 financial year in conformity with the recommendations of art. 6 of the Self-Regulation Code, based on the proposal formulated by the Appointment and Remuneration Committee of 13 March 2018.

On 14 March 2018 the Board of Directors, having consulted with the Appointment and Remuneration Committee, also approved the Remuneration Report drawn up by the Company pursuant to article 123-ter of the TUF and 84-quater of the Issuer's Regulation.

Finally, pursuant to article 123-ter, paragraph 6 of the Consolidated Finance Law, the shareholders' meeting held on 10 May 2018, approved the first section of the above-mentioned report required by article 123-ter, paragraph 3 of the Consolidated Finance Law, which describes the company's remuneration policy for its officers and key managers, and the procedure followed to implement and describe this policy.

In compliance with the provisions under article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuer's Regulation, we report that the Board of Directors of the Parent Company, which met on 28 January 2013, had resolved to adhere to the "opt-out" regime pursuant to article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuer's Regulation, thereby availing of the faculty of derogation from the obligations to publish information documents prescribed on occasions of significant operations entailing merger, demerger, increase in capital by means of contribution of assets in kind, acquisitions and transfers.

Finally, it is noted that the Shareholders' Meeting held on 10 May 2018 changed the financial year-end date from 31 December to 31 March of each year, and therefore the current financial year will have a duration of 15 months, and will run from 1 January 2018 to 31 March 2019.

The main instruments of Governance with which the Company is equipped are shown below, again in observance of the most recent legislative and regulatory provisions, regulations of the Self-Regulation Code and national and international best practice:

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

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

OUTLOOK

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

Rome, 31 July 2018

For the Board of Directors
The Chairman

Alistair Dormer

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2018

1 FINANCIAL STATEMENTS

1.1 Consolidated income statement

(K€)	*Notes*	For the first six months of 2018	of which, related parties	2017	of which, related parties
Revenues from contracts with customers	5.2	660,086	33,874	635,819	38,080
Other operating income	5.3	15,442	862	10,855	652
Costs for purchases	5.4	(158,698)	(7,599)	(154,458)	(8,379)
Services	5.4	(268,789)	(31,208)	(243,778)	(30,697)
Personnel costs	5.5	(175,266)	-	(175,077)	-
Amortisation, depreciation and write-downs	5.6	(10,885)	-	(8,627)	-
Other operating expenses	5.7	(12,402)	(14)	(11,345)	-
Change in work in progress, semi-finished and finished products		4,688	-	923	-
(-) Internal work capitalised	5.8	235	-	2,170	-
Operating profit (EBIT)		**54,411**		**56,482**	
Financial income	5.9	11,248	-	12,066	-
Financial charges	5.9	(12,324)	-	(14,073)	-
Share of profits of equity-accounted investees	5.10	3,266	-	5,864	-
Pre-tax profit		**56,601**		**60,339**	
Income taxes	5.11	(15,342)	-	(17,512)	-
Profit for the period		**41,259**		**42,827**	
attributable to the owners of the Parent		*41,276*	-	*42,832*	-
attributable to non-controlling interests		*(17)*	-	*(5)*	-
Earnings per share					
Basic and diluted		0.21		0.21	

1.2 Consolidated statement of other comprehensive income

Consolidated statement of other comprehensive income (K€)	For the first six months of 2018	2017
Net profit for the period	41,259	42,827
Items that will not be reclassified to profit or loss:		
- Net actuarial gains (losses) on defined benefit plans	428	(299)
- Tax effect on net actuarial gains (losses) on defined benefit plans	(121)	85
	307	**(214)**
Items that will or may be reclassified to profit or loss:		
- Net change in fair value of cash flow hedges	(7,920)	11,069
- Translation Adjustment	2,502	(23,606)
- Tax effect	2,562	(2,682)
	(2,856)	**(15,219)**
Other comprehensive income (expense), net of taxes	**(2,549)**	**(15,433)**
Total comprehensive income for the period	**38,710**	**27,394**
Attributable to:		
- Owners of the Parent	38,725	27,410
- Non-controlling interests	(15)	(16)

1.3 Consolidated statement of financial position

(K€)	Notes	30.06.2018	of which, related parties	31.12.2017	of which, related parties
ASSETS					
Non-current assets					
Intangible assets	4.2	46,338	-	47,505	-
Property, plant and equipment	4.3	84,728	-	85,349	-
Equity investments	4.4	75,118	-	78,753	-
Receivables	4.5	45,731	27,478	43,456	25,627
Deferred tax assets	5.11	53,012	-	36,213	-
Other non-current assets	4.5	11,811	-	13,794	-
		316,738		**305,070**	
Current assets					
Inventories	4.6	124,261	-	110,995	-
Contract Assets	4.7	465,597	-	379,590	-
Trade receivables	4.8	654,469	28,502	736,664	55,208
Tax receivables	4.9	25,168	-	35,782	-
Financial receivables	4.8	38,365	-	30,633	232
Other current assets	4.10	108,102	21	84,386	21
Cash and cash equivalents	4.11	312,792	-	327,326	-
		1,728,754		**1,705,376**	
Total assets		**2,045,492**		**2,010,446**	
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	4.12	100,000	-	100,000	-
Reserves	4.13-4.14	646,515	-	628,892	-
Equity attributable to the owners of the Parent		**746,515**		**728,892**	
Equity attributable to non-controlling interests	4.15	86	-	101	-
Total shareholders' equity		**746,601**		**728,993**	
Non-current liabilities					
Employee benefits	4.18	37,812	-	37,572	-
Deferred tax liabilities	5.11	8,171	-	8,830	-
Other non-current liabilities	4.19	14,295	-	14,378	-
		60,278		**60,780**	
Current liabilities					
Contract Liabilities	4.7	675,371	-	683,036	-
Trade payables	4.20	390,897	21,073	413,639	29,873
Financial payables	4.16	1,637	-	424	-
Tax payables	4.9	14,713	-	6,021	-
Provisions for risks and charges	4.17	39,331	-	15,967	-
Other current liabilities	4.19	116,664	410	101,586	410
		1,238,613		**1,220,673**	
Total liabilities		**1,298,891**		**1,281,453**	
Total liabilities and equity		**2,045,492**		**2,010,446**	

1.4 Consolidated statement of cash flows

Consolidated Statement of cash flows		**For the first six months of**			
(K€)	*Notes*	**2018**	**of which, related parties**	**2017**	**of which, related parties**
Cash flows from operating activities:					
Profit for the period		41,259	-	42,827	-
Share of profits of equity-accounted investees		(3,266)	-	(5,864)	-
Income taxes		15,342	-	17,512	-
Italian post-employment and other employee benefits		511	-	447	-
Stock grant plans		1,078	-	1,066	-
Gains (losses) on the sale of assets		1	-	103	-
Net financial income		1,076	-	2,007	-
Amortisation, depreciation and write-downs		10,885	-	8,627	-
Other net operating income/expense		(4,034)	-	1,429	-
Changes in provisions for risks and charges		158	-	2,365	-
Write-downs/write-backs of inventories and work in progress		11,785	-	6,355	-
Gross cash flows from operating activities	**7**	**74,795**		**76,874**	
Inventories		(12,506)	-	(214)	-
Contract Assets and Contract Liabilities		(115,888)	-	(23,614)	-
Trade receivables and payables		48,301	(35,506)	(54,116)	(11,746)
Changes from (used in) working capital	**7**	**(80,093)**		**(77,944)**	
Net change in other operating assets and liabilities		2,371	-	(23,444)	-
Net interest paid		5,973	-	(5,586)	-
Income taxes paid		(6,447)	-	(17,035)	-
Total other operating assets and liabilities		**1,897**		**(46,065)**	
Cash flows from (used in) operating activities		**(3,401)**		**(47,135)**	
Cash flows from investing activities:					
Investments in property, plant and equipment and intangible assets and others		(5,618)	-	(7,532)	-
Disposal of property, plant and equipment and intangible assets and others		170	-	449	-
Other investing activities		56	-	(47)	-
Cash flows from (used in) investing activities		**(5,392)**		**(7,130)**	
Cash flow from financing activities:					
Net change from other financing activities		(6,746)	(232)	(8,097)	-
Cash flows used in financing activities		**(6,746)**		**(8,097)**	
Net increase (decrease) in cash and cash equivalents		(15,539)	-	(62,362)	-
Net exchange rate gains (losses)		1,005	-	(3,227)	-
Opening cash and cash equivalents		327,326	-	305,586	-
Closing cash and cash equivalents		**312,792**		**239,997**	

1.5 Consolidated statement of changes in equity

The changes in equity are detailed in the following table:

(K€)	Share capital	Retained earnings and consolidation reserves	Hedging reserve	Stock grant reserve	Translation adjustments	Other reserves	Total Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity as at 1 January 2017	**100,000**	**544,451**	**3,042**	**8,115**	**36,755**	**15,263**	**707,626**	**220**	**707,846**
Change in scope of consolidation and equity-accounted investees	-	(4,092)	-	-	675	-	**(3,417)**	-	**(3,417)**
Net change in stock grant reserve	-	-	-	(957)	-	-	**(957)**	-	**(957)**
Other items of comprehensive income, net of taxes	-	-	11,069	-	(23,595)	(2,896)	**(15,422)**	(11)	**(15,433)**
Other changes	-	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	-	-	-	**-**	-	**-**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit (loss) for the period ended 30 June 2017	-	42,832	-	-	-	-	**42,832**	(5)	**42,827**
Shareholders' equity as at 30 June 2017	**100,000**	**583,191**	**14,111**	**7,158**	**13,835**	**12,367**	**730,662**	**204**	**730,866**
Shareholders' equity as at 1 January 2018	**100,000**	**605,335**	**1,432**	**7,698**	**(83)**	**14,510**	**728,892**	**101**	**728,993**
Effect for the adoption of IFRS 15 and 9	**-**	**(31,993)**	**-**	**-**	**-**	**9,353**	**(22,640)**	**-**	**(22,640)**
Shareholders' equity as at 1 January 2018 ***restated***	**100,000**	**573,342**	**1,432**	**7,698**	**(83)**	**23,863**	**706,252**	**101**	**706,353**
Change in scope of consolidation and equity-accounted investees	-	4,843	-	-	(2,083)	-	**2,760**	-	**2,760**
Net change in stock grant reserve	-	-	-	(1,222)	-	-	**(1,222)**	-	**(1,222)**
Other items of comprehensive income, net of taxes	-	-	(7,920)	-	2,500	2,869	**(2,551)**	2	**(2,549)**
Dividends	-	-	-	-	-	-	**-**	-	**-**
Net change in treasury shares	-	-	-	-	-	-	**-**	-	**-**
Profit (loss) for the period ended 30 June 2018	-	41,276	-	-	-	-	**41,276**	(17)	**41,259**
Shareholders' equity as at 30 June 2018	**100,000**	**619,461**	**(6,488)**	**6,476**	**334**	**26,732**	**746,515**	**86**	**746,601**

2 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

2.1 General information

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

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

Hitachi Rail Italy Investments S.r.l. currently owns 101,544,702 ordinary shares, equal to 50.772% of the share capital of Ansaldo STS S.p.A.
Hitachi Ltd. manages and coordinates the activities of Ansaldo STS S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

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

Seasonality

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

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

2.2 Basis of consolidation

This interim financial report of the Ansaldo STS Group as at and for the six months ended 30 June 2018 has been prepared in accordance with art. 154-ter, para. 2, of Decree 58/98 (TUF - Consolidated Finance Law) - and subsequent amendments and additions. The condensed interim consolidated financial statements for the six months ended 30 June 2018 included in this interim financial report have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to Regulation 1606/2002 in force at the reporting date, as supplemented by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) applicable at that date. Taken together, all the above standards and interpretations are referred to below as the "EU-IFRS". Specifically, these financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the IASB and comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes.

As allowed by IAS 34, the explanatory notes are presented in condensed form. They do not include all the disclosures required for annual financial statements, as they refer only to those items that are essential for an understanding of the economic and financial position of the Group, given their amount, composition or changes. Accordingly, these condensed interim consolidated financial statements must be read together with the consolidated financial statements as at 31 December 2017.

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

The accounting policies used for the Condensed interim consolidated financial statements are unchanged from those of the 2017 Annual consolidated financial statements, with the exception of the following.

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

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

In this way, the differential in revenues, for contracts in place as at 31 December 2017, calculated as if the new IFRS15 standard had always been applied, was recognised as at 1 January 2018 in a reserve for retained earnings (losses) due to the change of practice for a total value of approximately - €32 million (as a reduction in Shareholders' Equity), with a matching entry for a reduction in Work in progress, progress payments and advances from customers (now Assets and Liabilities from contracts).

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

For the sake of completeness, it should be noted that if the Group had also applied IAS 11 in the first six months of 2018, the positive impact on revenues and operating profit would have been approximately €3.7m.

In addition, following the adoption of IFRS 15, the "provision for loss contracts", equal to €21 m, has been reclassified to the account "provision for risks, charges and contingent liabilities".

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With reference to the application of IFRS 9, the Group carried out an assessment, after which no impact except for the adjustment for the value of the investment in Intermetro Spa in liquidation at fair value with the recognition of a decrease in value of €0.1 million.

With particular reference to receivables and the application of the "expected credit loss method", as a result of the assessment carried out, the allowance for doubtful accounts booked as at 30 June 2018 was also adequate following the application of the new standard.

Additional information is provided in the "New IFRS and IFRIC interpretations" section of the Consolidated Financial Statements as at 31 December 2017.

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

IFRS of future application

The main changes and potential effects are summarized below:

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases) which is intended to replace the current accounting standard IAS 17, as well as IFRIC 4 interpretations (Determining Whether an Arrangement Contains to Lease), SIC 15 (Operating Leases - Incentives) and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard provides a new definition of lease and introduces a method based on the control (so-called "right of use") of an asset to distinguish leasing contracts from service contracts, identifying which discriminants: the identification of the asset, the right of substitution of the same, the right to obtain substantially all the economic benefits deriving from the use of the good and the right to direct the use of the asset underlying the contract. The objective is to ensure greater comparability between financial statements due to the different accounting applied between operating leases and finance leases. The standard establishes a unique model for recognition and evaluation of leasing contracts for the lessee, which provides for the recording of the asset subject to lease also operating in the assets with a financial debt offset, also providing the possibility of not recognizing as leasing contracts relating to "low-value assets" and leases with a contract term of 12 months or less. On the other side, the new standard does not provide significant changes for lessors.

In consideration of the changes introduced by IFRS 16, which the Group will apply from April 1, 2019, the management of Ansaldo STS, decided to launch a project in the first half of 2018 aimed at identifying the potential impacts due to the adoption of the new principle.

In this context, Ansaldo STS management established a specific working group that focused its activities on the following aspects:

- comparison analysis of the accounting policies adopted by the Group in terms of recognition of leasing contracts with respect to the requirements of the new international accounting standard;
- recognition of the main differences in principle that could potentially determine significant impacts of an accounting, organizational and system nature;
- identification of the main leasing contracts stipulated by the Group companies and analysis of the relative contractual structure in order to verify the existence of potential impacts deriving from the application of the new accounting standard.

Following the analysis described above, the Company will assess the impacts of the first application at the end of the financial statements as at 31 March 2019.

The condensed interim consolidated financial statements of the Ansaldo STS Group as at 30 June 2018 were approved by the Board of Directors on 31 July 2018, which authorised them for publication on the basis and with the timing envisaged in current legislation.

All amounts are presented in thousands of euro unless stated otherwise.

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

The condensed interim consolidated financial statements have been subjected to a limited audit by EY S.p.A.

2.3 Consolidation Scope

Basis and scope of consolidation

These condensed interim consolidated financial statements of the Ansaldo STS Group as at 30 June 2018 comprise the interim financial statements as at 30 June 2018 of the companies/entities included within the scope of consolidation (the "consolidated entities"), prepared under the EU-IFRS adopted by the Ansaldo STS Group. The list of consolidated entities presented below, showing the direct or indirect ownership interests held by the Group, has not changed since 31 December 2017:

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

NAME	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/QUOTA CAPITAL ('000)	CURRENCY	% HELD
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ANSALDO STS ESPAÑA S.A.U.	Indirect	Madrid (Spain)	1,500	EUR	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	7,732	CNY	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EUR	100
UNION SWITCH & SIGNAL INC	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Kingston (Canada)	-	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.001	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	5,612,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EUR	100
ANSALDO STS RAILWAY SIGNALING TECHNOLOGY (BEIJING) COMPANY LTD	Direct	Beijing (China)	10,250	CNY	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0.1	BWP	100

Companies measured using the equity method

NAME	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/QUOTA CAPITAL ('000)	CURRENCY	% HELD
ALIFANA SCARL (in liq.)	Direct	Naples (Italy)	26	EUR	65.85
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EUR	53.34
PEGASO SCARL (in liq.)	Direct	Rome (Italy)	260	EUR	46.87
METRO 5 S.p.A.	Direct	Milan (Italy)	53,300	EUR	24.6
METRO BRESCIA S.r.l.	Direct	Brescia (Italy)	4,020	EUR	19.796
INTERNATIONAL METRO SERVICE S.r.l.	Direct	Milan (Italy)	700	EUR	49
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40

List of companies measured at fair value

NAME	DIRECT/INDIRECT CONTROL	LOCATION	SHARE/QUOTA CAPITAL (‘000)	CURRENCY	% HELD
Metro C S.c.p.A.	Direct	Rome (Italy)	150,000	EUR	14.00
I.M. Intermetro S.p.A. (in liquidation)	Direct	Rome (Italy)	2,461	EUR	16.67
Società Tram di Firenze S.p.A.	Direct	Florence (Italy)	7,000	EUR	2.418
Iricav Uno consortium	Direct	Rome (Italy)	520	EUR	17.44
Iricav Due consortium	Direct	Rome (Italy)	510	EUR	17.05
Ferroviario Vesuviano consortium	Direct	Naples (Italy)	153	EUR	33.34
San Giorgio Volla consortium	Direct	Naples (Italy)	71	EUR	25.00
San Giorgio Volla2 consortium	Direct	Naples (Italy)	71	EUR	25.00
Cris consortium (in liq.)	Direct	Naples (Italy)	2,377	EUR	1.00
Ascosa Quattro consortium	Direct	Rome (Italy)	57	EUR	25.00
Siit S.C.p.A.	Direct	Genoa (Italy)	600	EUR	2.30
Saturno consortium	Direct	Rome (Italy)	31	EUR	33.34
Train consortium	Direct	Rome (Italy)	120	EUR	4.68
Sesamo S.c.a.r.l. (in liquidation)	Direct	Naples (Italy)	100	EUR	2.00
ISICT consortium	Direct	Genoa (Italy)	43	EUR	14.29
Cosila consortium (in liq.)	Direct	Naples (Italy)	100	EUR	1.11
MM4 consortium	Direct	Milan (Italy)	200	EUR	17.68
Radiolabs consortium	Direct	Rome (Italy)	258	EUR	20.02
SPV M4 S.p.A.	Direct	Milan (Italy)	26,700	EUR	5.55
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Direct	Fortaleza (Brazil)	1,000	BRL	99.99
Hitachi Ansaldo Baltimore Rail Partners LLC	Indirect	Wilmington (Delaware USA)	0.5	USD	50.00
Metro de Lima Linea 2 S.A.	Direct	Lima (Peru)	368,808	PEN	16.90
TOP IN S.ca.r.l.	Direct	Naples (Italy)	87	EUR	4.84
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Direct	Rome (Italy)	40	EUR	12.00
Dattilo S.c.a.r.l.	Direct	Naples (Italy)	100	EUR	14.00
MetroB S.r.l.	Direct	Rome (Italy)	20,000	EUR	2.47

