SECTION B
PART B TECHNICAL PROPOSAL AND
STATEMENTS AND CERTIFICATIONS REGARDING ELIGIBILITY

QUALIFICATIONS AND CERTIFICATIONS

NOTE: The Authority reserves the right to audit compliance with respect to each of the required statements and certifications in the forms submitted by Offerors, including but not limited to the Domestic U.S. Content Certification, Domestic U.S. Content Worksheet, and Final Assembly of Production (Non-Pilot) Vehicles in Massachusetts.

Questions Concerning Eligibility See attached pages for responses.

Provide short answers (and attach relevant documents) to the following questions and requests:

1. Attach relevant Certificate of Good Standing from the Secretary of State of the Commonwealth of Massachusetts.

2. Provide the names and telephone numbers of all business owners, shareholders if not a publicly held corporation, and/or members if a limited liability company.

3. Provide the names, title and telephone numbers of all officers.

4. Has the business or an owner or shareholder of the business ever had a prior contractual relationship with the MBTA? If yes, please describe relationship.

5. Has the business or an owner or shareholder of the business ever been in default of any obligations under a contract with the MBTA, any other Massachusetts state agency or any federal agency? If yes, please describe the circumstances. Please indicate whether it resulted in a termination for cause.

6. Have any of the business owners, shareholders, or officers every been convicted of felony violations of Federal, state or local laws? If yes, please describe the circumstances.

7. Are there any pending recent law suits against the business or any of its owners or shareholders? If yes, please describe the circumstances.

8. Provide the name, address, account number, contact person and telephone number of the insurance agent responsible for procuring insurance required by the Solicitation Documents.

9. Provide the name, address, contact person and telephone of three business credit references, including but not limited to your primary banking institution.

10. Has the business or any of the business's owners or shareholders ever filed for bankruptcy or invoked insolvency proceedings under state law?

11. Provide the last three (3) years of audited financial statements, or reasonable equivalent of the Offeror. If the Offeror is a joint venture or other combination of business entities, provide the last three (3) years audited financial statements for each entity.

12. Provide the business's current code of business ethics or equivalent.

See attached pages for responses.

Ansaldo STS USA: Qualifications and Certifications Responses

1. *Attach relevant Certificate of Good Standing from the Secretary of State of the Commonwealth of Massachusetts.*

   Refer to attachments.

2. *Provide the names and telephone numbers of all business owners, shareholders if not a publicly held corporation, and/or members if a limited liability company.*

   Finmeccanica S.p.A. (40% shareholder): Piazza Monte Grappa, 4, Rome, 00195, Italy (Phone: +39 06.324731)

   Norges Bank (2.045% Share): P.O. Box 1179 Sentrum, 0107 Oslo, Norway (Phone: + 47 22 31 60 00)

   Columbia Wanger Asset Management LLC (2.081% share): 227 West Monroe Street, Chicago Il 60606 (Phone: 888-244-5674)

   Altrinsic Global Advisors LLC (2.092 % share): Sound Shore Dr # 1, Greenwich, CT 06830-7254 (Phone: 203-661-0030)

   (All other shareholders own less than 1%.)

3. *Provide the names, title and telephone numbers of all officers.*

   Thomas P. Lawton III, President & CEO, 412-688-2400
   Joseph R. Pozza, Vice President – Administration & Finance (412-688-2400)
   Jason G. White, Vice President – Sales & Business Development (412-688-2400)
   Roberto Passalacqua, Vice President – Delivery (412-688-2400)
   Raphael Ferreira, Vice-President – Human Resources (412-688-2400)
   Michael F. O'Connell, Secretary (412-688-2400)

4. *Has the business or an owner or shareholder of the business ever had a prior contractual relationship with the MBTA? If yes, please describe relationship.*

   Not directly. For all prior MBTA contracts, Union Switch & Signal and Ansaldo STS USA have served as a subcontractor to a Prime Contractor awarded these contracts.

5. *Has the business or an owner or shareholder of the business ever been in default of any obligations under a contract with the MBTA, any other Massachusetts state agency or any federal agency? If yes, please describe the circumstances. Please indicate whether it resulted in a termination for cause.*

   No

6. *Have any of the business owners, shareholders, or officers ever been convicted of felony violations of Federal, state or local laws? If yes, please describe the circumstances.*

   No

7. *Are there any pending recent law suits against the business or any of its owners or shareholders? If yes, please describe the circumstances.*

   No

8. *Provide the name, address, account number, contact person and telephone number of the insurance agent responsible for procuring insurance required by the Solicitation Documents.*

Willis of Pennsylvania, Inc.
Four Gateway Center
Suite 505
404 Liberty Ave.
Pittsburgh, PA 15222
Contact: Mary Gallagher
Phone: 412-586-1400
Account Number: Confidential/not available

9. *Provide the name, address, contact person and telephone of three business credit references, including but not limited to your primary banking institution.*

Primary Banking Institution:
J.P. Morgan Chase
50 South Main St.
2nd Floor, OH2-5164
Akron, OH 44308
Contact: John M. Batcho
Phone: 330-972-1815

Credit Reference 1*:
Finmeccanica S.p.A.
Piazza Monte Grappa, 4
Rome, 00195, Italy
Contact: Raffaella Luglini
Phone: +39 06.324731

Credit Reference 2*:
Ansaldo STS S.p.A.
Via Paolo Mantovani
3-5 Fiumara
16151 Genova, Italy
Contact: Roberto Corsanego
Phone: +39 010 655 2076

*Note: No other potential credit reference organizations outside of Ansaldo STS USA corporate family employed, therefore are not available.

10. *Has the business or any of the business's owners or shareholders ever filed for bankruptcy or invoked insolvency proceedings under state law?*

No

11. *Provide the last three (3) years of audited financial statements, or reasonable equivalent of the Offeror. If the Offeror is a joint venture or other combination of business entities, provide the last three (3) years audited financial statements for each entity.*

Refer to attachments for consolidated financial statements.

12. *Provide the business's current code of business ethics or equivalent.*

Refer to attachments.

The Commonwealth of Massachusetts

Secretary of the Commonwealth

State House, Boston, Massachusetts 02133

William Francis Galvin
Secretary of the Commonwealth

January 8, 2014

TO WHOM IT MAY CONCERN:

I hereby certify that according to the records of this office,

UNION SWITCH & SIGNAL INC.

a corporation organized under the laws of **Delaware** on **November 13, 1996** was qualified to do business in this Commonwealth on **December 13, 1996** pursuant to the provisions of Massachusetts General Laws.

I also certify that the corporation's certificate of authority to conduct affairs in this state was revoked under the provisions of General Laws on **March 31, 2008**.

I further certify that the corporation was reinstated to do business in the Commonwealth on **September 20, 2012** pursuant to the provisions of General Laws. I also certify that said corporation is not delinquent in filing annual reports required to date.

In testimony of which,
I have hereunto affixed the
Great Seal of the Commonwealth
on the date first above written.

William Francis Galvin

Secretary of the Commonwealth

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WE BELIEVE IN A SUSTAINABLE FUTURE

ANNUAL REPORT
2012

SUSTAINABILITY REPORT
IN INSIDE BACK COVER

Ansaldo STS
A Finmeccanica Company

Welcome to Ansaldo STS

A company limited by shares, listed since 2006, leader in signalling and rail and subway transport systems, through its *Signalling* and *Transportation Solutions* Business Units, operating in over 30 countries worldwide.

Highlights 2012

(IAS *compliant* amounts in EUR million)

Orders

Order-book

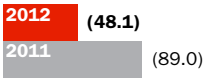
Revenues

EBIT

ROS

Net Profit

Net Working Capital



Net Cash

Analysis of the Income Statement, the Balance Sheet and the Financial Position

Consolidated profit for 2012 totalled €75,696 thousand, compared to €73,056 thousand in 2011.

Revenue came to €1,247,849 thousand, up €35,905 thousand over the previous year (€1,211,944 thousand).

The increase is largely due to the *Transportation Solutions* Business Unit for works carried out under the master agreement with Rio Tinto (RAFA).

The ***Signalling*** **Business Unit** recognised revenue of €725,588 thousand, including amounts with other business segments, substantially in line (down €2,787 thousand) with the previous year (€728,375 thousand).

The ***Transportation Solutions*** **Business Unit** recognised revenue of €564,853, up €52,586 thousand over the previous year (€512,267 thousand). This figure also includes amounts with other business segments.

Compared to 2011, eliminations between the two Business Units were up €13,894 thousand.

Operating profit (EBIT) came to €117,073 thousand, up €953 thousand over 2011 (€116,120 thousand).

ROS was 9.4%, compared to 9.6% in the previous year, including additional non-recurring expense, especially in relation to restructuring.

Specifically:
- the *Signalling* Business Unit recognised operating profit of €62,530 thousand, compared to €75,079 thousand, with a €12,549 thousand decrease due to the different mix and profitability of the projects in the two years;
- the *Transportation Solutions* Business Unit recognised operating profit of €69,130 thousand, up €14,121 thousand on the previous year (€55,009 thousand), due to greater volumes and the different mix and profitability of the contracts in the two years.

Net invested capital totalled €167,184 thousand, compared to €134,462 thousand in 2011.
The €32,722 thousand increase is due to the €8,162 thousand decrease in non-current items and the €40,884 thousand increase in net working capital.
The change in working capital is due to the joint effect of increased work in progress and trade receivables, only partly offset by the increase in trade payables and progress payments and advances from customers.

The **Group's net financial position** (loan assets and cash and cash equivalents greater than loans and borrowings) was €301,982 thousand, compared to €289,674 thousand at 31 December 2011 (up €12,308 thousand), after the €28,000 thousand dividend payment (€33,592 thousand in 2011). It includes the €70,643 thousand advance received from the Russian customer, Zarubezhstroytechnology ("ZST"), for the project for the development of signalling, automation, telecommunication, power supply, security and ticketing systems on the Sirth to Benghazi section in Libya.

Link

"*Ansaldo STS creates economic value and distributes it to its stakeholders, who have contributed to its production.*"
> Please see page 55 of the 2012 Sustainability Report for further information

"*Ansaldo STS enters into reciprocally beneficial relationships with society through: relations with institutions, research projects conducted with domestic and EC public entities, trade associations, partnerships with universities, media relations and community relations. It takes part in charity campaigns and finances humanitarian, environmental and cultural initiatives.*"
> Please see pages 123-133 of the 2012 Sustainability Report for further information

Income Statement

(€ 000)	31.12.2012	31.12.2011
Revenue	**1,247,849**	**1,211,944**
Purchases and personnel expense (*)	(1,122,374)	(1,075,627)
Amortisation, depreciation and impairment losses	(20,768)	(13,410)
Other net operating income (expense) (**)	17,922	(533)
Change in work-in-progress, semi-finished products and finished goods	897	(3,915)
Adjusted EBIT	**123,526**	**118,459**
Restructuring costs	(6,453)	(2,339)
Operating profit (EBIT)	**117,073**	**116,120**
Net financial expense	(2,956)	(768)
Income taxes	(38,421)	(42,296)
Profit for the year	**75,696**	**73,056**
attributable to the owners of the Parent	*75,665*	*72,956*
attributable to non-controlling interests	*31*	*100*
Earnings per share		
Basic and diluted	0.51	0.48[1]

1. Recalculated following the bonus issue of 9 July 2012

Notes to the reconciliation between the reclassified income statement and the income statement included in the consolidated financial statements:
(*) Includes the captions "Purchases", "Services", "Personnel expense" and "Accrual to (use of) the provision for expected losses to complete contracts" (net of "Restructuring costs"), and net of "Internal work capitalised".
(**) Includes the net amount of "Other operating income" and "Other operating expense" (net of restructuring costs and impairment losses and Accrual to (use of) the provision for expected losses to complete contracts).

Statement of financial position

(€ 000)	31.12.2012	31.12.2011
Non-current assets	264,996	270,047
Non-current liabilities	(49,665)	(46,554)
	215,331	**223,493**
Inventories	131,584	129,936
Contract work in progress	313,096	283,302
Trade receivables	748,747	680,069
Trade payables	(500,563)	(431,851)
Progress payments and advances from customers	(710,720)	(706,735)
Working capital	**(17,856)**	**(45,279)**
Provisions for risks and charges	(15,842)	(23,136)
Other liabilities, net (*)	(14,449)	(20,616)
Net working capital	**(48,147)**	**(89,031)**
Net invested capital	**167,184**	**134,462**
Equity attributable to the owners of the Parent	468,739	423,014
Equity attributable to non-controlling interests	427	1,122
Equity	**469,166**	**424,136**
Net financial position	**(301,982)**	**(289,674)**

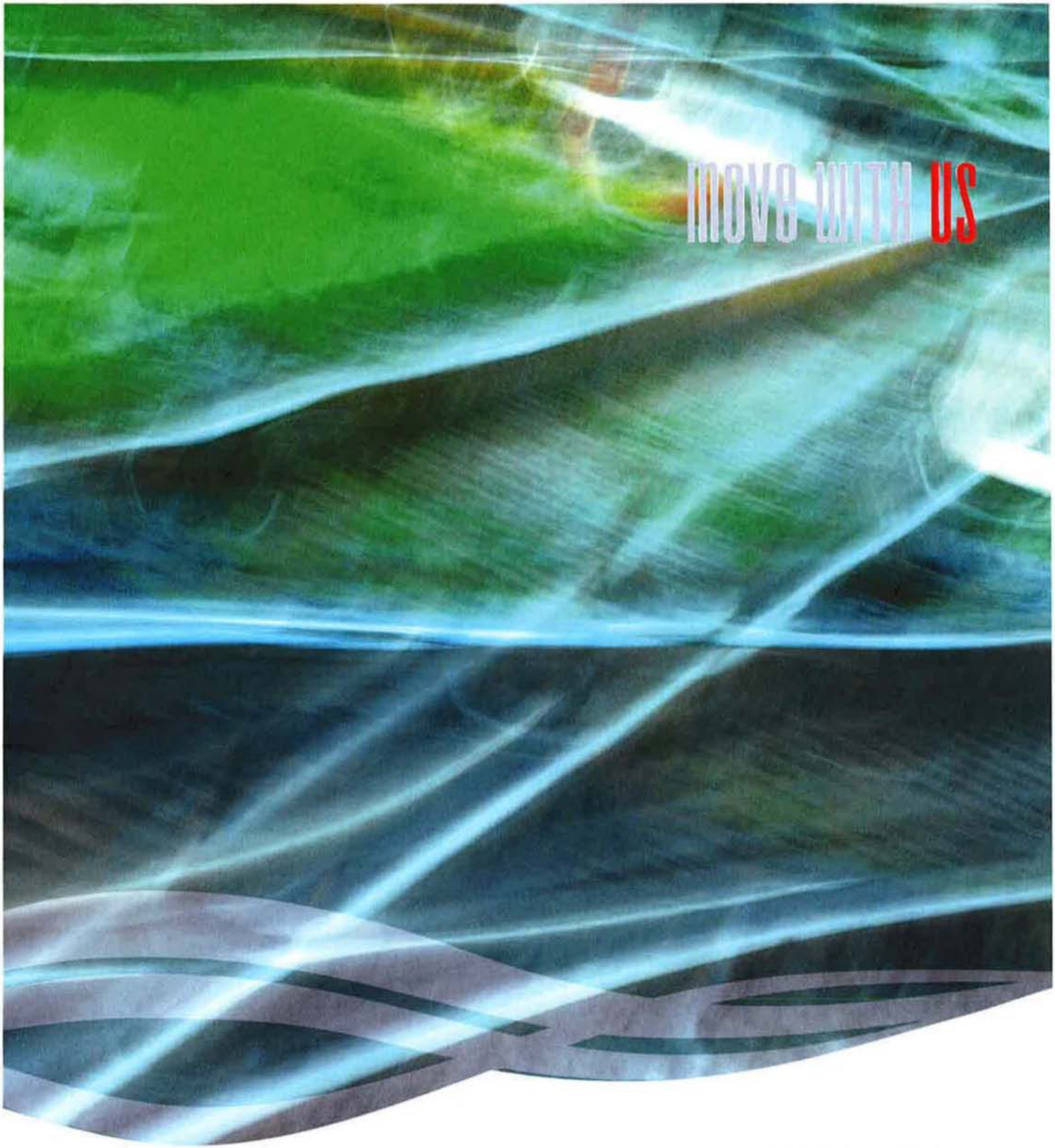
Notes to the reconciliation between the reclassified statement of financial position and the statement of financial position included in the consolidated financial statements:
(*) Includes "Tax assets" and "Other current assets", net of "Tax liabilities" and "Other current liabilities".