2.4 Exchange rates adopted

The following exchange rates were applied to convert the foreign currency financial statements and balances reported in the financial statements as at 30 June 2018 and 2017:

	Closing rate at 30 June 2018	Average rate for the period ended 30 June 2018	Closing rate at 30 June 2017	Average rate for the period ended 30 June 2017
USD	1.16160	1.21091	1.13750	1.08220
CAD	1.54430	1.54679	1.48880	1.44374
GBP	0.88173	0.87940	0.88525	0.85995
HKD	9.11580	9.49062	8.87590	8.41328
SEK	10.35030	10.15123	9.77800	9.59390
AUD	1.57250	1.56966	1.49860	1.43525
INR	79.69400	79.51125	73.43450	71.10042
MYR	4.67950	4.76727	4.89220	4.74896
BRL	4.41520	4.14031	3.76320	3.43882
CNY	7.66490	7.70991	7.73480	7.44041
VEB	12,363.50000	12,170.07000	11,360.80000	10,808.43500
BWP	12.01240	11.82490	11.63740	11.26618
ZAR	15.89480	14.88623	14.80800	14.30103
KZT	394.89000	395.43139	367.34400	344.81533
JPY	128.08000	131.61199	127.53000	121.61759
AED	4.26600	4.44707	4.17576	3.97274
KRW	1,298.88000	1,302.95023	1,300.61000	1,235.26973

3 SEGMENT REPORTING

Following an internal reorganisation and business restructuring, the business segments identified previously (Signalling and Transportation Solutions) were merged in 2014, due to the similarities of their products and services, production processes and types of customer; as a result, the Group has just one operating segment pursuant to IFRS 8 Operating Segments.

The information required by IFRS 8 therefore corresponds to that presented in the consolidated income statement.

The consolidated accounting information provided below is analysed on a geographical basis, which represents the main way in which business performance is monitored by management.

Group revenues from contracts with customers are analysed by geographical area below:

(K€)	**30.06.2018**	**30.06.2017**
Italy	164,457	117,225
Rest of Europe	181,830	201,653
North Africa and the Middle East	47,108	56,864
Americas	157,921	160,132
Asia/Pacific	108,770	99,945
Total	**660,086**	**635,819**

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

(K€)	**30.06.2018**	**31.12.2017**
Italy	102,910	104,149
Rest of Europe	14,179	14,620
North Africa and Middle East	1,381	1,584
Americas	10,690	10,530
Asia/Pacific	1,906	1,971
Total	**131,066**	**132,854**

4 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 Related-party transactions

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

FINANCIAL ASSETS AS AT 30.06.2018 *(K€)*	**Non-current financial receivables**	**Non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current assets**	**Total**
Parent company						
Hitachi Ltd (Rail)	-	-	-	177	-	**177**
Subsidiaries						
Alifana Due S.c.a.r.l.	-	-	-	2,125	-	**2,125**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	19,382	-	1,713	-	**21,095**
Metro Service A.S.	-	-	-	1,090	-	**1,090**
SPV M4 S.p.A.		6,337	-	-	17	**6,354**
Consortia						
Saturno consortium	-	-	-	10,019	-	**10,019**
Ascosa Quattro consortium	-	-	-	1,275	-	**1,275**
Ferroviario Vesuviano consortium	-	-	-	460	-	**460**
MM4 consortium	-	182	-	4,799	-	**4,981**
San Giorgio Volla Due consortium	-	-	-	1,637	4	**1,641**
San Giorgio Volla consortium	-	-	-	1,391	-	**1,391**
Metro de Lima Linea 2 S.A.	-	1,577	-	-	-	**1,577**
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	-	-	-	2,427	-	**2,427**
Hitachi Rail Inc.	-	-	-	983	-	**983**
Hitachi India Pvt Ltd Rail Systems Co.	-	-	-	17	-	**17**
Hitachi Consulting Australia PTY Ltd	-	-	-	2	-	**2**
Total	**-**	**27,478**	**-**	**28,502**	**21**	**56,001**
Related parties as percentage of total		**60%**		**4%**	**0.02%**	

FINANCIAL ASSETS AS AT 31.12.2017 (K€)	Non-current financial receivables	Non-current receivables	Current financial receivables	Trade receivables	Other current assets	Total
Parent company						
Hitachi Ltd (Rail)	-	-	-	114	17	**131**
Subsidiaries						
Alifana Due S.c.a.r.l.	-	-	-	341	-	**341**
Associates						
I.M. Intermetro S.p.A. (in liq.)	-	-	-	387	-	**387**
Metro 5 S.p.A.	-	19,285	-	5,937	-	**25,222**
Metro Service A.S.	-	-	-	1,705	-	**1,705**
SP M4 S.C.p.A. (in liq.)	-	-	232	-	-	**232**
SPV Linea M4 S.p.A.		6,160	-	-	-	**6,160**
Metro Brescia S.r.l.	-	-	-	522	-	**522**
Consortia						
Saturno consortium	-	-	-	11,903	-	**11,903**
Ascosa Quattro consortium	-	-	-	1,280	-	**1,280**
Ferroviario Vesuviano consortium	-	-	-	2,085	-	**2,085**
MM4 consortium	-	182	-	23,924	-	**24,106**
San Giorgio Volla Due consortium	-	-	-	786	4	**790**
San Giorgio Volla consortium	-	-	-	1,421	-	**1,421**
Fellow subsidiaries						
Hitachi Rail Inc.	-	-	-	997	-	**997**
Hitachi India Pvt Ltd Rail Systems Co.	-	-	-	1,042	-	**1,042**
Hitachi Rail Italy S.p.A.	-	-	-	2,764	-	**2,764**
Total	-	**25,627**	**232**	**55,208**	**21**	**81,088**
Related parties as percentage of total		**59%**	**1%**	**7%**	**0.03%**	

FINANCIAL LIABILITIES AS AT 30.06.2018 *(K€)*	**Non-current financial payables**	**Other non-current liabilities**	**Current financial payables**	**Trade payables**	**Other current liabilities**	**Total**
Parent company						
Hitachi Ltd (Rail)	-	-	-	25	-	**25**
Subsidiaries						
Alifana S.c.a.r.l. (in liq.)	-	-	-	(41)	3	**(38)**
Alifana Due S.c.a.r.l.	-	-	-	2,361	-	**2,361**
Associates						
Metro Service A.S.	-	-	-	5,813	-	**5,813**
Metro 5 S.p.A.	-	-	-	1	-	**1**
SPV Linea M4 S.p.A.	-	-	-	192	-	**192**
MetroB S.r.l.	-	-	-	-	370	**370**
Pegaso S.c.a.r.l. (in liq.)	-	-	-	185	-	**185**
Consortia						
Saturno consortium	-	-	-	930	-	**930**
Ascosa Quattro consortium	-	-	-	881	8	**889**
San Giorgio Volla consortium	-	-	-	257	8	**265**
Ferroviario Vesuviano consortium	-	-	-	64	21	**85**
Cris consortium	-	-	-	3	-	**3**
MM4 consortium	-	-	-	120	-	**120**
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	-	-	-	8,990	-	**8,990**
Hitachi Systems CBT S.p.A.	-	-	-	1,292	-	**1,292**
Total	**-**	**-**	**-**	**21,073**	**410**	**21,483**
Related parties as percentage of total				**5%**	**0.4%**	

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

4.2 Intangible assets

Intangible assets amount to €46,338 thousand as at 30 June 2018, as analysed below:

(K€)	**Goodwill**	**Other development costs**	**Patents and similar rights**	**Concessions, licences and trademarks**	**Assets under development**	**Other**	**Total**
Balance as at 31 December 2017	**34,569**	**4,509**	**5,430**	**658**	**342**	**1,997**	**47,505**
Additions	-	-	359	786	91	60	**1,296**
Capitalisation	-	57	-	-	42	-	**99**
Amortisation, depreciation and impairment losses	-	(986)	(991)	(230)	-	(347)	**(2,554)**
Difference between opening/closing exchange rates	-	-	-	4	3	4	**11**
Difference between closing/average exchange rates	-	-	-	-	4	3	**7**
Reclassification from assets under development	-	(26)	-	-	-	-	**(26)**
Balance as at 30 June 2018	**34,569**	**3,554**	**4,798**	**1,218**	**482**	**1,717**	**46,338**

Additions during the period, totalling €1,296 thousand, were mainly attributable to the parent Ansaldo STS S.p.A. (€1,141 thousand) and relate in particular to the acquisition of software programs, licences and trademarks.

The amortisation charge for the period amounted to €2,554 thousand (30 June 2017: €2,610 thousand).

As regards goodwill, further information is presented in the consolidated financial statements as at 31 December 2017.

In line with Group procedures, impairment tests are carried out when preparing the annual financial statements, unless trigger events provide evidence of possible impairment losses. No events indicative of possible impairment took place during the first six months of 2018.

4.3 Property, plant and equipment

Property, plant and equipment amount to €84,728 thousand as at 30 June 2018, as analysed below:

(K€)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other	Total
Balance as at 31 December 2017	**56,371**	**5,519**	**7,625**	**2,892**	**12,942**	**85,349**
Additions	110	238	608	1,534	1,609	**4,099**
Capitalisation	-	-	-	136	-	**136**
Disposals	-	-	(2)	(9)	(3)	**(14)**
Amortisation, depreciation and impairment losses	(1,144)	(926)	(1,105)	-	(1,873)	**(5,048)**
Difference between opening/closing exchange rates	106	45	4	53	68	**276**
Difference between closing/average exchange rates	(1)	(17)	(1)	-	(51)	**(70)**
Reclassification from assets under construction	71	121	10	(1,013)	811	**-**
Balance as at 30 June 2018	**55,513**	**4,980**	**7,139**	**3,593**	**13,503**	**84,728**

Additions during the period amounted to €4,099 thousand and mainly related to the purchase of assets by Ansaldo STS S.p.A., Ansaldo STS USA Inc. and Ansaldo STS France for the maintenance of their production facilities.

The depreciation charge for the period totalled €5,048 thousand (30 June 2017: €5,050 thousand). During the first six months 2018 there aren't external impairment indicators evidence.

4.4 Equity investments

Equity investments amount to €75,118 thousand as at 30 June 2018, as analysed below:

Fair value equity investments:

(K€)	
Balance as at 31 December 2017	**50,578**
Revaluations/Write-downs	(144)
Balance as at 30 June 2018	**50,434**
Equity-accounted investments	**24,684**
Total equity investments	**75,118**

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

Name	Location	Type of activity	Reporting date	Accounting standards	Shareholders' equity	Total Assets	Total Liabilities	Currency	% held	Holding type > 50% of voting rights without control	Holding type < 50% of voting rights with control	Holding type > 20% of voting rights without significant influence	Holding type < 20% of voting rights with significant influence	Value €/000
Metro 5 S.p.A.	Milan (Italy)	Transport	31.12.2017	IT GAAP	82,472	812,145	729,673	Euro	24.60%	N/A	N/A	N/A	N/A	20,288
International Metro Service S.r.l.	Milan (Italy)	Transport	31.12.2017	IT GAAP	6,831	6,879	48	Euro	49.00%	N/A	N/A	N/A	N/A	1,387
Pegaso S.c.a.r.l. (in liq.)	Rome (Italy)	Construction	31.12.2017	IT GAAP	260	3,674	3,414	Euro	46.87%	N/A	N/A	N/A	N/A	122
Alifana S.c.a.r.l. (in liq.)	Naples (Italy)	Transport	31.12.2017	IT GAAP	26	487	461	Euro	65.85%	N/A	N/A	N/A	N/A	17
Alifana Due S.c.a.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	26	838	812	Euro	53.34%	N/A	N/A	N/A	N/A	14
Metro Brescia S.r.l.	Brescia (Italy)	Transport	31.12.2017	IT GAAP	8,213	99,979	91,766	Euro	19.80%	N/A	N/A	N/A	✔	1,626
Balfour Beatty Ansaldo Systems JV SDN BHD	Kuala Lumpur (Malaysia)	Transport	31.12.2017	IFRS	19,963	28,858	8,895	MYR	40.00%	N/A	N/A	N/A	N/A	1,230
Total equity-accounted investments														**24,684**
Metro C S.c.p.A.	Rome (Italy)	Transport	31.12.2017	IT GAAP	149,518	360,099	210,581	Euro	14.00%	N/A	N/A	N/A	✔	21,000
I.M. Intermetro S.p.A. (in liq.)	Rome (Italy)	Transport	31.12.2017	IT GAAP	1,781	3,613	1,832	Euro	21.26%	N/A	N/A	N/A	✔	380
Società Tram di Firenze S.p.A.	Florence (Italy)	Transport	31.12.2016	IT GAAP	(4,067)	340,268	344,335	Euro	2.418%	N/A	N/A	N/A	N/A	266
Iricav Uno consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	520	4,278	3,758	Euro	17.44%	N/A	N/A	N/A	✔	91
Iricav Due consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	516	96,745	96,229	Euro	17.05%	N/A	N/A	N/A	✔	88
Ferroviario Vesuviano consortium	Naples (Italy)	Transport	31.12.2016	IT GAAP	155	223,137	222,982	Euro	33.34%	N/A	N/A	N/A	N/A	51
S. Giorgio Volla consortium	Naples (Italy)	Transport	31.12.2017	IT GAAP	72	6,149	6,077	Euro	25.00%	N/A	N/A	N/A	N/A	18
S. Giorgio Volla 2 consortium	Naples (Italy)	Transport	31.12.2017	IT GAAP	72	78,585	78,513	Euro	25.00%	N/A	N/A	✔	N/A	18
Cris consortium	Naples (Italy)	Research	31.12.2017	IT GAAP	2,445	2,636	191	Euro	1.00%	N/A	N/A	N/A	N/A	24
Ascosa Quattro consortium	Rome (Italy)	Transport	31.12.2016	IT GAAP	57	66,324	66,267	Euro	24.92%	N/A	N/A	✔	N/A	14
Siit S.c.p.a	Genoa (Italy)	Research	31.12.2017	IT GAAP	619	1,843	1,224	Euro	2.33%	N/A	N/A	N/A	N/A	14
Saturno consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	31	1,758,015	1,757,984	Euro	33.34%	N/A	✔	N/A	N/A	10
Train consortium	Rome (Italy)	Transport	31.12.2017	IT GAAP	1,180	20,033	18,853	Euro	4.68%	N/A	N/A	N/A	✔	6
Sesamo S.c.a.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	100	325	225	Euro	2.00%	N/A	N/A	N/A	N/A	2
Isict Consortium	Genoa (Italy)	Research	31.12.2016	IT GAAP	53	172	119	Euro	14.29%	N/A	N/A	N/A	✔	6
Cosila consortium (in liq.)	Naples (Italy)	Research	31.12.2016	IT GAAP	93	115	22	Euro	1.11%	N/A	N/A	N/A	N/A	1
MM4 consortium	Milan (Italy)	Transport	31.12.2017	IT GAAP	200	31,950	31,750	Euro	17.68%	N/A	N/A	N/A	✔	35
Radiolabs consortium	Rome (Italy)	Research	31.12.2016	IT GAAP	239	1,794	1,555	Euro	20.02%	N/A	N/A	✔	N/A	52
SPV Linea M4 S.p.A.	Milan (Italy)	Transport	31.12.2017	IT GAAP	185,474	394,917	209,443	Euro	5.55%	N/A	N/A	N/A	N/A	10,868
Metro de Lima Linea 2 S.A.	Lima (Peru)	Transport	31.12.2017	IFRS	139,294	379,740	240,446	USD	16.90%	N/A	N/A	N/A	✔	16,639
TOP IN S.ca.r.l.	Naples (Italy)	Transport	31.12.2017	IT GAAP	101	116	15	Euro	5.29%	N/A	N/A	N/A	N/A	4
Ansaldo STS do Brasil Sistemas de Transporte Ferroviario e Metropolitano LTDA	Fortaleza (Brazil)	Transport	31.12.2016	BRAZIL GAAP	245	246	1	BRL	99.99%	N/A	N/A	N/A	N/A	334
D.I.T.S. Development & Innovation in Transportation Systems S.r.l.	Rome (Italy)	Research	31.12.2016	IT GAAP	89	198	109	Euro	12.00%	N/A	N/A	N/A	✔	5
Dattilo S.ca.r.l.	Naples (Italy)	Transport	31.12.2016	IT GAAP	100	353	253	Euro	14.00%	N/A	N/A	N/A	✔	14
MetroB S.r.l.	Rome (Italy)	Transport	31.12.2017	IT GAAP	19,844	19,902	58	Euro	2.47%	N/A	N/A	N/A	✔	494
Total equity investments measured at cost														**50,434**
Total equity investments														**75,118**

A: Dormant company

Equity investments amount to €75,118 thousand as at 30 June 2018, of which €24,684 thousand is measured using the equity method and €50,434 thousand for investments measured at fair value in accordance with IFRS 9.
The decrease of €3,635 thousand is mainly attributable to investments measured using the equity method; it is attributable to the negative change in the equity value of Balfour Beatty System JV SDN BHD (€6,754 thousand) and International Metro Service S.r.l. (€1,035 thousand), due in both cases to the distribution of a dividend, offset by the positive results of Metro 5 S.p.A. (€3,970 thousand) and Metro Brescia S.r.l. (€328 thousand).
IFRS 9 establishes fair value as the sole criterion for the valuation of investments in equity instruments. The value of residual equity investments in unlisted companies, whose fair value can't be reliably measured, was determined by approximating it to the value of the Group's shareholders' equity, in accordance with the framework defined by IFRS 13.
This change, has reported above, determinate the decrease of the value of the investment in I.M. Intermetro S.p.A. (in liquidation) by an amount of €144 thousand.

4.5 Non-current receivables and other assets

Non-current receivables and other assets as at 30 June 2018 are analysed below:

(K€)	**30.06.2018**	**31.12.2017**
Guarantee deposits	3,141	3,245
Other	15,112	14,584
Non-current receivables due from related parties	27,478	25,627
Non-current receivables	**45,731**	**43,456**
Prepaid expenses	11,811	13,794
Other non-current assets	**11,811**	**13,794**

Non-current receivables amount to €45,731 thousand as at 30 June 2018, up €2,275 thousand since 31 December 2017, while prepaid expenses have decreased to €11,811 thousand from €13,794 thousand.
Specifically:

- guarantee deposits include advances to lessors;
- other non-current receivables include the Pittsburgh facility lease of €12,021 thousand;
- non-current receivables due from related parties include an advance of €19,382 thousand to Metro 5 S.p.A. and another of €6,337 thousand to SPV M4 SpA.

- prepaid expenses include the residual non-current portion, €10,459 thousand, of the licence fee paid to Finmeccanica S.p.A. (now Leonardo S.p.A.) for the right to use the "Ansaldo" trademark for a period of 20 years.