Net Financial Position (€ 000)

	31.12.2012	31.12.2011
Current loans and borrowings	18,188	14,535
Non-current loans and borrowings	-	269
Cash and cash equivalents	(146,837)	(160,928)
BANK LOANS AND BORROWINGS	**(128,649)**	**(146,124)**
Related party loan assets	(120,533)	(2,531)
Other loan assets	(52,987)	(110,812)
Current financial assets at *fair value* through profit or loss	-	(30,756)
LOAN ASSETS	**(173,520)**	**(144,099)**
Related party loans and borrowings	-	-
Other current loans and borrowings	187	380
Other non-current loans and borrowings	-	169
OTHER LOANS AND BORROWINGS	**187**	**549**
NET FINANCIAL POSITION	**(301,982)**	**(289,674)**

Statement of cash flows (€ 000)

	31.12.2012		31.12.2011	
Opening cash and cash equivalents	**160,928**		**153,320**	
Gross cash flows generated by operating activities	153,306		127,299	
Changes in other operating assets and liabilities	(58,279)		(67,235)	
Funds from operations		**95,027**		**60,064**
Change in working capital	(51,001)		(42,657)	
Cash flows from operating activities	**44,026**		**17,407**	
Cash flows used in ordinary investing activities	(6,457)		(10,188)	
Free operating cash flow		**37,569**		**7,219**
Strategic transactions	(216)		(6,302)	
Other changes in investing activities	14		(44)	
Cash flows used in investing activities	**(6,659)**		**(16,534)**	
Dividends paid	(28,000)		(33,592)	
Cash flows generated by (used in) other financing activities	(22,849)		38,955	
Cash flows from (used in) financing activities	**(50,849)**		**5,363**	
Exchange rate gains and losses, net	**(609)**		**1,372**	
Closing cash and cash equivalents	**146,837**		**160,928**	



ANNUAL REPORT 2011

AnsaldoSTS
A Finmeccanica Company

Report on Operations for 2011 and Business Environment

In a scenario marked by an ever-stiffer competition, for the Ansaldo STS Group the year 2011 marked a considerable commercial success involving a volume of acquisitions greater than EUR 2 billion, an all-time high, on both business segments.

Link

"Ansaldo STS is committed to maintaining and developing a set of distinctive abilities and skills which will create value and ensure the company's lasting growth over time."

> Please see page 77 of the 2011 Sustainability Report for further information

Signalling Business Unit

The orders acquired at 31 December 2011 came to EUR 1,045.9 million, greater than the orders acquired in 2010 (EUR 890.2 million).
The order backlog came to EUR 2,341.4 million from EUR 2,090.6 million at 31 December 2010.

The main events of the year referring to the *Signalling* Business Unit are outlined below.

ITALY

In **Italy** the market recovered significantly, especially in the upgrade of the existing lines. This allowed the company to win the contract for the Turin-Padua line (EUR 210.5 million), which is a part of the European Corridor D (Lisbon-Kiev). The supply includes the systems for traffic operation along the line and at stations, the related integrated diagnostics systems, as well as the supply of several auxiliary equipment.

Good was the volume of acquisitions on traditional business segments: HSL completions and upgrades; construction and upgrading of several automation equipment (SCC Control Traffic Center); sale of components and assistance and maintenance services.

REST OF EUROPE

Particularly significant results were also achieved in the rest of Europe.

In **France**, contracts worth more than EUR 120 million were acquired for the new high-speed lines: one directly from SNCF for the second stage of the LGV EE, two from the General Contractors that will build the "Bretagne-Pays de Loire HSL" with Eiffage, and "LGV SEA " with Inneo using Project Financing.
Still in France it is worth remembering the umpteenth extension of the contract with RATP for the maintenance of some lines of the Paris Metro, for an amount of some EUR 18 million.

In **Germany**, the company received the second contract from Deutsche Bahn for the HSL ERTMS2 equipment plan, thus confirming the business leader in the prestigious and challenging German market as well. This new contract covers the designing, supply, installation and operation and service of ERTMS/ETCS Level 2 signalling systems along the Rostock-Berlin line, for an amount of EUR 14 million.

In **Sweden**, in the Mass Transit segment, a contract was acquired for the CBTC technology-based upgrade of the wayside and onboard equipment of the Red Line of the Stockholm Metro, for an amount of EUR 85 million.

In **Turkey** agreements were formalised with the Italian-Turkish JV Salini-GCFKolin for the supply of the signalling, automation and railway telecommunications systems for the Gebze-Kosekoy section of the Ankara-Istanbul high-speed line for an amount of EUR 31.5 million.

NORTH AMERICA

During the period there were no commercial events of particular relevance. The traditional sale of wayside and onboard equipment continued for the traditional customers in **Canada** and the **USA**, both in the Railroads and the Mass Transit segment.

ASIA - PACIFIC

The **Australian** market is on the mend, especially in the mining lines segment. This generated a significant offer. However, in the year 2011 new acquisitions were modest in the amount of EUR 30 million.

In **India**, on the other hand, a contract was acquired from Kolkata Metro Rail Corporation Limited (KMRCL) for an amount of EUR 46 million for the designing, construction, installation and testing of the control, signalling and communication systems of a new section of the Calcutta Metro.

In **China** the major acquisition for the year regards

line 1 of the ZhengZhou traditional underground for an amount of EUR 9 million.

Finally, in **South Korea**, a contract was acquired for the construction of systems for the Uhi-Shinseoul driverless metro with POSCO for EUR 20.0 million.

well as for the Trento-Malè line. Equipment at Palermo station is being installed. As regards the newly-acquired large facility for the Genoa multistation equipment, activities were slower than scheduled due to delays in civil contracts and track-laying, which are preparatory to the works of the Company.

Performance of the *Signalling* Business Unit

(EUR 000)	31.12.2011	31.12.2010	Change
New intake orders	1,045,870	890,205	155,665
Order backlog	2,341,367	2.090,584	250,783
Revenue	728,375	841,831	(113,456)
EBIT	75,079	104,232	(29,153)
R.O.S.	10.3%	12.4%	-2.1 p.p.
Operating working capital	111,449	300	111,149
Research and Development	32,475	33,053	(578)
Headcount (no.)	3,081	3,315	(234)

The figures in this table are inclusive of transactions with other segments.

Revenue at 31 December 2011 was EUR 728,375 thousand from EUR 841,831 thousand in 2010.

Below is an overview of the most relevant production events.

ITALY

As regards the High Speed programme, the activities for the existing lines were essentially completed, except for continuous but small maintenance and upgrading of control equipment.

Through the Consorzio Saturno, for the future Milan-Genoa and Brescia-Treviglio lines, designing commenced ahead of the signing of the relevant contracts, which envisage very short times for the designing stage.

In the onboard SCMT segment, the supply of equipment for the Trenitalia rolling stock continued under the applicable Master Agreement.

Good was the volume of activities generated by orders of other railway companies and builders of rolling stock intended for circulation in Italy.

In particular, for AnsaldoBreda production continued for the SCMT systems of high-frequency trains (TAFs), for regional trains (TSR), both intended to Ferrovie Nord Milano and for Vivalto double-decker carriages for Trenitalia; development activities continued for the 50 new V300 Zefiro High-Speed trains and equipment for the first two trains were tested.

In the Station equipment segment, almost all of the activities were completed for the systems of the Naples, Venezia-Mestre, Pisa, and Milano-Rogoredo junctions as

The Turin-Padua Line is worth a specific mention. Production mainly regarded detailed engineering, which was completed in due time, and the relevant documentation was delivered to the customer. Development activities continued mainly for the release of the key prototypes for the later stages of procurement and designing.

In the Mass Transit segment, in cooperation with the Transportation Solution Business Unit, the major activities regarded the supply of systems for Line B1 of the Rome Metro, De Ferrari - Brignole line of the Genoa Metro, Line 1 Dante-Garibaldi of the Naples Metro, Line 6 of the Naples Metro.
As regards the latter, development activities continued for the Metropolitan Border of the Mostra-Mergellina section.

The year saw growing volumes of assistance and maintenance activities, mostly for RFI and Trenitalia, the result of large quantities of systems and equipment supplied to these customers in the last years.

REST OF EUROPE

(This section also includes Turkey and the FSU)

In **France** activities mostly regarded onboard systems (*TG Rhin-Rhône*) and equipment (*Thalys*) for the French high speed network, as well as the usual orders for maintenance, assistance and manufacturing of spare parts.

In **Sweden** the *Ester* project is being fully developed for the construction of an ERTMS level 2 system on the Ester line in the Northern part of the country.

The project for the upgrade of the *Red Line* of the Stockholm Metro is also being developed using CBTC technology.

In the **UK**, during the year the operation stage was completed for the project for the *Cambrian line* (the first line on British soil to be equipped with the ERTMS level 2 European standard). This allowed the settlement of some contractual claims of the customer.

In **Germany** testing and operation activities commenced on the equipment installed on the Saarbrücken - Mannheim line, which is part of the interoperable European corridor (*Paris-Ostfrankreich-Südwestdeutchland*).
Preliminary designing activities started on a similar contract acquired during the year for the track laying of the Rostock-Berlin line.
As regards the onboard project for the supply of 30 multistandard equipment for 15 HS *Velaro* trains, manufacturing activities continued during the year and some additional functional implementations were defined with the customer.

In **Russia** preparations were completed for the start of the testing of the *Itarus* system, a system designed by Ansaldo STS with NIJAS (the research body of the Russian railways) for the introduction of the ERTMS standards in the physical and operating environment of the Russian territory.

In **Turkey** detailed engineering continued on the Mersin-Toprakkal line. As the Customer gave the necessary approvals, onsite assembly commenced. Activities resumed with new strength for the Ankara metro, after the title of the contract changed from the municipality to the Ministry of Transportation.

In **Kazakhstan** all the productive activities that had commenced on the Khorgos-Zhetysen line project, as part of the Joint Venture formed with the local railways, were formally interrupted by the customers and negotiations are under way for the redefinition of the scope of work of the JV.
Therefore, it was considered prudent not to include the finishing amount of the project (some EUR 45 million) in the Group backlog, given the persistent uncertainty.

NORTH AFRICA AND THE MIDDLE EAST
The performance of the activities planned for the year 2011 in Tunisia and mostly Libya was adversely affected by the political riots in the region.

In **Tunisia** activities resumed at the end of the year, and activation of the signalling and automation systems in the Tunis suburban line is nearing completion.

In **Libya**, immediately after riots started, activities were suspended for the project for the construction of the signalling, telecommunications, security and power supply system for the Ras Ajdir-Sirth and the Al Hisha-Sabha lines.
These activities have not resumed for the time being.
The project for the construction of a similar system for the Sirth-Benghazi section was also suspended by the customer, the construction company of the Russian Railways Zarubezhstroytechnology (ZST), with letter dated 21 February 2011.
Contacts are under way with this organisation in order to agree upon extending the period of suspension of the contract.
At present it is difficult to assume that these contracts may be resumed, given the situation of the country.

AMERICA
Production came from both system works on projects lasting several years and from the sale of components.
For the first segment, activity was extensive for the customer Union Pacific on the OTP/CADX project.
In 2005 Ansaldo STS USA won the contract for the development and implementation of the *Next Generation Computer Aided Dispatch* (CAD) and of an *Optimizing Traffic Planner* (OTP) system, as well as maintenance until 2030.
During the year the OTP was activated in all the Western regions and in most of the Southern areas. The completion in all the regions (34 overall) is expected in 2012. As regards the development of the CADX Office, 90% of the subsystem requirements were approved by Union Pacific.
In the Mass Transit market, manufacturing regarded several contracts with various public transport authorities: NYC - 5th and Lexington, WMATA - Red Line, PATH PTCC - Office, Port Authority of Allegheny Co, LIRR-Harold Interlocking.

ASIA - PACIFIC
In **Australia** activities were carried out with several customers, mostly using *alliance* contracting.
In particular, works worth noting are those for the Newcastle Alliance, the Synergy Alliance, the Richmond Line Alliance, the K2RO Project, and the NCIG-Coal Export Terminal.

In **India**, manufacturing mainly focussed on these projects, all with the Indian federal railways.
Since its inception, the KFW project has been upgraded and changed with variations and this caused a delay in the performance timeline together with a number of technical problems which were finally resolved during 2011. Thanks to this, the first systems were delivered for operation. After a long series of technical and operational difficulties, solutions to be implemented

with the customer were sufficiently defined for the two projects (North and South) for equipping wayside and onboard systems with devices for the Train Protection and Warning System (TPWS).

In **South Korea** the cooperation with Rotem involved the supply of equipment for some types of engines. During the year line testing was carried out with positive results.

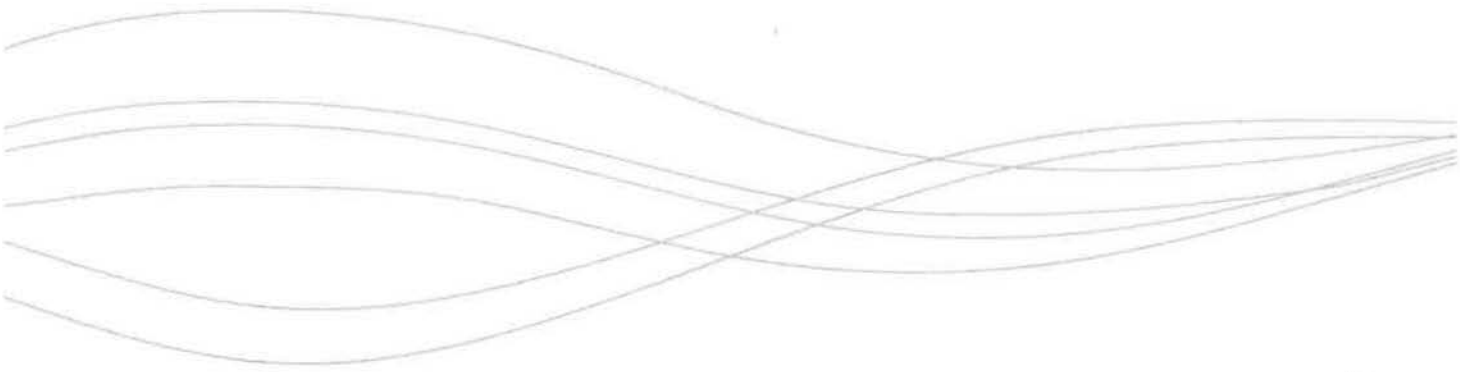
In **China**, the ZhengXi Line project is now ending; the major activities regarded the Transfer of Technology (ToT) to the local partner Insigma.

EBIT of the Signalling Business Unit at 31 December 2011 came to EUR 75,079 thousand (10% of the value of revenue), lower than the amount of December 2010 (EUR 104,232 thousand) due to smaller volumes and the freezing of the new contracts in Libya.

Operating Working Capital at 31 December 2011 totalled EUR 111,449 thousand, up from EUR 300 thousand at 31 December 2010 as a result of an increase in trade receivables, inventories and work in progress.

Research & Development costs at 31 December 2011 amounted to EUR 32,475 thousand, essentially in line with the figures for the prior year (EUR 33,053 thousand).

Headcount at 31 December 2011 totalled 3,081 people (3,315 at 31 December 2010); it includes the containment of resources as part of the reorganisation process.