4.6 Inventories

Inventories amount to €124,261 thousand as at 30 June 2018, as analysed below:

(K€)	***30.06.2018***	***31.12.2017***
Raw and consumable materials	27,297	22,720
Work in progress and semi-finished products	15,834	11,799
Finished products and goods	10,499	9,915
Advances to suppliers	70,631	66,561
Total	**124,261**	**110,995**

The increase of €13,266 thousand for the period is mainly due to the increase in raw materials inventories (€4,577 thousand) and work in progress and semi-finished products (€4,035 thousand) not referred to contracts with customers.
Inventories are stated net of an allowance totalling €3,490 thousand (31 December 2017: €3,802 thousand).

4.7 Assets and Liabilities from contracts

Assets and liabilities resulting from contracts as at 30 June 2018 had a negative balance of €209,774 thousand. This balance is analysed below:

(K€)	**30.06.2018**	**31.12.2017**
Advances from customers	(29,775)	(63,090)
Progress payments	(1,280,738)	(1,238,554)
Work in progress	1,776,110	1,691,831
Provision for loss contracts	-	(10,597)
Contract Assets	**465,597**	**379,590**
Advances from customers	(260,979)	(266,885)
Progress payments	(2,604,233)	(2,610,525)
Work in progress	2,189,841	2,204,453
Provision for loss contracts	-	(10,079)
Contract Liabilities	**(675,371)**	**(683,036)**
Contract Assets/(Liabilities)	**(209,774)**	**(303,446)**

It should be noted that as a result of the adoption of the new accounting standard IFRS 15, work in progress for several projects as at 1 January 2018 has been recalculated with a total impact of -

€32 million on the net value of approximately -€303 million recorded at the end of 2017 with a matching entry in the equity reserve for the change in standard. In addition, following the introduction of the new IFRS 15 standard, the provision for loss contracts was reclassified, for a total amount of - €21 million, to the provisions for risks and charges item (see paragraph 4.17). The total value of assets and liabilities from contracts increased by €93,672 thousand due to the higher production in excess of revenue, to the decrease in advances from customers, essentially due to the repayment in January 2018 of the outstanding advance to the Swedish client AB Storstockholms Lokaltrafik (SL) for approximately €24 million and to the impact of the new accounting principle described above.

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

4.8 Trade and financial receivables

Trade and financial receivables as at 30 June 2018 are analysed below:

(K€)	30.06.2018		31.12.2017	
	Trade	Financial	Trade	Financial
Third parties	625,967	38,365	681,456	30,401
Total due from third parties	**625,967**	**38,365**	**681,456**	**30,401**
Due from related parties	28,502	-	55,208	232
Total	**654,469**	**38,365**	**736,664**	**30,633**

Noted that, although these are receivables from customers, to compare the data, the item was presented distinguishing between receivables due from third parties and from related parties. In particular, trade receivables amounted to €6 54,469 thousand as at 30 June 2018 (of which €28,502 referring to related parties) and present a reduction €82,195 thousand compared to 31 December 2017 mainly due to the reduction in positions in the Group's Parent Company and American subsidiaries. Trade receivables from related parties amounted to €28,502 thousand, down €26,706 thousand mainly due to the decrease in amounts due from the MM4 consortium and Metro 5 S.p.A.

Financial receivables amount to €38,365 thousand as at 30 June 2018. They mainly reflect the euro equivalent of the Libyan dinar advance received by the parent company against the first of two contracts in Libya and deposited with a local bank (€ 28,443 thousand). They also include short-term deposits with leading banks made by Ansaldo STS India (€2,008 thousand) and Ansaldo STS Malaysia Sdn Bhd (€7,180 thousand).
Pursuant to CONSOB Communication DAC/RM/97003369 dated 9 April 1997, it is confirmed that, as at 30 June 2018, the Group has not factored any receivables without recourse.

4.9 Tax receivables and payables

Direct tax receivables and payables are analysed below:

(K€)	30.06.2018		31.12.2017	
	Receivables	Payables	Receivables	Payables
Direct taxes	25,168	14,713	35,782	6,021
Total	**25,168**	**14,713**	**35,782**	**6,021**

Direct tax receivables amounted to €25,168 thousand, down €10,614 thousand compared to 31 December 2017. The change is attributable to the French subsidiary of the group, as a result of higher tax advances paid last year and now recovered.
Direct tax receivables include €20,056 thousand due to Ansaldo STS S.p.A., mainly for taxes paid abroad by branches, €2,103 thousand to Ansaldo STS France S.A.S., €862 thousand to the Ansaldo STS Australia group, €1,461 to Ansaldo STS Sweden and €686 thousand to the Ansaldo STS USA group.
Direct tax payables amount to €14,713 thousand as at 30 June 2018, an increase compared to 31 December 2017 (€6,021 thousand).

4.10 Other current assets

Other current assets financial and not as at 30 June 2018 are analysed below:

(K€)	**30.06.2018**	**31.12.2017**
Prepaid expenses - current portion	9,593	9,040
Research grants	19,719	18,130
Employees	2,661	2,361
Indirect taxes and other tax credits	58,627	33,906
Derivatives	6,953	10,715
Other	10,528	10,213
Total other assets	**108,081**	**84,365**
Related parties	21	21
Total	**108,102**	**84,386**

Other current assets amount to €108,102 thousand as at 30 June 2018, up by €23,716 thousand since 31 December 2017 (€84,386 thousand). This increase was mainly due to the rise in parent group VAT credit.

Derivative assets and liabilities are analysed in the following table:

	30.06.2018		**31.12.2017**	
(K€)	Assets	Liabilities	Assets	Liabilities
Fair value hedges	2,080	68	1,712	864
Cash flow hedges	4,873	7,274	9,003	1,876
Currency hedges	**6,953**	**7,342**	**10,715**	**2,740**

Derivative assets have decreased by €3,762 thousand, mainly reflecting the position of Ansaldo STS S.p.A..

The increase in derivative liabilities by €4,602 thousand was mainly a result of the cash flow hedges arranged by the parent company. The net effect on Cash flow hedges reserve is described in the nota “4.14 Other Reserve”.

See section 8 “Financial risk management” for information on the notional amounts of the derivatives outstanding as at 30 June 2018.

Fair value measurement

The Ansaldo STS Group does not hold any listed derivatives as at 30 June 2018. The fair value of unlisted derivatives is measured within Level 2 of the hierarchy envisaged in IFRS 13 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 by discounting the future cash flows at market rates.

However, the input determination techniques have not undergone any changes with respect to the valuations made at December 31, 2017.

4.11 Cash and cash equivalents

Cash and cash equivalents as at 30 June 2018 are analysed below:

(K€)	30.06.2018	31.12.2017
Cash	132	115
Bank deposits	312,660	327,211
Total	**312,792**	**327,326**

Cash and cash equivalents amount to €312,792 thousand as at 30 June 2018. The reduction of €14,534 thousand since 31 December 2017 mainly reflects the lower balances held by Ansaldo STS Australia and Ansaldo STS Sweden.

See the note on the consolidated financial position for a discussion of the changes.

4.12 Share capital

		In euro		
	Number of shares	**Nominal value**	**Treasury shares**	**Total**
Outstanding shares	200,000,000	100,000,000	-	100,000,000
31/12/2017	**200,000,000**	**100,000,000**	**-**	**100.000000**
Use of treasury shares for SGP	-	-	-	-
30/06/2018	**200,000,000**	**100,000,000**	**-**	**100,000,000**

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

4.13 Retained earnings

Retained earnings:
(K€)

Balance as at 31 December 2017	**605,335**
Reserve for first application IFRS 15 and 9	(31,993)
Balance at 01 January 2018 *restated*	**573,342**
Profit for the period	41,276
Change in scope of consolidation and equity-accounted investees	4,843
Balance as at 30 June 2018	**619,461**

Retained earnings, including profit for the period and consolidation reserves, amount to €619,461 thousand at 30 June 2018. The increase of €14,126 thousand reflects the profit for the period of €41,276 thousand and the impact of the adoption of the new IFRS 15 and IFRS 9 (€31,993 thousand). As specified in paragraph "*2.2 Basis of consolidation*", the Group has used the Cumulative Effect Method to identify past impacts deriving from the application of IFRS 15 and 9.

4.14 Other reserves

The changes in other reserves during the period ended 30 June 2018 are analysed below:

(K€)	**Legal reserve**	**Hedging reserve**	**Stock grant reserve**	**Deferred tax reserve**	**Translation adjustments**	**Other**	**Total**
31 December 2017	**20,000**	**1,432**	**7,698**	**1,008**	**(83)**	**(6,498)**	**23,557**
Effect for first application IFRS 15	-	-	-	9,349	-	-	9,349
01 January 2018 restated	**20,000**	**1,432**	**7,698**	**10,357**	**(83)**	**(6,498)**	**32,906**
Change in scope of consolidation	-	-	-	-	(2,083)	-	(2,083)
Transfers to the income statement	-	1,823	-	-	-	-	1,823
Translation differences	-	-	-	-	2,500	-	2,500
Increase/decrease	-	-	(1,222)	-	-	428	(794)
Fair value gains (losses)	-	(9,743)	-	2,446	-	-	(7,297)
30 June 2018	**20,000**	**(6,488)**	**6,476**	**12,803**	**334**	**(6,070)**	**27,055**

Legal reserve

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

Hedging reserve

This reserve, €-6,488 thousand reflects the fair value adjustment of the derivatives used by the Group to hedge its foreign currency exposure, net of deferred tax effects, until such time as the hedged underlying affects profit or loss. When this event takes place, the reserve is released to the income statement to offset the economic effects of the hedged transaction.

Stock grant reserve

The stock grant reserve amounts to €6,476 thousand. The decrease of €1,222 thousand since 31 December 2017 reflects the vesting of shares granted in 2015, as offset by the allocation for the period.