Transportation Solutions Business Unit

The orders acquired at 31 December 2011 came to EUR 1,256.1 million compared with EUR 1,142.8 million at 31 December 2010.

The order backlog came to EUR 3,442.3 million from EUR 2,721.5 million at 31 December 2010.

The significant events of 2011 for the various geographical areas are outlined below.

ITALY

In Italy, the overall amount of orders acquired at 31 December 2011 amounted to more than EUR 120 million. The most important acquisition, for more than EUR 105 million, relates the extension of Line 5 of the Milan Metro (south-westbound extension from Garibaldi to San Siro). The line will extend for a further 7 km with 10 new stations. Ansaldo STS technology will be used on the fully driverless system.

Projects under way include the award of the tender - under Project Financing - for Line 4 of the Milan Metro (S. Cristoforo-Linate) to the Grouping of Impregilo (leading company), Astaldi, Ansaldo STS, AnsaldoBreda, Sirti and ATM Milano.

The concession agreement and the loan agreements will be effective, hopefully in a short time, after the competitors have filed their appeals.

REST OF EUROPE

Generally, the global macroeconomic scenario is still affected by the financial crisis that caused many projects to be delayed, in particular in the Eastern European area, where the development programmes driven by the European Community do not seem adequate to fully finance the major expansion projects for the transport networks of some capital cities.

In **Denmark**, as part of the contract formerly acquired for the Copenhagen Cityringen driverless metro, the customer decided to give the order for trains to Ansaldobreda through Ansaldo ATS, which is in charge of the construction and integration of all the technological works.
This allowed an order for a further EUR 120 million.

NORTH AFRICA AND MIDDLE EAST

During the period there were no new acquisitions, but several promotion and offering activities were initiated, especially in **Qatar**, which is one of the countries with the most ambitious infrastructure development plans, such as Saudi Arabia.

ASIA - PACIFIC

The amount of the orders acquired in **Australia** in this business segment was more than EUR 151 million, all deriving from the master agreement made with the mining company Rio Tinto for the technological equipment of new and existing railway lines to transport iron ores from the Pilbara region in Western Australia to the ports along the coast.

In **India** consideration is being given to possible partnerships with local contractors in order to take part in future tenders.

NORTH AMERICA

The most important event of the year is undoubtedly the signing of the contract for the construction of the Honolulu Metro.

In November 2011 Ansaldo Honolulu Joint Venture, the consortium formed by Ansaldo STS and AnsaldoBreda, signed with HART (Honolulu Authority for Rapid Transportation) a contract for the construction of the technological part and for the supply of the new driverless metro trains in the City of Honolulu (Hawaii). The contract, worth USD 1,334 million overall, covers the designing, construction, operation and maintenance of the new driverless metro line in Honolulu, which will be 32 km long entirely on flyover tracks along 21 stations. Ansaldo STS share amounted to EUR 841.8 million.

The designing and construction of the full line will have a duration of 8 years, the operation and maintenance of the line will commence in 2015 for the first functional section, and in 2019 throughout 2029 for the entire line. Performance of O&M for the years 2025 - 2029 for an amount of EUR 224.7 million will be checked by the customer.

Performance of the *Transportation Solutions* Business Unit

Revenue of the *Transportation Solutions* Business Unit at 31 December 2011 amounted to EUR 512,267 thousand from EUR 504,448 thousand at 31 December 2010.

The volumes were developed in Italy (55%) and abroad (45%), with 78% regarding the metro rail sector. Production developed on the projects for high-speed trains, the Rome Metro Line C, Copenhagen Metro, Milan Metro, Genoa Metro, Thessaloniki, Alifana, Naples Metro Line 6, Naples Metro Line 1, Brescia Metro, Riyadh Metro, Malaysia and Australia Metros. Below is an overview of the most significant production events.

(EUR 000)	31.12.2011	31.12.2010	Change
New intake orders	1,256,058	1,142,756	113,302
Order backlog	3,442,345	2,721,540	720,805
Revenue	512,267	504,448	7,819
EBIT	55,009	46,294	8,715
R.O.S.	10.7%	9.2%	+1.5 p.p.
Operating working capital	(172,411)	(105,299)	(67,112)
Research and Development	1,425	1,774	(349)
Headcount (no.)	600	449	151

The figures in this table are inclusive of transactions with other segments.

ITALY

High-Speed Railways

In the High Speed segment, marginal activities continued on existing lines for the operation of some new interconnections and for assistance works covered by warranty; activities for the designing of the new sections Treviglio - Brescia and Milan-Genoa 3° Valico del Giovi - for which contracts are to be formalised yet - started with interruptions.

Metrogenova

Regarding the functional line De Ferrari–Brignole, during the year activities were carried out for the supply of technological equipment, for equipment assembled along the line and at Brignole station.
Operation activities also started.
The flood that hit Genoa and our building site in November caused the operational programme to be postponed: opening to the public is now estimated in September 2012.
Regarding the Dinegro Depot, the customer decided to assign to the Company the construction of a part of the structures above the depot, with a variation that is currently being approved.

Alifana Regional Line

During the second quarter an Agreement was signed for the price increases in construction materials, accounted in previous years.
The Licensor Metrocampania Nordest prepared and transmitted to the Campania Region a new text for the Addendum to replace the one signed in March 2010.
In November the Submission Deed for the Scampia Underpass was signed and the works covered by the civil and technological variations were regularised.
Still in November the deed for the suspension of the works of Melito station, lot A, with a specific reserve for the refund of all the greatest resulting charges and damages.
With reference to the credit position of the Temporary Business Grouping, and of the Associates accordingly, during the year legal actions were initiated to protect former entitlements.
At the same time, contacts continued with the Campania Region for the definition of a settlement that is satisfactory for all the parties.
With regard to the Piscinola-Capodichino line, Metrocampania Nordest as Contractor has not delivered the areas and works in Lot A yet, as envisaged in the Integrated Contract.
The Temporary Business Grouping, of which the company is the agent, formalised a specific reserve for the refund of all the greatest resulting charges and damages.

Naples Metro Line 6

The year was marked by significant events in terms of techniques and construction. In particular, as regards the Line Tunnel, excavation was completed in October as the TBM/EPB arrived at the site of the Municipio station, where facilities have already been built for dismantling.
The traditional 3-km long tunnel built has 1,700 lining segmental rings, has a single tube, and stretches from the Mergellina station to the Piazza Municipio areas.
With regard to the stations A.Mirelli, S.Pasquale, Chiaia and Municipio works continued at different paces because of the peculiar events of the year. Works were dramatically delayed in the last few years because the level of archaeological excavation was reached.
Finally, as regards the Municipio site, during the year archaeological surveys continued on the station shaft areas, and as a result planned activities were delayed.
With regard to the significant credit position of the contract, the Company initiated proceedings to have an injunction issued against the Municipality of Naples for the collection of the amounts due.

Rome Metro Line C

Works in the outdoor section linking Pantano-Torrenova and the Pantano Depot were essentially completed; tests, especially subsystem, interface functional tests and preventive functional tests, are under way.
As regards the works for underground stations in the tunnel section linking Giardinetti and Centocelle, rough works, floors and covers of the various levels are being completed, and platforms were enlarged. As regards the line, the construction of the large concrete slab is being completed and the assembly of emergency

platforms is nearing completion; the laying of tracks and of the primary cable paths commenced.

Milan Line 5
On the functional line linking Bignami and Zara assembling activities and the operation of most of the telecommunications systems were completed.
Following the request of the municipality of Milan for temporarily opening to the public the functional line Bignami-Zara for the "Family Week" at the end of May 2012, it was determined that a shuttle service will operate on a single track, with two trains at Bignami and Zara stations not stopping at the other stations. The service will be driverless with officers on board and at stations at the end of May. To that end commissioning activities were adjusted.
The final activation of the Bignami-Zara line is scheduled at the end of October 2012.
With regard to the extension of the line to San Siro station, the detailed engineering is under way and will be completed within December 2012. Orders were issued for all the supplies, while the contract for the assembling of the signalling equipment will be completed next year. The civil partner is carrying out activities for moving subservices, the construction of the station bulk heads and the preparation of the first two TBMs.

Naples Metro Line 1
The contract relates to the construction of the works for the contact line, power supply, telecommunications, signalling and automation and the protection systems on the 5-km line entirely in the tunnel. During the year a section linking Dante and Università (March 2011) was activated in a shuttle configuration (down line track).
It is expected that in 2012 Toledo station be included in the shuttle route that is now operating and that the entire section linking Dante and Garibaldi be completed with a carousel configuration which will be final (December), except for Municipio and Duomo, for which completion is expected in 2013 and 2014 respectively.

Metro Brescia
During the year the construction designing was fully developed and installations along all of the line are nearing completion, with the exceptions of details for civil finishings and minor works at the depot workshop. On-site activities are mainly related to the operation of the ATC subsystem, of vehicles, and to the system integration on the functional line and on the rest of the line, which will continue throughout September. System operation is expected at the end of December 2012.
The year was marked by the settlement of the dispute between ATI and Brescia Mobilità through a settlement agreement that redefined the reference programme, allowed ATI a part of the expenses incurred for time extension and variations made after works had commenced, and determined how the company in charge of the *Operation and Maintenance* of the system will work.

REST OF EUROPE

Thessaloniki Metro
The designing phase on which the Company is working at the moment, named the General Final Design 2 (GFD2), was marked in 2011 by two key events: the substantial approval by the Customer of the Company's technical proposal on the new CBTC architecture for the signalling system and the formalisation of the reservation submitted by the JV to the Customer regarding the damages incurred by the Partners of the B Group (ASTS and AB) at designing (GFD1 and GFD2).
In terms of programmes, according to the best estimate possible at the moment, works will be completed at the end of December 2007.
On the other hand, in November the Customer made an official request to the JV for a new programme where works are estimated to be completed by the end of 2015, even though this request is not accompanied by a genuine Customer commitment to promptly settle any payments still due. At present the estimated contract amount includes an estimate of delays due in part to the unfavourable economic conditions of the country.

Copenhagen
As regards the Cityringen contract, a new programme for the construction of the work was agreed upon with the customer and the civil works contractor.
The new programme brings the start of operations of the system forward to December 2017.
All the designing and interface definition milestones were reached during the year with the Civil contractor. The construction of the site was completed and pre-excavation activities started in the Depot area.

In 2011 the Operation&Maintenance contract performed greatly with Service Availability of 98.8% following improvements in operating procedures and system changes, in addition to the renewal of obsolete components.
The number of passengers reached its all-time high with some 54 million journeys/passengers.

NORTH AFRICA AND THE MIDDLE EAST

Riyadh Automated People Mover System (Apm)
During the year the construction designing activities and interfacing with civil works were completed.
Commissioning activities are nearing completion.
During the first three months of the year, an agreement was signed with the Customer for the formalisation of a new timeline and new interim milestones.
In particular, the first one, the *Ceremonial Opening*, was

a full manual service on line 2 in May at the presence of the King.

ASIA - PACIFIC

Circular Line Taipei Metro
The Customer contracted only two of the three major contracts with civil enterprises, with a delay over the initial plan. Negotiations are under way for the formalisation of a time extension that covers these delays. It is to be reported that at the end of the year the CBS (*Contract Baseline Schedule*) was processed and submitted. Its approval caused the receipt of a huge amount as advance payment in December.

Australia
Production mainly developed on the projects related to the Framework Agreement of Rio Tinto (RAFA). In particular, activities on the Rail Capacity Enhancement and Hope Down 4 account for most of the revenue for the year and of the employment of Engineering and Construction entities' in-house resources. Activities continued for the preparation of operations for the ECP and the ATO projects and for the study phase for the remaining part of the programme.

Malaysia
Production mainly regarded the Malaysia North Double Tracking project. The most relevant event of the period was the settlement of the dispute with the Customer, at all levels, for the definition of the signalling technological solution to be adopted for the project. Negotiations are still being held for the work programme and for the request for a time extension to make up for the months spent identifying the reference technological solution.

EBIT for the Transportation Solutions Business Unit at 30 December 2011 came to EUR 55,009 thousand (10.7% of the value of revenue) compared with EUR 46,294 thousand at 31 December 2010 (9.2% of the value of revenue); this increase is a result of the different mix of orders worked in the two comparison periods.

Operating Working Capital came to a negative EUR 172,411 thousand, as compared with a negative EUR 105,299 thousand at 31 December 2010; this change is mainly attributable to the increase in advances from customers during the year.

Research & Development costs charged to the income statement amounted to EUR 1,425 thousand, mainly in line with the figure at 31 December 2010 (EUR 1,774 thousand).

Headcount at 31 December 2011 was equal to 600 units, up 151 units compared with 31 December 2010 (449 units). This change is attributable to the reallocation of resources, especially in Australia, made in the scope of the group reorganisation.

Link

"Ansaldo STS puts customer satisfaction at the centre of its strategy: the ability to understand the client's needs and expectations and to meet them is the central value on which the corporate culture is based."
> Please see pages 55 and 135 of the 2011 Sustainability Report for further information

Main Intake Orders

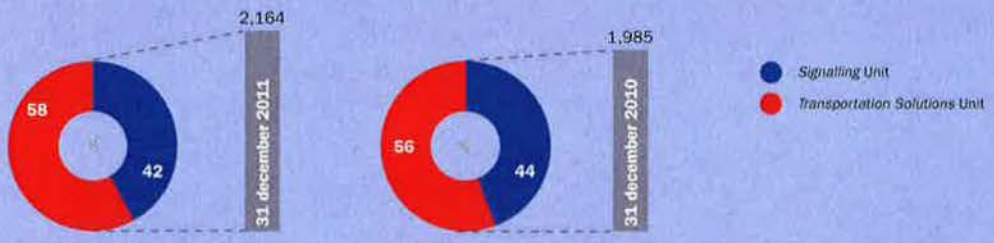
Signalling Unit

Country	Project	Customer	Value (EUR mln)
Italy	TO-PD Main Line (main orders and variation order)	RFI	210.5
Sweden	Stockholm Red line	S L	85.0
France	HSL Bretagne - Pays de Loire	EIFFAGE	62.0
France	LGV SEA	INEO	46.7
India	Kolkata Metro	KMRC	46.1
Turkey	HSL Gebze-Kosekoy	Salini-CGF-Kolin	31.5
Australia	ARTC various projects	ARTC	30.0
Italy	HSL variation orders & price escalation	RFI	20.3
South Korea	Uhi-Shinseoul	POSCO	20.0
Italy	SCC-CTC variation orders	RFI	18.1
France	RATP Metro Paris Maintenance	RATP	17.8
France	LGVEE Phase 2	SNCF	15.0
Germany	Berlin-Rostock	D B	13.8
Canada	STM Montreal	STM	12.1
USA	Components, Service & Maintenance	Various	43.5
France	Other Components, Service & Maintenance	Various	29.7
Italy	Components, Service & Maintenance	Various	13.1

Transportation Solutions Unit

Country	Project	Customer	Value (EUR mln)
USA	Honolulu Metro	HART	841.8
Denmark	Copenhagen - vehicles	Metroselskabet	121.9
Italy	Milan Line 5 ext. Garibaldi-San Siro	Milan Municipality	105.2
Australia	Rio Tinto RAFA phase 1	Rio Tinto	70.0
Australia	Various Rio Tinto small projects	Rio Tinto	48.2
Australia	Rio Tinto RAFA phase 2	Rio Tinto	33.2
Saudi Arabia	Riyadh - PNU variation orders	SBG	11.8
Italy	Rome Line C variation	Roma Metropolitane	7.1

Orders by Business Unit at 31 December 2011 - 2010 (EUR millions)



Analysis of the Income Statement, the Balance Sheet and the Financial Position

Consolidated net profit for 2011 was €73,056 thousand as against €94,908 thousand in 2010. Revenues contracted from €1,283,710 thousand in 2010 to €1,211,944 thousand in 2011 - a reduction of €71,766 thousand.

This change was mostly attributable to the *Signalling* Business Unit, in which the gradual run-off of AV (high-speed) projects in Italy and the PRC, as well as of the projects to equip rolling stock with the SCMT system, was not offset by the development of new orders.

This circumstance was largely due to the stoppage, at the beginning of the year, of work on two important orders that the company had won in Libya.

In 2011 the *Signalling* Business Unit's revenues were €728,375 thousand, gross of transactions with other sectors - a reduction of €113,456 thousand from 2010, when they were €841,831 thousand.
The *Transportation Solutions* Business Unit's 2011 revenues were €512,267 thousand, gross of transactions with other sectors - a slight increase of €7,819 thousand over 2010, when they were €504,448 thousand.

2011 EBIT was €116,120 thousand - a reduction of €20,945 thousand from 2010 (€137,065 thousand).

The EBIT margin was 9.6% as against 10.7% in 2010.

In detail:
- the *Signalling* Business Unit's operating profit for 2011 was €75,079 thousand, a reduction of €29,153 thousand from the 2010 figure of €104,232 thousand, due essentially to lower production volumes and a different product mix.
- the *Transportation Solutions* Business Unit's operating profit was €55,009 thousand, an increase of €8,715 thousand over the 2010 figure of €46,294 thousand, due to the different product mix and higher profitability in the projects executed in both years.

Net Invested Capital was €134,462 thousand as against €63,311 thousand for 2010.
The change of €71,151 thousand was due to an increase in non-current assets of €5,929 thousand and growth in Net Working Capital of €65,222 thousand. The change in working capital was due to an increase in work-in-progress inventories and debtors, which was not offset by any increase in suppliers and principals' down-payments. Debtors increased due to the continuation of certain credit positions with the Parent, ASTS, in respect of some large Italian projects for the realisation of mass transit systems.

The positive Net Financial Position (i.e. the excess of financial assets and cash over financial indebtedness) was €289,674 thousand as against €318,150 thousand in 2010, a reduction of €28,476 thousand following the distribution of dividends in the amount of €33,592 thousand, (€30,982 thousand in 2010).
It should be noted that the 31 December 2011 financial position (€289,674 thousand) included a €70,643 thousand advance payment received from the Russian client Zarubezhstroytechnology in respect of the project to realise signalling, automation, telecommunication, power supply, security and ticketing equipment for the Sirth-Benghazi line in Libya.

Link

"Ansaldo STS creates economic value and distributes it to its stakeholders, who have contributed to its production."
> Please see page 83 of the 2011 Sustainability Report for further information

"Ansaldo STS enters into reciprocally beneficial relationships with society through: relations with institutions, research projects conducted with domestic and EC public entities, trade associations, partnerships with universities, media relations and community relations. It takes part in charity campaigns and finances humanitarian, environmental and cultural initiatives."
> Please see page 149 of the 2011 Sustainability Report for further information

Income Statement (EUR thousand)

	31.12.2011	31.12.2010
Revenue	1,211,944	1,283,710
Raw materials and consumables used and personnel costs (*)	(1,075,627)	(1,136,762)
Amortisation and depreciation	(13,067)	(13,215)
Impairment	(343)	(6,430)
Other net operating income (expenses) (**)	(533)	9,770
Change in work in progress, semi-finished and finished goods	(3,915)	2,338
Adjusted EBIT	**118,459**	**139,411**
Restructuring costs	(2,339)	(2,346)
EBIT	**116,120**	**137,065**
Net finance income (costs)	(768)	(3,854)
Income taxes	(42,296)	(38,303)
Net Profit (Loss)	**73,056**	**94,908**
Equity holders of the Company	*72,956*	*94,592*
Minority interests	*100*	*316*
Earnings per share		
Basic and Diluted	*0.56*	*0.73*[1]

(1) Redetermined following the free share capital increase of 4 July 2011.

Notes for reconciling the reclassified Income Statement and the Income Statement:
(*) Includes "Raw materials and consumables used", "Purchase of services" and "Personnel costs" (less restructuring costs), less "Work performed by the company and capitalised".
(**) Includes the net amount of "Other operating income" and "Other operating expenses" (less restructuring costs).

Statement of Financial Position (EUR thousand)

	31.12.2011	31.12.2010
Non-current assets	270,047	263,747
Non-current liabilities	(46,554)	(46,183)
	223,493	**217,564**
Inventories	129,936	127,632
Contract work in progress	283,302	216,928
Trade receivables	680,069	624,808
Trade payables	(431,851)	(403,133)
Advances from customers	(706,735)	(657,150)
Working capital	**(45,279)**	**(90,915)**
Provisions for short-term risks and charges	(23,136)	(22,417)
Other net assets (liabilities) (*)	(20,616)	(40,921)
Net working capital	**(89,031)**	**(154,253)**
Net invested capital	**134,462**	**63,311**
Capital and reserves attributable to equity holders of the Company	423,014	380,411
Minority interests in equity	1,122	1,050
Shareholders' equity	**424,136**	**381,461**
Net financial debt (liquidity)	**(289,674)**	**(318,150)**

Notes for reconciling the reclassified Statement of Financial Position and the Statement of Financial Position:
(*) Includes "Tax receivables" and "Other current assets", less "Tax payables" and "Other current liabilities".

Financial Situation (EUR thousand)

	31.12.2011	31.12.2010
Short-term borrowings	14,535	3,089
Medium and long-term borrowings	269	1,115
Cash and cash equivalents	(160,928)	(153,320)
BANK DEBT	**(146,124)**	**(149,116)**
Financial receivables from related parties	(2,531)	(149,150)
Other financial receivables	(110,812)	(21,212)
Current financial assets at fair value	(30,756)	-
FINANCIAL RECEIVABLES	**(144,099)**	**(170,362)**
Borrowings from related parties	-	-
Other short-term borrowings	380	822
Other medium- and long-term borrowings	169	506
OTHER BORROWINGS	**549**	**1,328**
NET FINANCIAL DEBT (LIQUIDITY)	**(289,674)**	**(318,150)**

Statement of Cash Flow (EUR thousand)

	31.12.2011		31.12.2010	
Cash and cash equivalents - opening balance	**153,320**		**128,541**	
Gross cash flow from operating activities	127,299		164,994	
Changes in other operating assets and liabilities	(67,235)		(50,311)	
Fund from Operations		**60,064**		**114,683**
Change in working capital	(42, 657)		(41,717)	
Cash flow from (used in) operating activities	**17,407**		**72,966**	
Cash flow from ordinary investing activities	(10,188)		(6,983)	
Free Operating Cash Flow		**7,219**		**65,983**
Strategic investments	(6,302)		-	
Other changes in investing activities	(44)		-	
Cash flow from (used in) investing activities	**(16,534)**		**(6,983)**	
Dividends paid	(33,592)		(30,982)	
Cash flow from financing activities	38,955		(12,795)	
Cash flow from (used in) financing activities	**5,363**		**(43,777)**	
Translation differences	**1,372**		**2,573**	
Cash and cash equivalents - closing balance	**160,928**		**153,320**	

Risks and Uncertainties

The risks described below stem from the consideration of the features of the market and business of the Ansaldo STS Group, together with the main results of the update of the Risk Assessment of processes. The Risk Assessment aims at identifying the main risks, with respect to the processes identified as relevant, and the relevant mitigating actions, as well as defining the additional actions to be taken to further reduce the risk or improve process performance.

The Risk Assessment process adopted by Ansaldo STS makes reference to the internationally recognised framework of the "Enterprise Risk Management" of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO report) and purports to add the Risk Assessment to the processes for the planning and implementation of corporate goals, to create value based on appropriate risk management also by giving value to opportunities.

The main risks and uncertainties of Ansaldo STS and of the Group are presented below according to the classification adopted by the Group (strategic, operating, financial and disclosure risks). There may be risks that are unidentified or that have not been considered as being significantly material at the moment but which should however have an impact on the Group's business.

For the management of financial risks, reference should be made to the related explanatory notes.

Link

"Through its Internal Sustainability Committee, Ansaldo STS supplements its analysis of economic risk with that of social and environmental risks."

> Please see page 45 of the 2011 Sustainability Report for further information

Strategic risks

Competition in the market and efficiency programmes

The Ansaldo STS Group operates in a global market, which grows in the emerging countries and in the areas with a higher development rate and which increasingly tends to the standardization of products and technological solutions and to the globalization of markets (specifically in the signalling business sector). This entails an increase in trade competition and a tendency to price reduction, notwithstanding the growth in market volumes. The Group is therefore exposed to the risk of weakening its competitive ability, in the absence of an adequate standardisation of the solutions and the products offered and of a greater efficiency/optimisation in the use of resources during the performance of contracts and more generally in the operating management of the entire company. In response to this risk, it should be specified that the Group has adopted a new integrated organisation and operational structure in order to achieve a greater standardisation of solutions and products and, in general, to improve operational efficiency and efficacy. This change occurred since 1 January 2010 and ended up with the inclusion since 1 April 2011 in the new organization of the subsidiary in the USA.

The present market phase in a difficult economic trend requires increasingly determined actions to maintain margins and preserve the company value. In response to this risk, the Company started specific efficiency programmes in 2010 directed to reduce both external and internal costs, through the optimization of several operating processes.

Actions continued in the course of 2011 to implement the efficiency programmes together with the start-up of new initiatives.
The risk that these programmes may be carried out with results lower than expected or over a period of time longer than that fixed could adversely affect margins and company value. In response to this risk, the implementation of efficiency programmes is monitored through strict measures of Program Management.

These programmes also require an accurate process to plan in the medium/long-term the needs of internal and external resources; the lack of such a process may increase the risks connected with the effectiveness and prompt implementation of these programmes.

Changes in the macroeconomic scenario and efficiency objectives

The Ansaldo STS Group, as said above, operates in an international market and is therefore exposed to risks resulting from changes in the global macroeconomic scenario and in the reference markets. Various macroeconomic factors may have an impact on Group activities, such as growth rates in reference markets and public programmes of infrastructure investments.

The present economic recession period, the risk of a decline in the growth rate of the world economy and the programmes, either commenced or announced in several countries, for reducing public deficit might cause the annulment or postponement of contracts, delays in payments, less favourable financial conditions in new contracts, with a negative impact on Group performance.
In response to this risk, control structures have been created for the selection and assessment of commercial opportunities with a systematic and factual approach for the related definition of the contractual conditions in the scope of offer processes.
Specifically, the risk of delay in payments is emerging because of delays in government grants for the projects in progress both in Italy and in some foreign markets. These situations are being monitored constantly and supported by specific initiatives to mitigate the impact thereof. It should be pointed out that, the Group holds a positive financial position and generally has a solid capital and financial structure and a significant order portfolio (about four years of work) to tackle the present difficult economic trend.

Innovation as competitive factor

The businesses where the Group operates - transportation solutions and signalling - are marked by high levels of technological innovation representing an important competitive factor.
It is therefore paramount that the Ansaldo STS Group has the ability to support the present investment policy and to evaluate in a systematic and factual appropriate manner the return on investments in R&D directed to generate innovative solutions.
The Group may not assess in an appropriate manner the innovation needs, the contents of innovation and development projects, the benefits thereof and the resulting priorities, with the risk of not being in line with market needs, of a low economic return on the investment in innovation and on the project and the loss of commercial opportunities.
To mitigate these risks, there are corporate processes for the definition of the product portfolio and for the periodic verification of the technical competitiveness of products.
The characteristics and the already mentioned level of technological innovation pertaining to the products and the technical solutions of the Group determine a risk of obsolescence. Specific processes are being carried out to mitigate that risk effectively.

Link

"Ansaldo STS believes that innovation is an unvarying principle: to improve what is known and develop new solutions that increase transport systems' safety, energy efficiency and eco-compatibility."
> Please see pages 89 and 150 of the 2011 Sustainability Report for further information

Operating risks

Country risk with respect to new markets

The new market penetration policy, especially for higher developed markets, exposes the Group to these risks: the risk of political, social and economic instability, of an incorrect evaluation of local regulations (business, tax, signalling system validation regulations), the difficulty of protecting intellectual property, the fluctuation of exchange rates and the credit standing of the counterparties, with a negative impact on the Group's financial condition. The country risk is assessed during the process for the selection of offers and tenders to take part in. The opportunity to mitigate this risk and the definition of any related actions are taken into consideration when preparing the proposals.
Please refer to the relevant section of this report for the explanation of the status of the job-orders in Libya, suspended because of the riots occurred in the country and the delays recorded by the job-order in Greece exacerbated by the unfavourable economic trend of the country.

Public administration companies and contracts lasting several years

The Group's business mostly depend on public administration companies and, in particular in the transportation solution business, on significant contract lasting several years.

Any delays, changes, reviews or cancellation of one or more acquired relevant contracts lasting several years may adversely affect business and the economic and financial condition of the Group.

Moreover, the evaluation of the contracts lasting several years is based on the state-of-completion method and therefore uses estimates of the costs to be incurred for the completion of activities, of the project risks (technical, legal, tax and commercial) and of the state of completion of the activities.
These estimates are based on assumptions relating to the effects of future events which, given the type and complexity of the projects to be performed, might occur in forms different from those estimated, with a negative effect on the economic and financial performance of the project.
To mitigate these risks, the following should be noted:

- market diversification and monitoring of country and regulation risk;
- structured process of project review with the involvement of the senior management;
- the review and periodic updating of order estimates;
- adoption of Risk Management processes at the offer stage and during the project implementation, and adoption of Lifecycle Management processes based on the constant comparison of physical and accounting progress and phase review processes.

Budget processes and Risk Management project planning

The project team may not be able to perform the project within budget and time constraints, in particular for projects in new markets and complex projects, due to non-efficient project controlling processes; risk management might not be efficient if it is based on incomplete or incorrect information or if it is not adequately defined and monitored.
This risk might cause delays in the identification of the problems for project performance and inaccurate reporting and planning, with a negative impact on the Group's financial condition.
To mitigate this risk, processes have been defined and monitored for controlling the physical and accounting and risk management progress, the clear-cut responsibilities of the Project Manager and the Order Controller, managerial reviews of project performance, processes for the review of estimates of offers and the independent review of the Risk Management function.
Specific initiatives are being carried out in order to structure the Group controlling processes.

Third parties (sub-contractors, sub-suppliers and partners)

In both the business in which the Group operates sub-contractors are widely used to supply sub-systems or assembling and installation services and sub-suppliers of goods or services. The Group's ability to meet its obligations to the customers is then subject to the good performance of the contractual obligations on part of both sub-contractors and sub-suppliers. Their non-performance may cause Ansaldo STS non-performance, with negative impacts on reputation and, unless compensation is possibly sought through remedy actions against sub-contractors and sub-suppliers, on the Group's financial condition.

The Group also completes some orders in partnership with other operators, especially in the transportation solution business. In these forms of partnership, generally each partner is jointly liable to the customer for the construction of the entire work. In case of breach or of damage caused to the customer by one associated operator, Ansaldo STS may have to replace the breaching or damaging party and to fully repay the damage caused to the customer, without prejudice to the right of recourse against the defaulting partner. Any inefficiency or continuation of actions of recourse against the defaulting partners liable for any damages might adversely affect the Group's business and financial condition.

Moreover, as part of the Group's internationalisation strategy, the preliminary assessment and the related selection of partners, sub-contractors and sub-suppliers in new markets might be inadequate, with negative impacts on orders, reputation, financial condition and efficacy of partnership governance (such as difference of partners' opinions, misalignments of risks and costs/benefits for partners individually).
To mitigate this risk, there are processes for selecting and qualifying sub-contractors and sub-suppliers, collaboration with known partners of proven standing, the definition, execution and management of adequate contractual and grouping clauses, risk management processes and the demand, where applicable, of specific guarantees.
In selecting sub-contractors and partners in new markets, these processes are followed through specific scouting activities.
Further actions are being carried out to make more efficient the evaluation of sub-contractors and partners during the offer.