Deferred tax reserve

The deferred tax reserve amounts to €12,803 thousand. The change reflects the recognition of deferred taxes on actuarial gains/losses, following adoption of the equity method for the recognition of defined benefit plans, as well as on changes in the fair value of cash flow hedges. Furthermore, €9,349 thousand in deferred tax assets for the recognition in equity of a reserve for profits due to the change in the standard (IFRS 15).

Translation adjustments

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

Other

The other reserves comprise the revaluation reserves, the reserve for defined benefit plans and the reserves established following the award of research grants to Ansaldo STS S.p.A. In the first six months of 2018, the overall improvement of €428 thousand is attributable to actuarial gains on defined benefit plans.

4.15 Equity attributable to non-controlling interests

The changes in the equity attributable to non-controlling interests during the period ended 30 June 2018 are analysed below:

Equity attributable to non-controlling interests:
(K€)

Balance as at 31 December 2017	**101**
Profit for the period attributable to non-controlling interests	(17)
Translation adjustments attributable to non-controlling interests	2
Balance as at 30 June 2018	**86**

The equity attributable to non-controlling interests relates to 20% of Ansaldo STS Beijing LTD.

4.16 Financial payables

Financial payables as at 30 June 2018 are analysed below:

(K€)	**30.06.2018**			**31.12.2017**		
	Current	Non-current	Total	Current	Non-current	Total
Banks	8	-	8	10	-	10
Other financial payables	1,629	-	1,629	414	-	414
Other financial payables - Related parties	-	-	-	-	-	-
Total	**1,637**	-	**1,637**	**424**	-	**424**

The changes during the period are analysed below:

(K€)	**31.12.2017**	**Increases**	**Repayments**	**30.06.2018**
Banks	10	-	(2)	8
Other financial payables	414	1,215	-	1,629
Other financial payables - Related parties	-	-	-	-
Total	**424**	**1,215**	**(2)**	**1,637**

Financial payables amount to €1,637 thousand. The increase of €1,213 thousand mainly reflects the parent company collection of amounts attributable to other partners in the temporary business associations for which Ansaldo STS is the lead contractor.

Financial liabilities

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

(K€)	**Banks**		**Others**		**Total**	
31 December 2017	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	10	-	414	-	424	-
2-5 years	-	-	-	-	-	-
Beyond 5 years	-	-	-	-	-	-
Total	**10**	**-**	**414**	**-**	**424**	**-**

(K€)	**Banks**		**Others**		**Total**	
30 June 2018	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**
Within 1 year	8	-	1,629	-	1,637	-
2-5 years	-	-	-	-	-	-
Beyond 5 years	-	-	-	-	-	-
Total	**8**	**-**	**1,629**	**-**	**1,637**	**-**

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

	(K€)	**30.06.2018**	**31.12.2017**
A	Cash	132	115
B	Other cash and cash equivalents (bank current accounts)	312,660	327,211
C	Securities held for trading	-	-
D	**LIQUIDITY (A+B+C)**	**312,792**	**327,326**
E	**CURRENT FINANCIAL RECEIVABLES**	**38,365**	**30,633**
F	Current bank loans and borrowings	8	10
G	Current portion of non-current loans and borrowings	-	-
H	Other current loans and borrowings	1,629	414
I	**CURRENT DEBT (LIQUIDITY) (F+G+H)**	**1,637**	**424**
J	**NET CURRENT DEBT (LIQUIDITY) (I-E-D)**	**(349,520)**	**(357,535)**
K	Non-current bank loans and borrowings	-	-
L	Bonds issued	-	-
M	Other non-current financial liabilities	-	-
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**-**	**-**
O	**NET FINANCIAL POSITION (J+N)**	**(349,520)**	**(357,535)**

4.17 Provisions for risks, charges and contingent liabilities

The provisions for risks, charges and contingent liabilities as at 30 June 2018 are analysed below:

(K€)		**Product warranties**	**Disputes with employees**	**Adjustment of provisions for loss contracts**	**Other**	**Total**
Balance as at 31 December 2017		**12,644**	**2,427**	**-**	**896**	**15,967**
Accruals and FX effect		45	33	3,780	403	4,261
Released		(289)	(50)	(143)	-	(482)
Utilisations		(884)	(91)	-	(121)	(1,096)
Reclassification		5	-	-	-	5
Effect for adoption IFRS 15		-	-	20,676	-	20,676
Balance as at 30 June 2018		**11,521**	**2,319**	**24,313**	**1,178**	**39,331**
	Current	12,644	2,427	-	896	15,967
	Non-current	-	-	-	-	-
Balance as at 31 December 2017		**12,644**	**2,427**	**-**	**896**	**15,967**
	Current	11,521	2,319	24,313	1,178	39,331
	Non-current	-	-	-	-	-
Balance as at 30 June 2018		**11,521**	**2,319**	**24,313**	**1,178**	**39,331**

In relation to the provisions for risks, Ansaldo STS Group companies are active in segments and markets where many disputes are only settled after significant time has elapsed, especially when the counterparty is a public body.

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

Provisions have been recorded for risks that are deemed probable and quantifiable.

The provisions for risks as at 30 June 2018 amounted to €39,331 thousand, up €23,364 thousand over the balance as at 31 December 2017 (€15,967 thousand) mainly due to the adoption of IFRS 15 that have generated a reclassification of the provision for loss contracts (€20,676 thousand as at 31 December 2017), previously recognised under assets and liabilities from contracts, and the related movements of the period (€3,637 thousand); partially offset by the use of provisions for product warranties, recorded primarily by Ansaldo STS France.

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

4.18 Employee benefits

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

(K€)	30.06.2018	31.12.2017
Italian post-employment benefits	19,336	19,497
Defined benefit pension plans	18,476	18,075
Total	**37,812**	**37,572**

(K€)	**Italian post-employment benefits**		**Defined benefit plans**	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Present value of obligations	19,336	19,497	18,476	18,075
Total	**19,336**	**19,497**	**18,476**	**18,075**

(K€)	**Italian post-employment benefits**	**Defined benefit plans**
Balance as at 31 December 2017	**19,497**	**18,075**
Period costs	511	591
Contributions paid	(244)	(190)
Actuarial losses taken to equity	(428)	-
Actuarial losses taken to equity following changes in demographic assumptions	-	-
Actuarial losses taken to equity following changes in financial assumptions	*(471)*	-
Actuarial losses taken to equity following experience-based adjustments	*43*	-
Actuarial losses taken to equity - other	-	-
Balance as at 30 June 2018	**19,336**	**18,476**

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

(K€)	**Italian post-employment benefits**		**Defined benefit plans**	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Current service costs	383	303	461	424
Interest expense	128	144	130	125
Total	**511**	**447**	**591**	**549**

The main actuarial assumptions are indicated below:

	Italian post-employment benefits		Defined benefit plans	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Discount rate (p.a.)	1.50%	1.50%	1.40%	1.40%
Salary increase rate	N.A.	N.A.	2.50%	2.50%
Turnover rate	2.09% - 5.69%	2.09% - 5.69%	0.91% - 3.26%	0.91% - 3.26%

	Italian post-employment benefits		Defined benefit plans	
	-0.25%	***0.25***	***-0.25%***	***0.25%***
Discount rate (p.a.)	19,705	18,983	18,946	17,177
Salary increase rate	19,349	19,324	17,728	18,341
Inflation rate	19,051	19,629	17,183	18,935

4.19 Other current and non-current liabilities

Other current and non-current liabilities financial and not are analysed below:

(K€)	30.06.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Employees	43,101	7,710	34,777	8,295
Indirect taxes and other tax payables	13,369	-	13,563	-
Social security and pension institutions	17,322	-	16,032	-
Derivatives	7,342	-	2,740	-
Other amounts due to third parties	35,120	6,585	34,064	6,083
Total other liabilities to third parties	**116,254**	**14,295**	**101,176**	**14,378**
Other liabilities to related parties	410	-	410	-
Total	**116,664**	**14,295**	**101,586**	**14,378**

Other current and non-current liabilities to third parties amount to €130,549 thousand, up by €14,995 thousand since 31 December 2017 (€115,554 thousand). This is mainly due to the increase in the value of derivatives (€4,602 thousand) and the increase in the value of payables to employees mainly due to deferred remuneration (€7,739 thousand).

Non-current liabilities to third parties are essentially unchanged.

4.20 Trade payables

Trade payables are analysed below:

(K€)	30.06.2018	31.12.2017
Suppliers	369,824	383,766
Total due to suppliers	**369,824**	**383,766**
Related-party suppliers	21,073	29,873
Total	**390,897**	**413,639**

Total trade payables have decreased by €22,742 thousand since 31 December 2017. This reduction mostly relates to the parent company.