"Ansaldo STS believes that managing the entire supply chain is a critical success factor: it therefore adopts qualification criteria that include respect for the environment, health and safety, and constant monitoring."
> Please see page 142 of the 2011 Sustainability Report for further information

Adequacy and efficiency in developments and technical references

Development projects may not be carried out within budget and time constraints and requirements may not be understood and identified clearly, with a negative impact on margins, delivery times and customer satisfaction. Under certain circumstances, the Group could not be able to have adequate market and operation references for some products, with the risk of losing commercial opportunities or incur in non-compliance in performing the project, with negative effects on the Group competiveness and financial position.

The planning and control of the development activities have been defined in order to ensure that priorities are evaluated properly and time and costs are controlled. The risk of not having adequate references for some new products is carefully assessed during the offer and managed with recovery plans during the construction phase.

Customer or third party liability for defects in the products sold or delays in delivery

The technological complexity and the close times for the delivery of Group products and systems might expose the Group to liability for delayed or lack of supply of products or services in the contract, for their non-compliance with customer requests (for example due to defects in the designing and construction), to defaults and/or delays in marketing, after-sale services and product maintenance and review.
Moreover, many products and systems supplied by the Group are subject to certifications or validations, also released by third parties.
These liabilities may depend on causes that are directly attributable to the Group or third parties, such as sub-suppliers or sub-contractors. In the event that these risks may occur, there could be negative effects on the business and the economic and financial condition and reputation of the Group.
These negative effects may include the incurring of costs for repairing faulty products or in extreme cases the withdrawal of the products from the market.
With regard to these effects, even in the case where specific insurance coverage is applicable, the limit of liability might be exceeded or, when claim occurs, insurance premiums might be increased, with a negative impact on the Group's financial condition.
To mitigate these risks, the Group takes out specific insurance coverage, carefully oversees the engineering, validation and monitoring of returns and, in concert with the Risk Management process, identifies mitigation actions for each project and includes appropriate contingencies in the order estimate.

Legal disputes

The complexity of the relations with third parties (customers, sub-contractors/sub-suppliers and partners), of the content of the systems and products made, and the risks inherent in the business expose the Group to a significant risk of legal disputes. The legal dispute may also concern the tender awards.
The definition of disputes might be complex and be completed in the long-term, causing delays in the implementation of projects with negative effects on the business and the economic and financial condition of the Group.

To mitigate this risk, there risk management processes during the offer and during the management phase, contractual clauses are carefully checked with the support of the legal function and a prudential approach is taken when recognising specific items as a cost of orders and a provision for risks.

Human resources management

The Group provides products and systems with high technological content.
To build them, it is necessary to use human resources with specific preparation that is hard to gather from the market.

The success of the business development plans, in particular in new markets, also depends on the ability to attract, retain and develop the expertise of human resources, especially in order to operate in an international scenario.
To mitigate this risk, human resources management policies are defined that are strictly related with the business needs, in particular at the present stage of business integrated management and expansion in new markets.
An integrated system of management and development of human resources was defined and implemented in the course of 2011. In this context, periodic controls have been made on skills and performances and steps have been taken for the development of skills and the best allocation of resources.

A few existing critical points refer to the adequacy of some organizational roles of the working groups, redefined in the scope of the recent organizational change, that may compromise the achievement of some benefits resulting from the change of corporate processes. Specific initiatives have been taken to strengthen these roles.

Link

"Ansaldo STS seeks to continually improve its training programmes as the basic means of growing its human resources and increasing their skills."

> Please see page 112 of the 2011 Sustainability Report for further information

Development, safety and environment compliance

The Group is subject to health, safety and environment regulations in the various countries in which it operates.

The non-compliance with these rules as a result of operating processes that are not adequately monitored or, in particular in new markets, of a non-adequate evaluation of these compliance requirements might expose the Group to risks with significant impacts on the business, the economic and financial condition and the reputation of the Group.

To mitigate this risk, the Group adopts health, safety and environment management systems aiming at ensuring the stringent compliance with rules in accordance with best practices and subject to internal and external monitoring. These management systems are certified - in compliance with the OHSAS 18001 standard on work safety and the ISO14001 standard on environment - in some of the main companies of the Group. A programme is being implemented to extend these certifications to the main Group companies.

The requirements of new markets are evaluated during the offer and support is guaranteed also through external consultants. Common policies and procedures have been defined in order to guarantee consistent conducts across the various companies of the group, also taking account of the specific local requirements.

Link

"Carbon Disclosure Project: with 79 points out of 100, Ansaldo STS was among the top 10 companies in Italy for its commitment to protecting the environment and reducing climate change."

> Please see page 160 of the 2011 Sustainability Report for further information

"Ansaldo STS works constantly to provide and maintain a healthy and safe workplace, and prevent accidents, illness or health problems in its staff, suppliers, clients and visitors."

> Please see page 179 of the 2011 Sustainability Report for further information

Financial risks

Ability to finance a high level of current assets and to obtain guarantee

To perform contracts the Group requires:

- the financing of an adequate level of current assets;
- the issue of bank and/or insurance guarantees in favour of the customer during the various stages of the projects (bid bond, advance payment bond, performance bond, retention money bond, warranty bond) and/or guarantees issued by the Parent Company (parent company guarantee).

Current assets are normally financed using the sums paid by the customer as advance and payment related with the state of progress of works.

The ability to obtain guarantees in cheap conditions depends on the economic and financial assessment of the Group. This is generally linked to various assessment indices including the analysis of the balance sheet, the income statement and the cash flow statement of the Group, the analysis of the risk of the order, the expertise and competitive positioning in the business. Ansaldo STS believes it can comply with the relevant assessment indices. At 31 December 2011 the Group's exposure for guarantees stood at EUR 2,857,361 thousand (EUR 2,314,756 thousand at 31 December 2010).

In the case of difficulties in negotiating adequate financial conditions, delays and/or interruptions in payments and the worsening of the terms of payment agreed, or if the ability of the company to obtain guarantees should cease to obtain or be reduced in cheap conditions, the Group's business and economic and financial condition would be adversely affected.

To mitigate these risks, there are order commercial and management policies dealing with financial aspects, treasury centralised management allowing the optimisation of the financial flows of the various companies of the Group, the economic and financial standing of the Group and the monitoring of the indices assessing the order. These policies are applied from the offer stage.

In the current economic and market phase, the working capital is increasing (though always negative) and the cash flow is decreasing. This was caused by the suspension of the job-order in Libya because of delays in the collections and a corresponding increase in overdue, determined by the delays in government grants for projects in progress both in Italy and in some foreign markets. These situations are being monitored constantly and supported by specific initiatives to mitigate the impact thereof.

Project Financing transactions and PPP (public and private partnership)

The market is increasingly outsourcing the definition and management of a financing scheme to the transport system providers, by means of Project Financing transactions, also with the involvement of private lenders.

These transactions have various risk profiles, such as the inaccurate preparation and review of the tender documentation and the inappropriate evaluation of partners, which might lead the Group to take improper risks. Non-performance during construction, in particular regarding construction times, and during the operation and maintenance stage might trigger the enforcement of escape clauses and the non-remuneration or the loss of the capital invested. Moreover, the market wants the supplier to be more involved in the management of the plant, with a consequent increase in the risk profile of the operation. These risks might adversely affect the Group's financial condition.

To mitigate this risk, there are the offering process, where all the company functions concerned are involved for an accurate evaluation of the operation, and the above said risk assessment processes upon the offer, which can be also applied to potential partners.

Disclosure risks

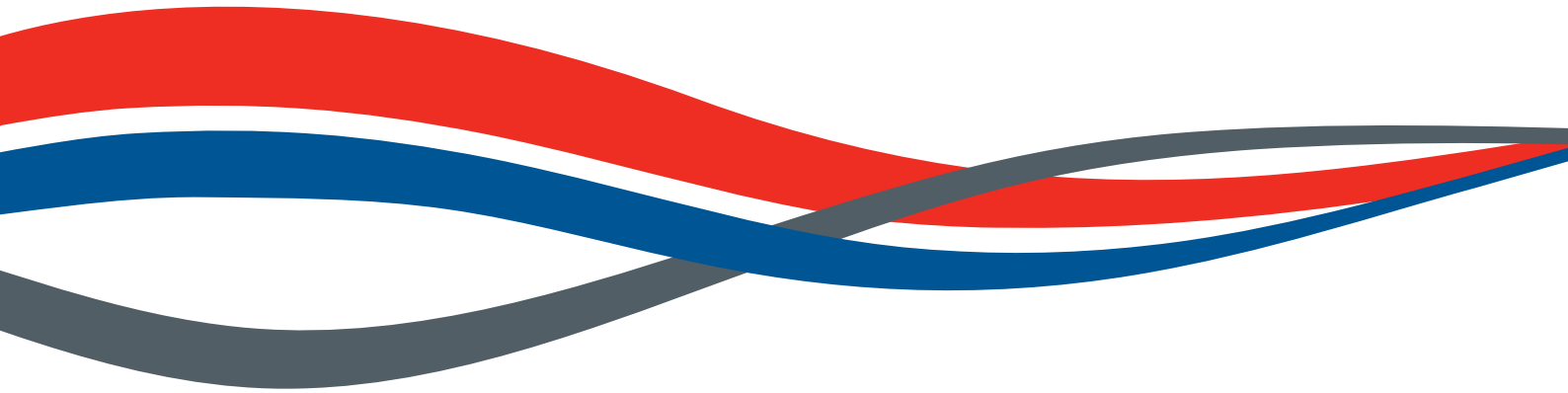
Management of information systems

Information systems represent an essential component of the company operating structure and are required to be managed in line with the Group's strategic objectives. IT solutions that do not meet the business needs, or upgrades of these IT solutions not in line with the users' needs, as well as a non-efficient system management might impair the efficient performance of the Group's business.

Moreover, the non-availability or interruption of IT services, the loss or damage of data, also due to external attacks, might adversely affect the Group's business.

To mitigate this risk, IT policies are defined in correlation with organizational and process change initiatives and the group has a governance system that is based on best practices and follows structured and monitored processes for the management of the infrastructure and the applications.

AnsaldoSTS
A Finmeccanica Company



CONSOLIDATED ANNUAL REPORT AT 31 DECEMBER 2010

2 Economic performance and Group financial situation

2.1 Introduction

At 31 December 2010 the Ansaldo STS Group posted net profit EUR 94,908 thousand compared with EUR 87,800 thousand for the same period last year. Revenues at 31 December 2010 were EUR 1,283,710 thousand compared with EUR 1,175,640 thousand at 31 December 2009. The Group operating revenues stood at 10.7%, as in 2009.

Orders at 31 December 2010 amounted to EUR 1,985,012 thousand from EUR 1,786,071 thousand at 31 December 2009, up EUR 198,941 thousand.
It is thus noted that:

- Acquisitions of EUR 1,142,756 thousand are recorded for the Transportation Solutions Business Unit, mainly related to the award of the tender for the construction of the new "Ring" Copenhagen Metro (EUR 344,400 thousand), the contract for operation and maintenance (EUR 232,400 thousand) and the acquisition of the contract for the operation and maintenance of the existing lines of Copenhagen (EUR 221,500 thousand).
- Acquisitions of EUR 890,205 thousand are recorded for the Signalling Business Unit, mainly related to the contract for the Libyan Sirth-Bengazi railway line (EUR 201,800 thousand), to contracts acquired in Italy for EUR 199,500 thousand and to the contracts acquired in the US, Brazil, China and Australia for the remaining amount.

The value of backlog at 31 December 2010, equal to EUR 4,551,127 thousand, reflects the performance of acquisitions and rose by 21% from that for the end of 2009, which amounted to EUR 3,759,671 thousand.

The data outlined above are evidence of a fiscal year that can be considered satisfactory overall from the standpoint of the company's growth, profitability, and capital and financial solidity.
The actions undertaken and results achieved during the year paved the way for the continuation of a positive trend for the Group also for the near future.
More specifically, as regards the Transportation Solutions Business Unit, due to the exceptionally large orders acquired in the previous years, together with an excellent level of acquisitions for the period at issue, the backlog exceeded the already significant amount of the end of 2009 standing at EUR 2,721,540 thousand. This paves the way for significant development of this business over the next three years. As far as the Signalling Business Unit is concerned, the year 2010 was marked by a sizeable geographic expansion of the potential market, which has already yielded important results in terms of the acquisition of new orders in particularly important business segments and countries. The backlog of the Signalling Business Unit at 31 December 2010 stood at EUR 2,090,584 thousand (EUR 1,980,191 thousand at 31 December 2009).
The solid knowledge already acquired (ERTMS and ATC driverless) and the expertise being consolidated (CBTC) in the strategic technologies of the sector, the peculiar geographic distribution of the Group business at global level, and the additional efforts of commercial penetration in the new areas characterised by high growth rates (Central and Eastern Europe, and Middle and Far East) confirm the Group's favourable competitive positioning and make it possible to look to the future with reasonable serenity, unless the political or macroeconomic scenario is upset by events that cannot be determined with certainty at the moment.

The last strategic plan prepared by the company and made known to the financial community in December 2010 is based on the assumption that orders and revenues will further develop during the next three years. This is credible, first of all because estimates for the reference market are growth estimates (made by the most credited analysts at an annual average rate of 4.5%), and secondly because the organisation has a factual possibility of increasing its market share, due to its particular business model and competitive, technological and presence advantages on the above said international markets.
With these positive prospects, some possible threats are also to be considered. First of all, competition is rising, due to market globalisation and product standardisation. To address the effects of the resulting contraction of selling prices, the company launched a programme for the reduction of both external and internal costs, in order to protect unit margins for the coming years.
Potentially more serious, because it is difficult to control, is the threat of the deterioration of the political and macroeconomic scenario, especially in the emerging markets, whose penetration has been recently the focus of the most significant efforts of the company, such as in the Middle East, in particular in Libya.
The development of destabilisation events occurring as we are preparing these financial statements and the consequences on the business prospects of Ansaldo STS are difficult to estimate, at least at present.

As regards the company structure and Group governance, the following should be noted:

- During December 2009 a new company was incorporated in Brazil under the name "Ansaldo STS Sistemas de Transporte e Sinalização Ltda.", whose share capital was subscribed during 2010. The company was consolidated using the equity method.
- The Chinese subsidiary "Ansaldo Railway System Technical Service (Beijing) Ltd." changed its company name into "Ansaldo System Trading (Beijing) Ltd.".
- Starting December 2010 Kazakhstan TZ-Ansaldo STS LLP (a joint venture subject to common control, as envisaged in the shareholders' agreement) incorporated with JSC Remlokomotiv, was consolidated using the proportionate method. The ownership percentage was 49%.
- During the year, Ansaldo STS through its subsidiary Ansaldo STS Australia acquired from Corridor Infrastructure Development Holdings (Pty) Ltd 49.3% of the shares held by the latter in Ansaldo STS-Infradev South Africa (Pty) Ltd., therefore holding 100% of the shares in the South African company. On 21 June 2010 the company changed its company name into "Ansaldo STS South Africa (Pty) Ltd".

From the organisational point of view, the year 2010 was marked by the full implementation of the Fast Forward Driven by Business (FFDB) project, determined in 2008 and detailed throughout 2009, a project that transformed Ansaldo STS S.p.A. from the original financial and strategic holding company into an operating company, which encompasses all the business responsibilities. This process commenced in 2009 with the merger of the former Italian subsidiaries Ansaldo Segnalamento Ferroviario S.p.A. and Ansaldo Trasporti Sistemi Ferroviari S.p.A., and in 2010 was extended to all the Group world transactions, previously managed by the foreign affiliates with broad levels of independence. Under the new organisation structure, Ansaldo STS S.p.A. hinges on the two divisions in charge of the Signalling and the Transportation Solutions Business Units, the Standard Platforms and Products Business Unit and all the staff functions. As a result, all the decision-making and operating processes have been concentrated in Ansaldo STS S.p.A. globally. The role of the foreign affiliates is to ensure compliance with local rules and assist in the implementation of the global strategy. The main objective is to ensure the maximum Group efficiency and efficacy in a competitive scenario marked by increasingly evident globalisation events.

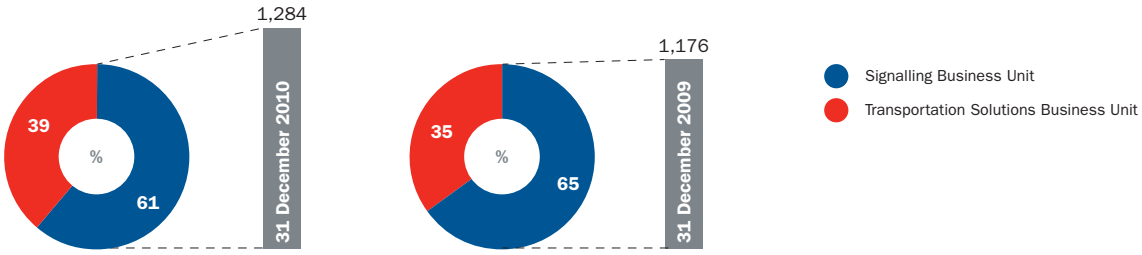
Group key figures (EUR thousand)	**31.12.2010**	31.12.2009	Change
Orders	**1,985,012**	1,786,071	198,941
Order backlog	**4,551,127**	3,759,671	791,456
Production Revenues	**1,283,710**	1,175,640	108,070
Ebit	**137,065**	125,052	12,013
Adjusted EBIT	**139,411**	126,547	12,864
Net profit	**94,908**	87,800	7,108
Net working capital	**(154,253)**	(187,118)	32,865
Net invested capital	**63,311**	22,675	40,636
Net financial position (liquidity)	**(318,150)**	(278,861)	(39,289)
Free Operating Cash Flow	**65,983**	114,428	(48,445)
R.O.S.	**10.7%**	10.6%	0.1 p.p.
R.O.E.	**27.8%**	32.5%	-4.7 p.p.
E.V.A.	**94,162**	84,553	9,609
Research and Development	**34,827**	31,178	3,649
Workforce (no.)	**4,217**	4,339	(122)

The year 2010 ended with net consolidated profit of EUR 94,908 thousand, as compared with EUR 87,800 thousand the prior year. The increase of EUR 7,108 thousand stems from the rise in EBIT of EUR 12,013 thousand, the increase in net financial charges of EUR 3,595 thousand and greater taxes of EUR 1,310 thousand.
In line with objectives, production revenues rose by 9.2% from EUR 1,175,640 thousand in 2009 to EUR 1,283,710 thousand in 2010, with an increase, in absolute value, of EUR 108,070 thousand.

For the Signalling Business Unit, production revenues rose by EUR 36,853 thousand from EUR 804,978 thousand in 2009 to EUR 841,831 thousand in 2010.

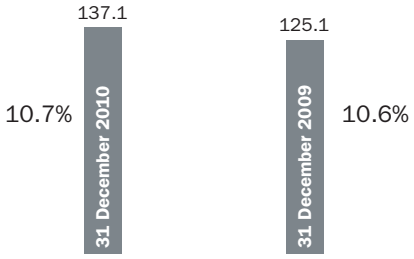
For the Transportation Solutions Business Unit, production revenues rose by EUR 87,318 thousand from EUR 417,130 thousand in 2009 to EUR 504,448 thousand in 2010.
A greater number of items than in 2009 were eliminated between the two Business Units by EUR 16,101 thousand (reference should be made to section 14 for more details).

Production Revenues by Business Unit at 31 December 2010 – 2009 (EUR thousand)



EBIT amounted to EUR 137,065 thousand from EUR 125,052 thousand from the previous year. The profit margin was 10.7% from 10.6% in 2009.
In particular:
- Signalling ended 2010 with operating profit of EUR 104,232 thousand, compared with EUR 98,992 thousand for the prior year, an increase of EUR 5,240 thousand;
- The Transportation Solutions Business Unit at 31 December 2010 posted operating profit of EUR 46,294 thousand compared with EUR 43,111 thousand of the prior year, an increase of EUR 3,183 thousand.

EBIT and ROS at 31 December 2010 – 2009 (EUR thousand)



In order to provide additional information on the Group's operating results, financial condition and cash flow, the restated income statement, balance sheet, net financial debt, and statement of cash flows are provided below.

Income Statement (EUR thousand)	**31.12.2010**	31.12.2009
Revenue (*)	1,283,710	1,175,640
Production Revenues	**1,283,710**	**1,175,640**
Raw materials and consumables used and personnel costs (**)	(1,136,762)	(1,041,400)
Amortisation and depreciation	(13,215)	(11,825)
Impairment	(6,430)	(1,819)
Other net operating income (expenses) (***)	9,770	5,701
Change in inventories of work in progress, semi-finished and finished goods	2,338	250
Adjusted EBIT	139,411	126,547
Restructuring costs	(2,346)	(1,495)
EBIT	**137,065**	**125,052**
Net finance income (costs)	(3,854)	(259)
Income taxes	(38,303)	(36,993)
Net Profit (Loss)	**94,908**	**87,800**
Equity holders of the Company	*94,592*	*87,756*
Minority interests	*316*	*44*
Earnings per share		
Basic and Diluted	*0.79*	*0.73*[1]

1. Redetermined following the free share capital increase of 5 July 2010.

Notes for reconciling the reclassified Income Statement and the Income Statement:
(*) Includes "Revenue" and "Revenue from related parties".
(**) Includes "Costs from related parties", "Raw materials and consumables used", "Purchase of services" and "Personnel costs", less "Work performed by the Group and capitalised".
(***) Includes the net amount of "Other operating income", "Other operating income from related parties", "Other operating expenses" and "Other operating expenses from related parties".

Balance Sheet (EUR thousand)	31.12.2010	31.12.2009
Non-current assets	263,747	252,010
Non-current liabilities	(46,183)	(42,217)
	217,564	**209,793**
Inventories	127,632	99,178
Contract work in progress	216,928	151,146
Trade receivables	624,808	526,500
Trade payables	(403,133)	(248,168)
Advances from customers	(657,150)	(651,950)
Working capital	**(90,915)**	**(123,294)**
Provisions for short-term risks and charges	(22,417)	(27,726)
Other net assets (liabilities) (*)	(40,921)	(36,098)
Net working capital	**(154,253)**	**(187,118)**
Net invested capital	**63,311**	**22,675**
Capital and reserves attributable to equity holders of the Company	380,411	300,897
Minority interests in equity	1,050	639
Shareholders' equity	**381,461**	**301,536**
Net financial debt (liquidity)	**(318,150)**	**(278,861)**

Notes for reconciling the reclassified Balance Sheet and the Balance Sheet:
(*) Includes "Income tax receivables", other current receivables from related parties (carried under "Current receivables from related parties") and "Other current assets", less "Income tax payables", other current payables from related parties (carried under "Current payables to related parties"), "Other current liabilities", except for financial receivables from related parties (carried under "Current receivables from related parties").

Net invested capital amounted to EUR 63,311 thousand compared with EUR 22,675 thousand in the previous year. The change of EUR 40,636 thousand is due to the increase in non-current items of EUR 7,771 thousand and in net working capital of EUR 32,865 thousand. The change in net working capital is due to the increase in inventories of work in progress and trade receivables and the rise in trade payables.
The net financial position (mainly financial receivables and cash and cash equivalents on borrowings) was EUR 318,150 thousand as compared with EUR 278,861 thousand in 2009, an increase of EUR 39,289 thousand after the payment of dividends of EUR 30,982 thousand (EUR 26,971 thousand in 2009). The financial position at 31 December 2010 (EUR 318,510 thousand) includes EUR 70,643 thousand for the advance payment collected by the Russian customer Zarubezhstroytechnology for the project, recently signed, for the construction of signalling, automation, telecommunications, power supply, security and ticketing systems on the line linking Sirth to Benghazi in Libya.

2.2 Financial Situation

(EUR thousand)	31.12.2010	31.12.2009
Short-term borrowings	3,089	12,187
Medium and long-term borrowings	1,115	2,881
Cash and cash equivalents	(153,320)	(128,541)
BANK DEBT (LIQUIDITY)	**(149,116)**	**(113,473)**
Financial receivables from related parties	(149,150)	(152,792)
Other financial receivables	(21,212)	(14,100)
FINANCIAL RECEIVABLES	**(170,362)**	**(166,892)**
Borrowings from related parties	-	-
Other short-term borrowings	822	353
Other medium- and long-term borrowings	506	1,151
OTHER BORROWINGS	**1,328**	**1,504**
NET FINANCIAL DEBT (LIQUIDITY)	**(318,150)**	**(278,861)**

Cash and cash equivalents at 31 December 2010 came to EUR 153,320 thousand.

Cash Flow Statement at 31 December 2010 was broken down as follows:

Statement of Cash Flows (EUR thousand)	31.12.2010	31.12.2009
Cash and cash equivalents - opening balance	**128,541**	**71,536**
Gross cash flow from operating activities	164,994	145,798
Changes in other operating assets and liabilities	(50,311)	(35,044)
Funds From Operations	**114,683**	**110,754**
Change in working capital	(41,717)	12,203
Cash flow from (used in) operating activities	**72,966**	**122,957**
Cash flow from ordinary investing activities	(6,983)	(8,529)
Free Operating Cash Flow	**65,983**	**114,428**
Strategic investments	-	(3,210)
Other changes in investing activities	-	-
Cash flow from (used in) investing activities	**(6,983)**	**(11,739)**
Dividends paid	(30,982)	(26,971)
Cash flow from financing activities	(12,795)	(26,894)
Cash flow from (used in) financing activities	**(43,777)**	**(53,865)**
Translation differences	**2,573**	**(348)**
Cash and cash equivalents - closing balance	**153,320**	**128,541**

The year 2010 ended with net increase of EUR 24,779 thousand in cash and cash equivalents over the same period of the prior year.

The following are the main changes in the Statement of Cash Flows:
- cash flow from operations of EUR 72,966 thousand, a decrease on the same period the preceding year by EUR 49,991 thousand, mainly due to the change in working capital, which is affected by the rise in trade receivables (EUR 98,308 thousand), work in progress (EUR 65,782 thousand) and inventories (EUR 28,454 thousand) partly offset nu the increase in trade payables (EUR 154,965 thousand);
- cash flow used in investing activities was EUR 6,983 thousand, down EUR 4,756 thousand from the same period of the prior year (EUR 11,739 thousand at 31 December 2009);
- cash flow used in financing activities was EUR 43,777 thousand as compared with EUR 53,865 thousand generated at 31 December 2009; the change is mainly due to the decrease in Group receivables in the December 2010 - December 2009 period as compared with the decrease in the December 2009 – December 2008 period. The decrease was also due to greater dividends paid: EUR 30,982 thousand in 2010, EUR 26,971 thousand in 2009.

The Free Operating Cash Flow (FOCF) before strategic investments for the period at issue amounted to EUR 65,983 thousand from EUR 114,428 thousand at 31 December 2009; the change amounted to EUR 48,445 thousand, as analysed above.

2.3 Alternative non-GAAP performance indicators

The management of Ansaldo STS (hereinafter also ASTS) assesses the Group's earnings and financial performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs.
As required by Communication CESR/05-178 b, below is a description of the components of each of these indicators:
- ***EBIT:*** the aggregate signifies earnings before taxes and finance income and costs, with no adjustments. Ebit also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as "finance income (costs)" or, for the results of equity investments accounted for with the equity method, under "share of profit (loss) of equity accounted investments".
- ***Adjusted (Adj) EBIT:*** It is arrived at by eliminating from EBIT (as defined above) the following items:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - restructuring costs that are a part of significant, defined plans;
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

The reconciliation between EBIT and Adjusted EBITA for the periods compared is presented hereunder:

(EUR thousand)	**2010**	2009
Earnings before income taxes, net finance income and costs and share of results of equity accounted investments (EBIT)	137,065	125,052
Impairment of goodwill	-	-
Amortisation of intangible assets acquired through a business combination	-	-
Restructuring costs	2,346	1,495
Total exceptional costs (income)	-	-
Adjusted EBIT	**139,411**	**126,547**

- ***Free Operating Cash-Flow (FOCF):*** This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, tangible assets, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown in section 2.2.
- ***Funds From Operations (FFO):*** This is cash flow generated by (used in) operating activities, net of changes in working capital. The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in section 2.2.
- ***Economic Value Added (EVA):*** This is calculated as EBIT net of taxes and the cost of the average value of invested capital for the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.
- ***Operating Working Capital:*** includes trade receivables and payables, work in progress, advances from customers and provisions for risks and charges.
- ***Net Working Capital:*** this is represented by operating working capital less other current assets and liabilities.
- ***Net Invested Capital:*** this is the algebraic sum of non-current assets, non-current liabilities and Net Working Capital.
- ***Net financial debt (liquidity) or Net financial position:*** the template for calculation is consistent with the one in section 127 of the CESR/05-054b recommendations implementing EC Regulation 809/2004.
- ***Orders:*** This is the sum of the contracts executed with contractors during the year which have the contractual characteristics for being booked to the order book.
- ***Order backlog:*** This is the difference between the orders acquired and production revenues for the period of reference, net of the change in contract work in progress. This difference is added to the portfolio of the prior period.
- ***Workforce:*** This is the number of employees reported on the last day of the period concerned.
- ***Return on Sales (ROS):*** This is the ratio between EBIT and revenues.
- ***Return on Equity (ROE):*** this is calculated as the ratio between the net profit and the average value of shareholders' equity for the two periods concerned.
- ***Research and Development costs:*** this is the sum of costs sustained for R&D expensed and sold. The costs for research expenses are normally referable to the so-called "basic technology", i.e. rights to the attainment of new scientific knowledge and/or techniques applicable to different new products and/or services. The costs of research sold are those commissioned by the customer against which a specific sale order exists and which have accounting and operational treatment identical to ordinary supply (sale contract, profitability, invoicing, advances, etc.).

2.4 Transactions with related parties

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables. These transactions mainly relate to the exchange of goods, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortia, and unconsolidated subsidiaries. There are no transactions qualifying as atypical and/or unusual[1].

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

Below are the amounts of transactions with related parties (a breakdown is shown in Notes 15 and 16) at 31 December 2010 and 2009.

31.12.2010 (EUR thousand)	**Parent company**	**Unconsolidated subsidiaries**	**Associates**	**Joint Ventures (*)**	**Consortiums (**)**	**Other Group**	**Total**
Non-current receivables							
- financial	-	-	-	-	-	-	**-**
- other	-	-	1,006	-	-	-	**1,006**
Current receivables							
- financial	635	-	-	-	-	148,515	**149,150**
- trade	27	5,700	29,129	-	39,964	10,187	**85,007**
- other	145	-	-	-	1,365	54	**1,564**
Non-current payables							
- financial	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	-	**-**
Current payables							
- financial	-	-	-	-	-	-	**-**
- trade	468	6,003	2,822	5,454	1,092	38,280	**54,119**
- other	-	3	-	-	24	-	**27**
Guarantees	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31.12.2010 (EUR thousand)	**Parent company**	**Unconsolidated subsidiaries**	**Associates**	**Joint Ventures (*)**	**Consortiums (**)**	**Other Group**	**Total**
Revenues	-	5,599	30,139	2,854	36,139	14,481	**89,212**
Other operating revenues	-	3	7	-	-	41	**51**
Costs	2,565	9,904	48,575	10	2,840	54,182	**118,076**
Finance income	1	-	-	-	-	718	**719**
Finance costs	124	-	-	727	-	-	**851**
Other operating costs	-	-	-	-	-	59	**59**

(*): amounts refer to the portion not eliminated for proportionate consolidation
(**): consortiums over which the Group exercises considerable influence or which are subject to joint control.