4.21 Guarantees and other commitments

Leases

The Group is party to certain operating leases, mainly for the use of property, plant and equipment. The minimum future payments are analysed below:

(K€)	Operating leases
Within 1 year	1,890
Between 2 and 5 years	3,724
Beyond 5 years	-
	5,614

Guarantees

The Group is party to the following guarantees as at 30 June 2018:

Direct guarantees and hold-harmless agreements for guarantees issued by third parties in the interests of the Group to customers and other third parties (€'000)	**ASTS Group**
Unsecured guarantees issued by Hitachi (parent company guarantees) to customers for commercial transactions	**755,006.7**
Unsecured guarantees issued by Ansaldo STS (parent company guarantees) to customers for commercial transactions	**504,186.3**
Sureties and bonds (bid bonds, performance bonds, retention bonds, advance payment bonds, counter guarantees and other minor guarantees) issued by banks or insurance companies to customers for commercial transactions	**1,879,272.9**
of which, counter-guaranteed by Hitachi	*300,382.4*
of which, counter-guaranteed by Ansaldo STS	*407,481.0*
Direct and other guarantees issued by Ansaldo STS, banks or insurance companies to other third parties for non-contractual/commercial guarantees (financial and tax transactions)	**42,486.4**
Total	**3,180,952.3**

5 NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Impact of related-party transactions on profit or loss

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

30.06.2018 (K€)	**Revenues from contracts with customers**	**Other operating income**	**Costs**	**Financial income**	**Financial charges**	**Other operating expenses**
Parent company						
Hitachi Ltd (Rail)	481	-	426	-	-	-
Hitachi Rail Europe Ltd	47	-	39	-	-	-
Subsidiaries						
Alifana S.c.a.r.l. (in liq.)	6	-	(46)	-	-	-
Alifana Due S.c.a.r.l.	1,250	15	2,046	-	-	-
Associates						
Metro 5 S.p.A.	606	599	-	-	-	-
Metro Brescia S.r.l.	1	-	-	-	-	-
Pegaso S.c.a.r.l. (in liq.)	-	-	102	-	-	-
Metro Service A.S.	3,507	-	24,459	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	(101)	-	-	-	-	-
Consortia						
Saturno consortium	3,627	71	836	-	-	-
Ascosa Quattro consortium	28	-	-	-	-	-
Ferroviario Vesuviano consortium	19	-	-	-	-	-
MM4 consortium	8,464	177	520	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla 2 consortium	1,547	-	23	-	-	-
SanGiorgio Volla consortium	6,077	-	334	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	7,152	-	8,881	-	-	14
Hitachi Rail Inc.	962	-	-	-	-	-
Hitachi High Technologies Europe GMBH	14	-	-	-	-	-
Hitachi Systems CBT S.p.A.	-	-	1,163	-	-	-
Fiamm Energy Technology S.p.A.	-	-	21	-	-	-
Hitachi India Pvt Ltd Rail Systems Company	187	-	-	-	-	-
Total	**33,874**	**862**	**38,807**	**-**	**-**	**14**
Related parties as percentage of total	**5%**	**6%**	**9%**	**-**	**-**	**0.1%**

30.06.2017 *(K€)*	**Revenues from contracts with customers**	**Other operating income**	**Costs**	**Financial income**	**Financial charges**	**Other operating expenses**
Parent company						
Hitachi Ltd (Rail)	379	-	493	-	-	-
Hitachi Rail Europe Ltd	4	-	-	-	-	-
Subsidiaries						
Alifana S.c.a.r.l. (in liq.)	637	-	21	-	-	-
Alifana Due S.c.a.r.l.	140	-	476	-	-	-
Associates						
Metro 5 S.p.A.	951	652	40	-	-	-
I.M. Intermetro S.p.A. (in liq.)	8	-	-	-	-	-
Metro Brescia S.r.l.	98	-	-	-	-	-
Pegaso S.c.a.r.l. (in liq.)	-	-	148	-	-	-
Metro Service A.S.	3,276	-	25,210	-	-	-
Joint ventures						
Balfour Beatty Ansaldo Syst. JV SDN BHD	10,042	-	9	-	-	-
Consortia						
Saturno consortium	5,743	-	496	-	-	-
Ascosa Quattro consortium	1,513	-	424	-	-	-
Ferroviario Vesuviano consortium	28	-	(1)	-	-	-
MM4 consortium	7,623	-	236	-	-	-
Cris consortium	-	-	3	-	-	-
SanGiorgio Volla 2 consortium	1,104	-	67	-	-	-
SanGiorgio Volla consortium	(28)	-	-	-	-	-
Fellow subsidiaries						
Hitachi Rail Italy S.p.A.	4,679	-	10,680	-	-	-
Hitachi Rail Inc.	1,250	-	-	-	-	-
Hitachi Australia PTY Ltd	-	-	7	-	-	-
Hitachi Systems CBT S.p.A.	-	-	767	-	-	-
Hitachi High-Technologies GMBH	337	-	-	-	-	-
Hitachi India Pvt Ltd Rail Systems Company	296	-	-	-	-	-
Total	**38,080**	**652**	**39,076**	**-**	**-**	**-**
Related parties as percentage of total	**6%**	**6%**	**10%**	**-**	**-**	**-**

5.2 Revenues from contracts with customers

	For the first six months of	
(K€)	**2018**	**2017**
Revenue from contracts of "System and Components"	584,333	564,979
Revenue from contracts of "Services"	75,753	70,840
Total revenues from contracts with customers	**660,086**	**635,819**

Revenue for the first six months of the year amounted to €660,086 thousand, compared to €635,819 thousand in the corresponding period of the previous year, an increase of €24,267 thousand (for more details see the report on operations).

5.3 Other operating income

	For the first six months of	
(K€)	**2018**	**2017**
R&D grants	1,748	901
Disposal gains on PPE and intangible assets	1	5
Release of provisions for loss contracts	143	4,188
Release of allowances for doubtful accounts	-	65
Release of provisions for risks and charges	289	174
Royalties	5	65
Financial income and exchange gains on operating items	8,652	3,747
R&D tax credits	1,076	934
Other operating income	2,666	124
Other operating income from third parties	**14,580**	**10,203**
Other operating income from related parties	**862**	**652**
Total other operating income	**15,442**	**10,855**

Other operating income from third parties amounted to €14,580 thousand, up by €4,377 thousand with respect to the comparative period in the prior year (€10,203 thousand). This increase was mainly due to the increase in financial income and exchange gains on operating items.

5.4 Purchases and services

(K€)	For the first six months of 2018	2017
Materials	155,349	147,153
Change in inventories	(4,250)	(1,073)
Services	227,499	202,498
Rentals and operating leases	10,082	10,582
Total purchases and services from third parties	**388,680**	**359,160**
Total purchases and services from related parties	**38,807**	**39,076**
Total purchases and services	**427,487**	**398,236**

Total purchases and services during the period ended 30 June 2018 were €29,251 thousand higher than in the comparative period of the prior year due, in the main, to an increase in production.

5.5 Personnel costs

(K€)	For the first six months of 2018	2017
Wages and salaries	136,280	135,123
Stock grant plans	1,078	1,066
Social security and pension contributions	33,378	33,094
Italian post-employment benefits	383	303
Other defined benefit plans	461	424
Other defined contribution plans	1,976	1,504
Recovery of personnel costs	(302)	(271)
Disputes with employees	33	1,605
Release of provisions for disputes with employees	(50)	(240)
Restructuring costs	-	-
Other costs	2,029	2,469
Total personnel costs	**175,266**	**175,077**

The average headcount during the first six months of 2018 was 4,168, compared with 4,037 in the first six months of 2017.

Total personnel costs came to €175,266 thousand, generally in line with the corresponding period of the previous year.

The cost of Italian post-employment benefits and other defined benefit plans relates only to service costs. The related interest costs are classified among financial charges.

5.6 Amortisation, depreciation and impairment losses

(K€)	For the first six months of 2018	2017
Depreciation and amortisation:		
- intangible assets	2,554	2,610
- property, plant and equipment	5,048	5,050
	7,602	**7,660**
Impairment losses:		
- current receivables	3,283	967
	3,283	**967**
Total amortisation, depreciation and impairment losses	**10,885**	**8,627**

Amortisation, depreciation and impairment losses amounted to €10,885 thousand, being €2,258 thousand higher than in the comparative period of the prior year.

5.7 Other operating expenses

(K€)	For the first six months of 2018	2017
Provisions for risks and charges	447	2,539
Membership fees	558	545
Disposal losses on PPE and intangible assets	3	108
Exchange losses on operating items	3,215	4,188
Provision for loss contracts	3,925	789
Interest and other operating charges	1,803	368
Indirect taxes	1,757	1,565
Other operating expenses	680	1,243
Total other operating expenses - third parties	**12,388**	**11,345**
Other operating expenses - related parties	**14**	**-**
Total other operating expenses	**12,402**	**11,345**

Other operating expenses came to €12,402 thousand, up €1,057 thousand over the corresponding period of the previous year. The higher provision for loss contracts in the two periods under comparison is highlighted.

5.8 Internal work capitalised

(K€)	For the first six months of 2018	2017
Internal work capitalised	(235)	(2,170)

Internal work capitalised mainly relates to Ansaldo STS France.

5.9 Net financial income (charges)

	For the first six months of 2018			2017		
(K€)	Income	Charges	Net	Income	Charges	Net
Interest and fees	728	516	212	549	401	148
Net exchange rate differences	9,575	9,138	437	8,773	9,509	(736)
Fair value adjustments	945	2,236	(1,291)	2,744	3,681	(937)
Interest on Italian post-employment benefits	-	128	(128)	-	144	(144)
Interest on other defined benefit plans	-	130	(130)	-	125	(125)
Other financial income and charges	-	176	(176)	-	213	(213)
Total net financial charges	**11,248**	**12,324**	**(1,076)**	**12,066**	**14,073**	**(2,007)**
Financial income and charges - related parties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**11,248**	**12,324**	**(1,076)**	**12,066**	**14,073**	**(2,007)**

Net financial charges for the six months ended 30 June 2018 came to €1,076 thousand (€2,007 thousand for the six months ended 30 June 2017); the €931 thousand improvement over the corresponding period of the previous year is due to exchange rate differences and fair value adjustments on derivative contracts still outstanding at the end of the period.

5.10 Share of profits of equity-accounted investees

	For the first six months of 2018			2017		
(K€)	Income	Charges	Net	Income	Charges	Net
Share of profits of equity-accounted investees	3,266	-	3,266	5,864	-	5,864
Total	**3,266**	**-**	**3,266**	**5,864**	**-**	**5,864**

The share of profits of equity-accounted investees, €3,266 thousand (30 June 2017: €5,864 thousand), reflects the positive results generated by Metro5 S.p.A. (€1,886k), International Metro Service S.r.l. (€926k), Metro Brescia S.r.l. (€328k) and Balfour Beatty Ansaldo Systems JV SDN BHD (€126k). See note 4.4 for additional information.