31.12.2009 (EUR thousand)	Parent company	Unconsolidated subsidiaries	Associates	Joint Ventures (*)	Consortiums (**)	Other Group	Total
Non-current receivables							
- financial	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	-	**-**
Current receivables							
- financial	1,282	-	-	-	-	151,510	**152,792**
- trade	-	3,892	34,188	783	84,634	7,157	**130,654**
- other	336	-	-	-	1,364	54	**1,754**
Non-current payables							
- financial	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	-	**-**
Current payables							
- financial	-	-	-	-	-	-	**-**
- trade	324	2,651	1,983	1,687	1,537	12,342	**20,524**
- other	-	3	-	-	24	414	**441**
Guarantees	**216,284**	**-**	**-**	**-**	**-**	**-**	**216,284**

31.12.2009 (EUR thousand)	Parent company	Subsidiaries	Associates	Joint Ventures (*)	Consortiums (**)	Other Group	Total
Revenues	-	10,140	26,734	2,668	85,376	12,028	**136,946**
Other operating revenues	-	-	24	-	-	69	**93**
Costs	2,342	10,756	49,035	(368)	4,441	21,916	**88,122**
Finance income	1	-	-	-	-	1,937	**1,938**
Finance costs	178	-	-	(237)	-	-	**(59)**
Other operating costs	-	-	-	-	-	17	**17**

(*): amounts refer to the portion not eliminated for proportionate consolidation
(**): consortiums over which the Group exercises considerable influence or which are subject to joint control

Within the Group rules of corporate governance, specific conduct guidelines were identified to ensure that transactions with related parties are carried out in compliance with methods of procedural and substantial fairness.
All the transactions made with the Parent Company and the related parties were at arm's length.

CODE OF ETHICS

AnsaldoSTS
A Finmeccanica Company

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Introduction

The Ansaldo STS Group requires the members of its governance and control bodies, its executives, employees, including those of directly or indirectly owned group companies, and all those who entertain contractual relationships that permit Ansaldo STS to require compliance (the "Recipients") to act with integrity and with respect for the laws and regulations in their respective jurisdictions.

Ansaldo STS adopts and disseminates this Code of Ethics, requiring all Recipients to comply.

The Code of Ethics is a fundamental component of the internal control system, the compliance of which allows Ansaldo STS and companies of the Group to prevent the commission of certain acts or offences proscribed by the laws and regulations of the various jurisdictions in which the Ansaldo STS Group operates.

Ansaldo STS is a multinational industrial group, is listed on the Italian stock exchange, and operating world-wide in a leadership position in the railway and underground transportation sector, to provide innovative solutions whichoffer the best possible combination of safety, efficiency and return on investments.

The Ansaldo STS Group bases its activity on ethical values, compliance with which is critical to the achievement of corporate goals and success in the market and influences the relationships with any parties with an interest in Ansaldo STS (the so called "stakeholders").

This Code of Ethics, therefore, shall be observed by the members of the governance and control bodies, executives, employees, the corporate representatives of directly or indirectly controlled companies, as well as by workers with which Ansaldo STS maintains contractual relationships of any kind, including occasional and/or temporary ones, and by those with whom the Ansaldo STS Group entertains contractual relationships that permit Ansaldo STS to require compliance.

These "Recipients" of the Code of Ethics, in pursuit of their objectives, are expected to act with integrity and with respect for applicable laws and regulations. They take responsibility for any violation of the Code of Ethics, both towards Ansaldo STS and outside, even if such violation does not result in any third party liability for Ansaldo STS.

The Recipients are required to know and are expected to observe the Code of Ethics in the interest of transparency and reputation of the Group. Recipients are also required to enforce these ethical principles within the scope of their responsibilities and functions. Ansaldo STS, through its directors, executives and employees, undertakes to adopt and update the Code of Ethics and to make it known to all those with whom it has business relationships.

The Code of Ethics is a fundamental component of the internal control system. It therefore affirms the principles and rules of conduct, respect for which allows Ansaldo STS and companies of the Group to prevent the commission of certain acts or offences by corporate representatives proscribed by the laws and regulations of the various jurisdictions in which the Ansaldo STS Group operates. As an example, in Italy reference is made to the set of rules of Legislative Decree 231/2001 and to the Organizational, Management and Control Model adopted by the holding company Ansaldo STS S.p.A.

Ansaldo STS promotes the dissemination of the Code of Ethics among the Group's companies. All Ansaldo STS Group companies shall adopt the Code of Ethics after adaptation in accordance with prevailing laws and regulations.

The “CORE VALUES” of Ansaldo STS

Ansaldo STS bases its activity on the following values shared by all those who work within the global organization:

- Customer focus
- Innovation and excellence
- People
- Team spirit
- Integrity

Ansaldo STS bases its corporate operation on a solid ethical foundation consisting of fundamental values and principles.

All persons within the company organization are expected to share such culture and the same moral commitment in pursuing it, embracing entirely the principles expressed herein.

The values in which Ansaldo STS believes and which inspire its business are the following:

Customer Focus:
Ansaldo STS exists thanks to its customers and the extent to which the Company is able to understand and satisfy their needs and expectations and help them solve related problems.

Innovation and Excellence:
Ansaldo STS is a group which is oriented to the continuous technological progress and to the creation and implementation of cutting edge solutions. This is the essential basis of Ansaldo STS’s competitiveness in an international market open to global competition.

People:
Customer satisfaction and new product development come from the ability of dedicated professionals. For this reason, Ansaldo STS is a company founded on people, supporting their professional growth and rewarding those who seek and foster the success of the Company. Ansaldo STS operates worldwide and respects the culture of every country. All people within the Company’s organization shall endeavour to make Ansaldo STS a place where one is proud to work, where one can learn, and where one can achieve and celebrate success.

Team Spirit:
The Company’s operational objectives cannot be achieved by individuals acting alone; thus the Company’s employees are able and willing to work together with colleagues within an integrated global organization.

Integrity:
To work together effectively, people must foster mutual trust, which is possible only if all work and behave in a honest, loyal and reliable manner, in complete abidance with the rules. Likewise, customers must be absolutely certain that integrity is a fundamental value for Ansaldo STS, which is reflected in product offerings characterized by the utmost care and attention to safety issues.

General Principles

Integrity and respect for law are fundamental ethical principles with which the Recipients must comply in the performance of their activities and their behaviour.

The Group's directors and executives with their behaviour shall be an example for all employees and co-workers of Ansaldo STS.

Ansaldo STS operates in accordance with applicable regulations, implementing procedures to counteract all forms of illegal activity and demanding complete abidance with the rules of conduct by the Recipients as a requirement for their work.

Ansaldo STS promotes the continuous innovation and excellence, investing in research and development and supporting a corporate culture aimed towards constant innovation.

Ansaldo STS regards the environment as a primary asset to be protected and conducts its activities to this end. The Recipients are bound within the scope of their respective competencies to comply with the relevant laws and regulations and the company procedures in relation to the environment.

Ansaldo STS adopts a system of Corporate Governance inspired by the highest standards of transparency and propriety in business management, in accordance with the laws of the Italian financial markets supervisory authority - Consob – and the Italian Stock Exchange and the laws and regulations of the jurisdictions in which the Company operates.

Ansaldo STS actions and communication are inspired by the principle of transparency, being accountable for its choices and guaranteeing the truthfulness, accuracy and completeness of business information both within and outside the company, in abidance with adequate levels of protection of confidential or inside information.

Ansaldo STS ensures the efficient management of company risks.

The Recipients of the Code of Ethics are required to act with integrity and in compliance with applicable laws and regulations.

Ansaldo STS promotes and implements a corporate culture inspired by responsibility, fairness and ethics in carrying out daily activities and the utmost attention is paid to the Recipients' conduct. Ansaldo STS's directors and executives with their behaviour shall be an example for all employees and co-workers of Ansaldo STS, respecting the Code of Ethics, corporate procedures and rules, promoting the dissemination thereof among the employees and urging them to submit requests for clarification or proposals for updating them where necessary. The directors shall actively propose and implement projects, investments and industrial and managerial actions useful for maintaining and increasing the economic, technological and professional assets of the Company.

Ansaldo STS operates in accordance with local, national and international regulations, implementing procedures to prevent all forms of illegal activity and demanding complete abidance with the rules of conduct, as also provided by the company procedure, by the Recipients as a requirement for their work. The Recipients are therefore required to be familiar with and observe the laws and regulations in force in every country in which Ansaldo STS operates. This obligation also includes attention towards and observance of the regulations on competition, both in the national and international market. All Recipients' transactions with Public Institutions and Authorities must be marked by the highest degree of fairness, transparency and cooperation, in full observance of applicable laws and regulations and of their institutional roles.

The Recipients, within the scope of their respective competencies and functions, are bound to strict compliance with corporate procedures. These regulate the conduct of operations and corporate transactions in such a way so as to make it possible to identify the persons responsible for corporate decision-making, authorization and conduct of operations. Through compliance with corporate procedures, the traceability of each process related to corporate activity must be ensured, so that it is possible to reconstruct the motives behind the decisions made, the persons responsible and any relevant factors for the purpose of assessing the propriety of the choices made.

AnsaldoSTS promotes continuous innovation and excellence, investing in research and development and supporting a corporate culture aimed towards constant innovation, both through the enhancement of our technological assets and the participation of our people in the creation of new ideas and the testing of new applications.

Ansaldo STS regards the environment as a primary asset to be protected for the benefit of future generations and manages its activities to this end, seeking a balance between economic initiatives and environmental protection requirements as well as compliance with relevant laws and regulations. Ansaldo STS operates in full compliance with environmental laws and regulations and requires the same compliance to the Recipients. Therefore they are bound within the scope of their respective competencies to comply with the relevant laws and regulations and the company procedures in relation to the environment.

Ansaldo STS adopts a Corporate Governance system inspired by the highest standards of transparency and fairness in business management. This corporate governance system complies with the provisions of the law and with the regulations of the Italian financial markets supervisory authority - Consob – and the Italian Stock Exchange, and is also in line with the content of the Italian Stock Exchange's Self-regulatory Code for listed companies - voluntarily adopted by Ansaldo STS - and with international best practice. Such a corporate governance system aims at maximising value to the benefit of shareholders, controlling enterprise risks, maintaining transparency towards the market and balancing the interests of all shareholders, particularly the small ones.

Ansaldo STS actions and communication are inspired by the principle of transparency, being accountable for its choices and guaranteeing the truthfulness, accuracy and completeness of business information both within and outside the company, in abidance with adequate levels of protection of confidentiality or inside information.

Ansaldo STS provides, within the limits established by applicable laws and in a timely, complete and accurate manner, the information requested by shareholders, customers, suppliers, authorities, institutions, and entities and other stakeholders in the performance of their functions.

The information distributed on the occasion of extraordinary transactions undertaken by the Company is prepared following procedures that ensure adequate controls for the protection of reliability of communications to the market.

Ansaldo STS ensures the efficient management of company risks by implementing the highest standards established for companies operating in regulated markets and in strategic sectors, by means of organizational structures and operating procedures which are constantly and continuously monitored and improved.

Rules of conduct

Human resources

Professionalism, responsibility, honesty, loyalty, and the commitment of human resources are the determining factors for the Company's success.

The Company is committed to protecting the moral integrity of all employees and co-workers in the workplace and promoting a multicultural working environment that respects and enhances the characteristics and unique nature of every individual. The selection of each employee and co-worker in any capacity whatsoever is conducted solely on the grounds of professional expertise and competence. Ansaldo STS supports its employees by means of a training and career development system aimed at focusing on key skills and facilitating the sharing of knowledge and best practices.

Ansaldo STS is also committed to ensuring the health of workers, in compliance with applicable laws, by taking all necessary and appropriate protective measures on the basis of the best scientific and technical know-how and by promoting a culture focused on safety. Respect for workers' dignity is ensured also through respect for privacy in correspondence and professional relationships.

Directors, employees and co-workers in various capacities are required to act in the interest of Ansaldo STS, avoiding any situation that might cause a personal interest to interfere with the Company's interest. Any conflicts of interest must be promptly reported in the manner prescribed in the Code of Ethics. Also consultants and business partners must make specific commitments to avoid conflicts of interest.

Ansaldo STS encourages people to do their best, rewarding professionalism and responsibility and promoting cooperation and team spirit at all organizational levels. Professionalism and responsibility together with honesty, loyalty, and the commitment of human resources are the determining factors for the Company's success in achieving its objectives in global competition.

Ansaldo STS works to overcome any kind of discrimination, corruption, exploitation of child or forced labour and, more generally, to promote the dignity, health, freedom and equality of workers, in line with the United Nation's Universal Declaration of Human Rights, the fundamental Conventions of the International Labour Organization (ILO) and the OECD's Guidelines.

Ansaldo STS is committed to comply with laws and regulations of the jurisdictions in which the Group operates in regard to all human resources.

The Company makes the following commitments with respect to its human resources, in the areas described below.

Work environment

Ansaldo STS is committed to ensuring the moral integrity of all its employees and co-workers and to providing dignified working conditions. Harassment of any kind in any work relationship is absolutely forbidden and, in general, to behave in any way that might compromise the peaceful performance of the functions assigned and otherwise cause prejudice to the dignity of all workers.

Ansaldo STS promotes a multicultural working environment that respects and enhances the characteristics and unique nature of every individual, providing its employees in various countries in which the company operate with the ability to use their talents effectively also helping to achieve Ansaldo STS's objectives.

Selection

The selection of each employee and co-worker in any capacity is conducted solely on the grounds of professional expertise and competence according to the Company's needs, avoiding favouritism and partiality of any kind. Ansaldo STS's selection policy offers equal work opportunities, promoting fair treatment on the basis of individual expertise and skill.

The staff of Ansaldo STS is employed in accordance with the laws and regulations applicable in the various countries in which it operates. In particular, Ansaldo STS shall not allow or tolerate any employment relationships involving a violation of applicable labour regulations concerning child, women and immigrant labour.

Employee Development

Ansaldo STS supports its employees by means of a training and career development system aimed at focusing on key skills and facilitating the sharing of knowledge and best practices, using communication as a tool to support constant improvement.

Ansaldo STS follows a policy based on recognition of merit and equal opportunity and provides specific programs for professional training and acquisition of improved skills.

Employees are required to cultivate and encourage the acquisition of new competencies, abilities and knowledge, while executives and heads of functions shall take greatest care to enhance and improve the professional expertise of their co-workers by creating the conditions for developing their skills and realising their potential.

Safety and health of workers

Ansaldo STS, complying with applicable legislation in individual countries, is committed to safeguarding workers' health, adopting all necessary and appropriate measures, based on the best technical and scientific know-how, to create a work place that meets the highest standards in matters of health and safety.

Ansaldo STS also fosters a culture focused on safety, for the protection of workers' health in the workplace, developing risk awareness and promoting responsible behaviour by all its employees and co-workers.

Protection of privacy

Ansaldo STS is committed to the protection of privacy of all the Recipients and, in general, of anyone having contacts with the Company for any reason in compliance with applicable laws in individual countries for the protection of the privacy.

The dignity of each worker shall be fostered through the respect of privacy in correspondence and professional relationships between employees where there is an expectation of privacy and by prohibiting interferences in meetings or dialogues and any intrusion or forms of control that could be personally or professionally damaging.

Conflict of interest

Between the directors, employees and co-workers of Ansaldo STS, at any level, there is a relationship of trust which is based on the assumption that all will act in the interest of Ansaldo STS in compliance with the principles set forth in the Code of Ethics. Therefore, each of these persons must avoid any situation and abstain from any action that could cause a personal or family related interest, either direct or indirect, to interfere with and hamper his/her capacity to take impartial and objective decisions in the interest of the Company.
Any situation of conflict or potential conflict, must be promptly communicated in detail to one's supervisor and, if appropriate, to the Supervisory Body of the Code of Ethics. The individual in potential conflict shall refrain from being involved or participating in any act that might prejudice the

Company or any third parties, or damage their image. Similarly, consultants and business partners must also undertake specific commitments intended to avoid any situation of conflict of interests, refraining from using, in any way and for any reason whatsoever, the activity carried out on behalf of the Company with a view to achieving illicit advantages for themselves or for others.

Ansaldo STS also requires that anyone who becomes aware of a situation of conflict of interest must promptly report it to the Supervisory Body of the Code of Ethics in the manner established by the Code of Ethics.

External Relations

Relations with authorities and public administrations shall be conducted and managed fairly, transparently and in compliance with the laws and with the principles set forth in the Code of Ethics and the internal policies and procedures.

In business relationships with clients, consultants, suppliers, partners and any other commercial counterpart, Ansaldo STS is guided by principles of integrity and respect for law and the values expressed in the Code of Ethics. The selection of the commercial counterparts shall be made based on objective, transparent and documented evaluation criteria. Ansaldo STS refrains from any relationship with persons connected to criminal or terrorist organizations or organizations which operate in violation of applicable laws and regulations. In order to prevent the risk of undertaking operations of any nature involving proceeds from committed crimes, Ansaldo STS shall abstain from accepting for whatever reason any payments in currency or equivalent.

Ansaldo STS prohibits all Recipients from accepting or offering money, gifts or undue favours. Recipients who receive money, gifts or undue favours that conflict with Ansaldo STS's policy shall immediately notify his/her supervisor for proper handing. Any irregularities in the presence of requests for or offers of money, gifts or favours shall also be reported to the Supervisory Body of the Code of Ethics.

Ansaldo STS does not encourage or discriminate against, directly or indirectly, any political organisation. The Company does not make contributions to political parties, movements, committees or organisations.

Authorities and public administrations

Relations with authorities and public administrations shall be conducted and managed in compliance with law and with the principles set forth in the Code of Ethics and AnsaldoSTS's specific policies and procedures.

Such relations, as with the management of financial resources, shall be executed by authorised corporate functions. In particular, relations with persons, authorities and international public administrations are entertained at appropriate levels, by authorized and properly identified persons.

Authorities and public administrations may include customers, public officials or persons in charge of a public service, international institutions, the judiciary, public authorities as well as private partners who are public service licensees. The operations performed with such persons may include tenders, management of contracts, authorizations, licenses, concessions, requests for and/or management of public financing, checks or communications with public authorities.

With respect to requests of any kind from a Judicial Authority and in connection with any contact with the same, Ansaldo STS is committed to providing the utmost cooperation and will refrain from behaviour that may cause obstruction. Ansaldo STS and its employees will act in full compliance with the laws and in conformity with the principles of loyalty, fairness and transparency.

In relationships with authorities and public administrations, Ansaldo STS undertakes to represent its interests and needs according to fairness and transparency, respecting the independence and impartiality of the public administration's choices.

Customers, consultants, suppliers, partners and any other commercial counterparty

In conducting its business, Ansaldo STS is guided by the principles of integrity and respect for law and the values expressed in the Code of Ethics as well as by openness to the market. Ansaldo STS requires similar behaviour from all those with whom it entertains commercial and/or financial relationships that permits Ansaldo STS to require compliance. Ansaldo STS is committed to act ethically with respect to all its customers.

Ansaldo STS refrains from any relationship whatsoever with:

- persons that are known to be, or are reasonably suspected of being part of or performing activities either in Italy or abroad in support of any criminal organization of any nature whatsoever, including mafia-like organizations, those involved in the trafficking of human beings or in the exploitation of child labour;
- persons or groups acting for the purposes of terrorism; regarding as such any conduct that may cause serious damage to a Country or an international organization, carried out in order to cause a person to perform or abstain from performing any act or to destabilize or destroy basic political, constitutional, economic and social structures of a Country or an international organization;
- persons that are known to use or are reasonably suspected of using child labour or staff hired in an irregular manner or who otherwise operate in violation of the laws and regulations regarding the protection of workers' rights.

In order to prevent the risk of undertaking, even unknowingly, operations of any nature involving money, assets or other utilities that are the proceeds of crime, Ansaldo STS shall abstain from accepting for any reason any payments in currency, bearer securities or payments through unauthorised intermediaries or through any third parties in such a manner as to make it impossible to identify the payer, or from any relations with persons having their headquarters or operating in countries where the transparency of corporate business is not guaranteed and, in general, from performing operations that might obscure the transparency of cash flows.

The selection of other parties in transactions, business partners, consultants, suppliers shall be made based on objective, transparent and documented evaluation criteria, such as quality, convenience, price and competence in accordance with the principles of this Code of Ethics and corporate procedures, as required by the specific internal policies and procedures, in writing and in observance of the hierarchical structures.

Any commercial relationships that exist between the companies of the Group must be duly formalized and conducted in accordance with the principles of fairness, effectiveness and protection of the respective interests, paying particular attention to aspects relating to the circulation of economic resources.

Ansaldo STS entertains relationships with third parties, including agents, consultants and partners for the development of commercial initiatives (such as consortia and the like), who base their conduct on ethical principles and professionalism. Specific contractual clauses are established with agents, consultants, partners and/or intermediaries in order to ensure the traceability of activities performed by them through periodic reports in relation to their abidance to assigned tasks and responsibility.

Gifts, benefits and promises of favours

In conducting business dealings with consultants, clients, suppliers, other parties in transactions, business and/or financial partners, no acts of giving or benefits (both direct and indirect), gifts, acts of courtesy or hospitality of any kind shall be made, unless they are of such a kind and value that do not compromise the image of the Company, and that may not be interpreted as aiming at obtaining preferential treatment. In all cases, any gifts, acts of courtesy or form of hospitality shall be reported to and submitted to the approval by the persons charged to such effect.

Recipients who receive, gifts or benefits that are in conflict with Company policy shall immediately notify his/her supervisor for proper handling. The person who offered the gift or giveaways shall be informed of the Company policy on this issue.

Any irregularities in the presence of requests for or offers of money, gifts or favours shall also be reported to the Supervisory Body of the Code of Ethics.

Political organizations

Ansaldo STS does not encourage or discriminate against, directly or indirectly, any political organisation.

The Company does not make contributions of any kind or in any form, whether direct or indirect, to political parties, movements, committees and political organisations, to their representatives and candidates, except as required by specific laws.

The above does not apply, however, to charitable initiatives that Ansaldo STS regards as being appropriate and supporting the Ansaldo STS values.

Rights and Sustainability

Ansaldo STS does business in a sustainable manner, with a continued commitment to economic and social development and the protection of human health and the environment.

Ansaldo STS upholds and promotes human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all - regardless of any protected characteristics such as race, nationality, political creed, religion, gender, age, minority status, diverse ability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and each employee. Amongst other things Ansaldo STS ensures freedom of assembly and prohibits use of illegal labour.

Ansaldo STS ensures safe and healthy work environments and manages its production processes with the least possible environmental impact, striving to apply a precautionary approach to the protection of human health and the environment.

Ansaldo STS contributes to the social and economic development of the communities and regions in which it operates, also by transferring its technologies and expertise and disseminating its know-how.

Ansaldo STS strives to promote and consolidate a culture of sustainability by developing the awareness of risks and encouraging responsible behaviour from all its stakeholders.

Protection of company assets

The use of corporate assets must comply with the law, applicable regulations and with corporate procedures.

Ansaldo STS adopts appropriate measures and initiatives to protect its intellectual property and not to infringe that of others.

The use of IT and electronic tools must be characterized by the respect for principles of fairness and must ensure the integrity and authenticity of the processed data. Ansaldo STS adopts measures capable of ensuring that access to and the use of electronic and IT data is done in compliance with current regulation and with the privacy of individuals who may be involved.

Relationships with the press and the media are founded upon the respect of the right of information and protection of the market and the interests of stakeholders and conducted in compliance with the Code of Ethics and corporate procedures. It is strictly prohibited that any form of investment be made, originating from the knowledge of inside information.

To safeguard the entirety of the Company assets, it is specifically forbidden, except as expressly permitted by law, to perform extraordinary operations on shares and on other items of the net assets in violation of the regulations for the protection of creditors.

Recipients are required to keep documents, know-how, corporate operations and, in general, all information acquired in the performance of their duties strictly confidential.

Ansaldo STS endeavours to work so that the use of available resources, carried out in compliance with applicable law and the corporate by-laws, and in line with the values of the Code of Ethics, is directed towards increasing and strengthening the Company's assets, in protection of the Company itself, its shareholders, creditors and the market. Therefore, the use of corporate assets must comply with the law and the applicable regulations as well as with operating procedures.

Intellectual Property

Ansaldo STS adopts appropriate measures and initiatives to protect its intellectual property and not to infringe upon that of others. In particular, Ansaldo STS is committed to:

- not performing any act of disposition and/or use, in any form or manner, of trademarks and names and other distinctive signs, even combined ones, of which it does not hold exclusive ownership and/or legitimate title to use;

- ensuring the security, integrity, proper use and operation of systems, programmes or IT and electronic data of the Company or third parties, protecting the related intellectual property rights and the integrity of information made available to the public through the internet.

Moreover, in its relations with suppliers, when the formulas and/or compositions of goods or trademarks to be used for supplies are not indicated or supplied by Ansaldo STS, the Company implements adequate procedures so that the supplier ensures and guarantees that the goods and their intended use do not infringe upon third parties' rights relating to intellectual property (trademarks and patents).

In such relations, the Company adopts appropriate indemnity measures for any claim, legal action and requests for compensation made by third parties due to acts of unfair competition, infringement of patents or patent applications, of trademarks or registered designs and of industrial and intellectual property rights related to raw materials, semi finished goods, finished products, services purchased from third parties.

Finally, Ansaldo STS only uses ideas or creative works (such as, but not limited to, text, sketches, illustrations, designs, trademarks, etc.) of which it has exclusive ownership by virtue of their creation by Ansaldo STS employees or contract rights agreed with third parties by means of contractual documents.

Use of IT tools

The use of IT and electronic communication tools must be characterized by respect for the principle of fairness and must be such to ensure the integrity and authenticity of the processed data, for the protection of the interests of the Company and third parties, with particular reference to authorities and public administrations.

Ansaldo STS adopts measures capable of ensuring that access to electronic and IT data is done in compliance with current regulation and respect for the privacy of individuals to protect the confidentiality of information and to prevent improper interference by unauthorized individuals.

Management of information

Ansaldo STS ensures full transparency of choices made offering the market all necessary information so that the investors' decisions can be based on complete and correct information. The Group's communications are characterized not only by strict compliance with statutory and regulatory provisions but also by comprehensible language, exhaustiveness of information, promptness and informational symmetry in respect of all investors.

Relationships with the press and the media are founded upon the respect of the right of information and protection of the market and the interests of stakeholders and conducted in compliance with the Code of Ethics and corporate procedures.

External communications shall follow the principles of truthfulness, fairness, transparency, congruity and shall aim at disseminating the policies, programmes and plans of the Company.

Any request for information from the press or the media received by personnel of Ansaldo STS shall be reported in advance to the officers in charge of external relations for proper communication.

It is strictly prohibited that any form of investment be made, whether direct or through intermediaries, originating from knowledge of inside information (i.e. information which is not in the public domain and which, if made public, would be likely to affect the price of financial instruments) acquired in the course of the activity carried out within the Group. The communication or dissemination of such information shall not be carried out in any form whatsoever, outside the normal performance of the functions assigned. In compliance with applicable rules and regulations, Ansaldo STS shall adopt appropriate measures to protect price sensitive information, so as to prevent access by any unauthorized person or handling of such information in an inappropriate manner.

Transactions in shares and corporate capital

To safeguard the entirety of the Company assets, it is specifically forbidden, except as expressly permitted by law, to perform extraordinary operations on shares and on other items of the net assets in violation of the regulations for the protection of creditors.

Furthermore, it is forbidden to fictitiously form or increase share capital and to pay off, in case of winding-up, shareholders' claims to the detriment of creditors.

Confidentiality obligations

Due to the peculiarity and importance of the sectors of activity of the Company (such as technologies, protected technologies for railway transportation in safety conditions, scientific research), all Recipients are required to maintain the utmost confidentiality of any proprietary information, and shall not disclose or inappropriately handle information about documents, know-how, research projects, company business activities, and in general about any information acquired in the performance of their duties.

In particular, confidential or secret proprietary information means all information subject to specific laws or regulations as they pertain, for instance, to security in the transportation system, inventions, scientific discoveries, protected technologies or new industrial applications, as well as information declared secret by contract. Confidential information is also all information acquired in the performance of working activities or through such activities, whose circulation and use could jeopardise or harm the Company and/or create unjust enrichment of the employee.

Any breaches of their confidentiality obligations and/or violation of the Code of Ethics by the Recipients would harm the relationship of trust with the Company and may lead to disciplinary action or the application of contractual sanctions.

Implementation of the Code of Ethics

This Code of Ethics applies to all entities of the Ansaldo STS Group. The responsibility for the implementation of the Code of Ethics, its application and updating is a duty of the directors and employees of Ansaldo STS.

Any violations of or failure to apply the Code of Ethics can be reported to a special-purpose Supervisory Body of the Code of Ethics. Persons who make such reports in good faith shall be protected from any form of retaliation.

Ansaldo STS promotes knowledge of and compliance with the Code of Ethics, the specific procedures and their updates among all Recipients. In case of any non-observance, appropriate disciplinary action or contractual sanctions will take place.

Application, dissemination, training

This Code of Ethics applies to all entities of the Ansaldo STS Group. Ansaldo STS promotes the dissemination of the Code of Ethics among the Group's companies so that they implement it as an effective management tool, after adaptation in accordance with prevailing laws and regulation. The responsibility for the implementation of the Code of Ethics and its application is a duty of the directors and employees of Ansaldo STS.

Any violations of or failure to apply the Code of Ethics may be reported to a special-purpose Supervisory Body of the Code of Ethics, identified in the various companies of the Ansaldo STS Group, in accordance with the rules applicable to the specific company. Such body may recommend supplements and amendments to the Code of Ethics. The Company ensures that no-one in the workplace is subject to any retaliation, illegal conditioning and discriminating treatment of any kind, for having made a good faith report of a violation or non-application of the Code of Ethics to the Supervisory Body of the Code of Ethics. As a consequence of the said report, the

Company shall promptly arrange the necessary investigation and take adequate disciplinary measures, in accordance with the rules applicable to the specific company of the Group.

Ansaldo STS promotes the knowledge and obedience of the Code of Ethics, the specific procedures and their updates among all Recipients. In case of any non-observance, appropriate disciplinary action or contractual sanctions will take place. The Recipients are required to be familiar with the contents of the Code of Ethics - asking and receiving any necessary explanations on its interpretation from the company's leadership - to observe the Code and to contribute to its implementation. Employees can report not only to the Supervisory Body of the Code of Ethics, but also to their superiors any deficiency, violations or attempted violations that they are aware of.

Ansaldo STS also promotes and encourages cooperation among the Recipients to develop compliance with, knowledge and implementation of the Code of Ethics and of specific policies and procedures, within the scope of each Recipient's competence and functions.

To this end, the Company provides specific training/informative courses for the Recipients, elaborated in accordance with the different needs and responsibilities of the various participants.

Sanctions system

Violations of the principles set forth in the Code of Ethics and in the specific procedures shall be followed up by Ansaldo STS in accordance with the policies, procedures and regulations applicable to the specific company of the Group.

Annex - Implementation of the Code of Ethics in Ansaldo STS S.p.A.

With regard to the implementation of the Code of Ethics in the holding company Ansaldo STS S.p.A. the following is noted:

- the Supervisory Body of the Code of Ethics coincides with the Supervisory Body of the Organizational, Management and Control Model pursuant to Legislative Decree 231/2001;
- in order to facilitate the flow of notifications and information to the Supervisory Body a dedicated information channel has been set up (OdV@ansaldo-sts.com) through which all who become aware of any unlawful conduct can report, freely, directly and in a confidential manner to the Supervisory Body;
- for a description of the Sanctions System see paragraph 6 of the Organizational, Management and Control Model.

Approved by the Board of Directors of Ansaldo STS in the meeting of June 28th 2012.

Available on the company's intranet, section manual (IMS document code MNL 004, rev. 02) and on the internet website (www.ansaldo-sts.com), section Governance/Code of Ethics

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