5.11 Income taxes

Income taxes are analysed below:

(K€)	For the first six months of 2018	2017
IRES	10,666	5,309
IRAP	1,403	667
Other foreign taxes	8,926	11,240
Net deferred taxation	(5,653)	296
Total	**15,342**	**17,512**

Income taxes have decreased by €2,170 thousand with respect to the comparative period in the prior year; due in part to lower pre-tax profit and in part to the different mix of the individual companies' pre-tax results.

The theoretical and effective tax rates are reconciled below:

	For the first six months of					
	2018			*2017*		
(K€)		**amount**	**%**		**amount**	**%**
Pre-tax profit	56,601			60,339		
Taxes calculated using current tax rates		13,584	24.00%		14,481	24.00%
Permanent differences	(1,128)	(271)	-0.48%	(5,454)	(1,309)	-2.17%
	55,473	**13,314**	23.52%	54,885	13,172	21.84%
Different rates on foreign taxes and/or losses for the year	-	211	0.37%	-	2,312	3.83%
IRAP and other taxes not calculated with reference to pre-tax profit	-	1,746	3.08%	-	169	0.28%
Prior year taxation	-	72	0.13%	-	1,859	3.08%
Total effective taxes reported in the income statement		**15,342**	**27.11%**		**17,512**	**29.02%**

The effective tax rate for the first six months of 2018 is 27.11%, compared with 29.02% in the same period of the prior year. The decrease is mainly due to a different mix of the pre-tax results of the individual companies.

Deferred taxes and the related assets and liabilities as at 30 June 2018 are analysed below:

	Income statement		Statement of financial position	
(K€)	Assets	Liabilities	Assets	Liabilities
Italian post-employment benefits and pension funds	104	-	4,124	-
Remuneration	-	-	-	-
Goodwill	-	-	-	-
Property, plant and equipment and intangible assets	(227)	261	492	840
Provisions for risks and charges	3,448	-	18,791	-
Research grants	-	101	612	1,221
Allowances for WIP and inventories	(57)	-	4,429	-
CFH - Defined benefit plans	-	-	1,355	912
Tax losses	(1)	-	1,631	-
Stock grant plan	-	-	-	-
Other	1,874	(874)	21,578	5,198
Total	**5,141**	**(512)**	**53,012**	**8,171**

The deferred tax assets attributable to Italian post-employment benefits and pension plans mainly relate to Ansaldo STS France S.A.S. (€3,546 thousand).

The deferred tax assets generated by disallowed provisions for risks and charge mainly relate to Ansaldo STS S.p.A. (€15,778 thousand) and the US subsidiaries (€2,940 thousand).

The deferred tax assets attributable to the allowance for WIP and inventories relate to Ansaldo STS S.p.A. (€350 thousand) and Ansaldo STS France S.A.S. (€3,836 thousand).

Finally, the deferred tax assets attributable to tax losses relate to the subsidiaries of the Ansaldo STS USA group (€1,631 thousand).

Other deferred tax assets relate to Ansaldo STS S.p.A. (€17,926 thousand), the companies in the Ansaldo STS Australia group (€2,331 thousand) and the US subsidiaries of Ansaldo STS USA Inc. (€834 thousand). The other deferred tax assets include deferred taxes calculated pursuant to the new accounting standard.

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

	31.12.2017	**Effect for adoption IFRS 15**	**01.01.2018 restated**	**Changes in fair value**	**30.06.2018**
Deferred taxes recognised directly in equity	**1,008**	9,349	**10,357**	2,446	**12,803**

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

6 EARNINGS PER SHARE

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

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

Basic EPS	*30.06.2018*	*30.06.2017*
Average shares outstanding during the period	199,981,186	199,992,057
Profit for the period	41,259	42,827
Basic and diluted EPS	**0.21**	**0.21**

There were no dilutive effects in the periods subject to comparison.

7 CASH FLOWS FROM OPERATING ACTIVITIES

The cash flows from operating activities are analysed below:

(K€)	**30.06.2018**	**30.06.2017**
Profit for the period	41,259	42,827
Share of profits of equity-accounted investees	(3,266)	(5,864)
Income taxes	15,342	17,512
Italian post-employment and other employee benefits	511	447
Stock grant plans	1,078	1,066
Gains (losses) on the sale of assets	1	103
Net financial income (charges)	1,076	2,007
Amortisation, depreciation and impairment losses	10,885	8,627
Other net operating income/expense	(4,034)	1,429
Changes in provisions for risks and charges	158	2,365
Write-downs/write-backs of inventories and work in progress	11,785	6,355
Total	**74,795**	**76,874**

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

(K€)	**30.06.2018**	**30.06.2017**
Inventories	(12,506)	(214)
Contract Assets and Contract Liabilities	(115,888)	(23,614)
Trade receivables and payables	48,301	(54,116)
Total	**(80,093)**	**(77,944)**

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

(K€)	**30.06.2018**	**30.06.2017**
Payment of Italian and other post-employment benefits	(2,837)	(1,697)
Payment of taxes	(6,447)	(17,035)
Changes in other operating items	11,181	(27,333)
Total	**1,897**	**(46,065)**

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

8 FINANCIAL RISK MANAGEMENT

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

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

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

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

(K€)	Sell 06 18	Buy 06 18	**30.06.2018**	Sell 06 17	Buy 06 17	**30.06.2017**
Euro	30,428	39,138	**69,566**	26,158	47,136	**73,294**
US dollar	116,708	30,473	**147,181**	229,003	62,331	**291,334**
UK pound	47,824	-	**47,824**	50,254	-	**50,254**
Swedish krone	52,076	-	**52,076**	805	5,509	**6,314**
Australian dollar	-	31,288	**31,288**	15,014	30,028	**45,042**
Hong Kong dollar	182	-	**182**	419	-	**419**
Indian rupee	4,639	-	**4,639**	5,034	-	**5,034**
UAE dirham	11,721	-	**11,721**	11,974	-	**11,974**

The net fair value of the derivatives in place (both fair value and cash flow hedges) as at 30 June 2018 is a negative €389 thousand.

Derivatives comprises the most significant element of the financial instruments measured at fair value in this interim report presented by the Group. They fall within Level 2 of the hierarchy envisaged in IFRS 13, as their fair value is determined by recalculating their present value with reference to the official fixings for exchange and interest rates at the reporting date.
This interim report does not include any non-recurring fair value measurements or transfers between different levels of the fair value hierarchy.
As reported in note 4.4 "*Investments in equity investments*", investments in other companies have been valued taking into account the Group's shareholders' equity, which was considered a reasonable approximation of fair value, according to the IFRS 13 framework.

9 SIGNIFICANT TRANSACTIONS DURING THE PERIOD AND EVENTS AFTER 30 JUNE 2018

RATP (Régie Autonome des Transports Parisiens), the Paris metro operator, awarded Ansaldo STS a contract worth €17.6 million for the implementation of the OCTYS - Open Control of Train Interchangeable & Integrated System - (CBTC-based technology) to modernise the 14 km stretch serving 28 stations on metro line 6.
The project is part of the "Metro 2030" strategic plan launched by RATP for the modernisation of metropolitan operating systems with the development of digital technologies on the Paris metro network. Operational since the end of 2012 on line 3, the Ansaldo STS CBTC provides maximum performance by significantly reducing routes and increasing operational efficiency.

With reference to the "System Delivery Agreement" signed on 3 November 2010 between Ansaldo STS Sweden and AB Storstockholms Lokaltrafik (SL) regarding the upgrade of the signalling system on the line of the Stockholm metro known as the "Red Line", following the unilateral termination of the contract by SL on 7 November 2017, at the beginning of April 2018 Ansaldo STS Sweden filed a request for arbitration against SL with the SCC Arbitration Institute, appointing its own arbitrator. An initial proposal for the timetable and meetings is currently being discussed.
To summarise, with this action, Ansaldo STS Sweden requested the arbitration tribunal to establish that the unilateral termination of the contract was unfounded, that it constitutes a breach of the contract and that Ansaldo STS is entitled to compensation.

Rome, 31 July 2018

For the Board of Directors

The Chairman
Alistair Dormer

STATEMENT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION 11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Andrew Thomas Barr, as CEO and General Manager, and Renato Gallo as Chief Reporting Officer of Ansaldo STS S.p.A., certify, taking into account the provisions of article 154-bis.3/4 of Legislative Decree 58 of 24 February 1998 and subsequent amendments and integrations:
   • the adequacy in relation to the characteristics of the business and
   • the effective application of the administrative and accounting procedures adopted for the preparation of the condensed interim consolidated financial statements, during the period from 1 January 2018 to 30 June 2018.

2. There is nothing significant to report in this regard.

3. Moreover:

3.1 the condensed interim consolidated financial statements:

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

b) agree with the underlying accounting records and entries;

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

3.2 The interim report on operations provides a reliable analysis of the important events that took place during the first six months of the year and their impact on the condensed interim consolidated financial statements, as well as a description of the key risks and uncertainties for the remaining months of the year.

The interim report on operations also includes a reliable analysis of significant transactions with related parties.

Rome, 31 July 2018

Signature of the Chief Executive Officer and General Manager	Signature of the Chief Financial Officer
______________________________	______________________________
Andrew Thomas Barr	**Renato Gallo**

Ansaldo STS S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statements, the consolidated statement of other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes of Ansaldo STS S.p.A. and its subsidiaries (the "Ansaldo STS Group") as of June 30, 2018. The Directors of Ansaldo STS S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed [consolidated] financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Ansaldo STS Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Genova August 2nd, 2018

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

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

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